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F. No. AERA/20010/MYTP/TKIAL-Trivandrum/CP-III/2022-27

आदेश संख्या 02/2024-25
Order No. 02/2024-25

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

तिरुवनंतपुरम अंतरराष्ट्रीय हवाईअड्डा, तिरुवनंतपुरम (टीआरवी) के लिए तृतीय नियंत्रण अवधि (01 अप्रैल, 2022 से 31 मार्च, 2027) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR THIRUVANANTHAPURAM INTERNATIONAL AIRPORT, THIRUVANANTHAPURAM (TRV) FOR THE THIRD CONTROL PERIOD (01ST APRIL, 2022 TO 31ST MARCH, 2027)

जारी करने की तारीख : 21.06.2024
Date of Issue: 21.06.2024

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List of Abbreviations

Abbreviation	Expansion
A&G	Administrative & General
AAHL	Adani Airport Holdings Ltd
AAI	Airports Authority of India
AAICLAS	Airports Authority of India Cargo Logistics and Allied Services
AC	Air Conditioning
ACFT	Air Crash Fire Tender
ACI	Airports Council International
ADP	Automatic Data Processing
AEL	Adani Enterprises Limited
AERA / the Authority	Airports Economic Regulatory Authority of India
AFS	Air Freight Station
AIC	Aeronautical Information Circular
AMSS	Automatic Message Switching System
ANS	Air Navigation Services
AO	Airport Operator
AOCC	Airport Operations Control Centre
AODB	Airport Operational Data Base
ARFF	Aircraft Rescue and Fire Fighting
ARR	Aggregate Revenue Requirement
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
ATS	Air Traffic Service
AUCC	Airport Users Consultative Committee
BAS	Biometric Attendance System
BCAS	Bureau of Civil Aviation Security
BDDS	Bomb Detection and Disposal Squad
BHS	Baggage Handling System
BIAL	Bangalore International Airport Limited
BOQ	Bill of Quantity
BOT	Build-Operate-Transfer
BPCL	Bharat Petroleum Corporation Limited
BRS	Baggage Reconciliation System
CA	Concession Agreement
CAD	Computer Aided Design
CAGR	Compounded Annual Growth Rate
CAO	Chief Airport Officer
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CAR	Civil Aviation Regulations
CCR	Constant Current Regulator
CCTV	Closed Circuit Television
CFT	Crash Fire Tender
CGF	Cargo, Ground Handling and Fuel Supply to Aircraft
CHQ	Corporate Headquarters

Abbreviation	Expansion
CIAL	Cochin International Airport Limited
CISF	Central Industrial Security Force
CNS	Communication, Navigation and Surveillance
COD	Commercial Operation Date
COVID-19	Corona Virus Disease of 2019
CP	Consultation Paper
CPWD	Central Public Works Department
CSS	Corporate Support Service
CUSS	Common Use Self Service
CUTE	Common Use Terminal Equipment
CWIP	Capital Work in Progress
DCC	Direct Channel Complex
DFMD	Door Frame Metal Detector
DG Sets	Diesel Generator Sets
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
DSR	Delhi Schedule of Rates
DTB	Domestic Terminal Building
DVOR	Doppler Very High Frequency Omni Range
EHCR	Employee Head Count Ratio
EPOS	Electronic Point of Sale
ESS	Environmental Support Services
ETD	Explosive Trace Detectors
F&B	Food and Beverages
FA	Financing Allowance
FAR	Fixed Asset Register
FCP	First Control Period
FIA	Federation of Indian Airlines
FICCI	Federation of Indian Chambers of Commerce and Industry
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
FTC	Fuel Throughput Charge
GA	General Aviation
GBR	Gross Block Ratio
GDP	Gross Domestic Product
GH	Ground Handling
GHA	Ground Handling Agent
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GSE	Ground Support Equipment
GST	Goods & Service Tax
HIAL	Hyderabad International Airport Limited
HPCL	Hindustan Petroleum Corporation Limited
HR	Human Resources
HVAC	Heating, Ventilation and Air Conditioning
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICC	International Cargo Center

Abbreviation	Expansion
IDC	Interest During Construction
ILBS	Inline Baggage Screening
IMG	Inter-Ministerial Group
IND AS	Indian Accounting Standards
IOCL	Indian Oil Corporation Limited
IoT	Internet of Things
IP-AMSS	Internet Protocol Automatic Message Switching System
IT	Information Technology
JARS	Joint Asset Reconciliation Statement
KWP	Kilowatt peak
LED	Light Emitting Diode
LOA	Letter of Award
MEP	Mechanical, Electrical and Plumbing
MESS	Mechanized Environmental Support Services
MHE	Material Handling Equipment
MIAL	Mumbai International Airport Limited
MoCA	Ministry of Civil Aviation
MoRTH	Ministry of Road Transport & Highways
MSSR	Monopulse Secondary Surveillance Radar
MYTP	Multi-Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NASFT	National Aviation Security Fee Trust
NOTAM	Notice To Air Missions
NITB	New Integrated Terminal Building
O&M	Operation and Maintenance
OMC	Oil Marketing Companies
OPEX	Operating Expenditure
OWS	Oil Water Separators
PAR	Plinth Area Rate
PBG	Performance Bank Guarantee
PBT	Profit Before Tax
PCN	Pavement Classification Number
PHP	Peak Hour Passenger
PIDS	Perimeter Intrusion Detection System
PMC	Project Management Consultancy
PO	Purchase Order
PPP	Public Private Partnership
PSF	Passenger Security Fee
PV	Present Value
QTR	Quarters Ratio
R&M	Repairs and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RBML	Reliance BP Mobility Limited
RCC	Reinforced Cement Concrete
RCS	Regional Connectivity Scheme
RESA	Runway End Safety Area
RF links	Radio Frequency links

Abbreviation	Expansion
RFP	Request for Proposal
RHQ	Regional Headquarters
RWY	Runway
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
SMR	Surface Movement Radar
SOFR	Secured Overnight Financing Rate
SPV	Special Purpose Vehicle
STP	Sewage Treatment Plant
TB	Terminal Building
TBLR	Terminal Building Ratio
TCP	Third Control Period
TKIAL	TRV (Kerala) International Airport Limited
TR stall	Travellers Requisite Stalls
TRV/TIA	Thiruvananthapuram International Airport
UDAN	Ude Desh ka Aam Naagrik
UDF	User Development Fees
ULD	Unit Load Devices
UPS	Uninterruptible Power Supply
VCS	Video Communication System
VDGS	Visual Docking Guidance System
VIP	Very Important Person
WAN	Wide Area Network
WDV	Written Down Value
WIP	Work in Progress
WPI	Wholesale Price Index
XBIS	X-ray Baggage Inspection Systems
YPP	Yield Per Passenger
YTD	Year To Date
Units of measure (UOM)	
Cr	Crores
FY	Financial Year
MPPA	Million Passenger Per Annum
MT	Metric Tonne
PAX	Passenger
Sqm	Square meter
Y-o-Y	Year-on-Year

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1 INTRODUCTION

1.1 Background

1.1.1 Thiruvananthapuram (also known as Trivandrum) is the capital of the state of Kerala and a major hub for Information Technology. It is the most populous city in Kerala. Thiruvananthapuram International Airport (TRV), established in 1932, holds the distinction of being the first airport in the state of Kerala, India. Its inaugural flight took off on 1st November 1935. The Airport is situated 3.7 kilometers away from the city center and is in close proximity to various prominent destinations such as Kovalam beach and the under-construction Vizhinjam International Seaport.

1.1.2 TRV operates with two terminals. Terminal-I, which commenced operations in 1985, primarily handles domestic flight operations, excluding those of Air India. Terminal-II was inaugurated in 2011 and serves as the hub for all international flight operations along with domestic flights operated by Air India.

1.1.3 TRV is a Major Airport as per the definition outlined in Section 2 (i) of the Airports Economic Regulatory Authority of India (AERA) Act, 2008, read with the AERA (Amendment) Acts of 2019 and 2021.

1.1.4 As of year, ended 31st March 2023, TRV stands as the second busiest airport in Kerala in FY 2022-23 and the fourteenth busiest in India, catering to around 4 MPPA in FY 2019-20 (pre-COVID) and 3.5 MPPA in FY 2022-23 (post-COVID). The traffic handled by the Thiruvananthapuram International Airport during the financial years from 2016-17 to 2022-23 is given in the table below:

Table 1: Actual Passenger and ATM traffic as submitted by TRV and available in AAI website from 2016-17 to FY 2022-23

Year	Passenger (in No's)			ATMs (in No's)		
	Domestic	International	Total	Domestic	International	Total
2016-17	1,571,767	2,309,742	3,881,509	12,473	16,644	29,117
2017-18	1,916,127	2,477,342	4,393,469	14,680	19,058	33,738
2018-19	1,904,908	2,529,551	4,434,459	14,452	18,641	33,093
2019-20	1,709,229	2,209,964	3,919,193	14,030	14,812	28,842
2020-21	476,559	458,876	935,435	5,111	4,202	9,313
2021-22	699,447	956,059	1,655,506	7,010	8,346	15,356
2022-23	16,79,385	17,98,682	34,78,067	12,270	12,324	24,594

1.1.5 Technical and Terminal Building details of TRV submitted by the TKIAL are provided in the table below:

Table 2: Technical and Terminal Building details of TRV submitted by TKIAL

Particulars	Details
Terminal Building (TB)	Terminal-I – 15,800 sqm Terminal-II – 43,500 sqm
Total Airport Area	630 acres Carved Out approx. 30 Acres Demised approx. 600 Acres
Designated Capacity	Terminal-I – 1.3 MPPA Terminal-II – 3.2 MPPA
Main Runway orientation and length	Runway 14/32, dimension 3,373m x 45m
Taxiway	23m wide
Apron	International - 13 Narrow body equivalent Domestic - 11 Narrow body equivalent
Operational hours	24 hours

Particulars	Details
Aerodrome Category	4E
Immigration Counters	16
Check in counters	38
Passenger Boarding Bridges	Domestic – 2 International – 4

1.2 Ownership Structure

1.2.1 Prior to concession out for its development on PPP basis, TKIAL was owned and operated by AAI. Subsequent to the selection of Adani Enterprises Limited (AEL) as the "Selected Bidder", AEL promoted and incorporated the Special Purpose Vehicle (SPV) – TRV (Kerala) International Airport Limited (TKIAL), as the concessionaire under the Companies Act, 2013. TKIAL signed the Concession Agreement with AAI on 19th January 2021 for exclusive right to operate, manage and develop Thiruvananthapuram Airport for a period of 50 (fifty) years from the Commercial Operations Date (COD). In consideration for the grant of such concession, the Airport Operator shall pay AAI a monthly concession fee during the concession period, namely, specified amount of "Per Passenger Fee" for both domestic and international passengers (refer to clause 27.5.2 of the Concession Agreement).

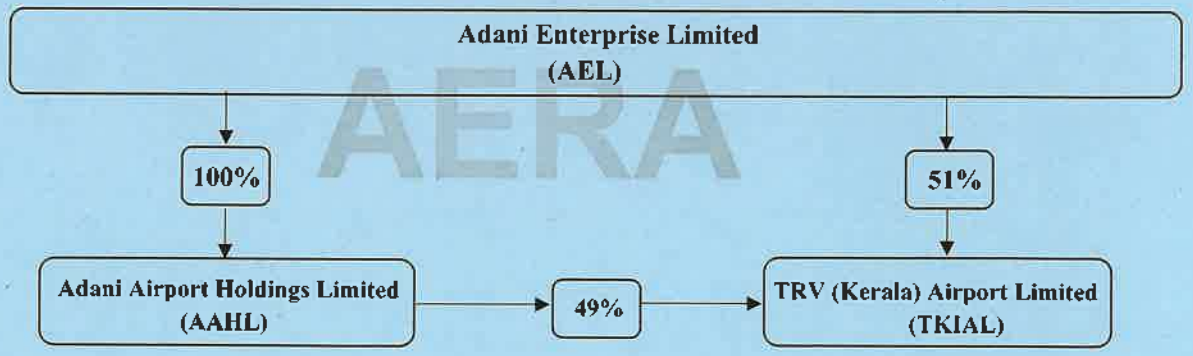
1.2.2 However as per the Clause 20.1.1 of the Concession Agreement, only the designated Government of India (GOI) agencies shall be authorized to undertake the 'reserved services' at the airport, namely, CNS/ATM services (Communications, Navigation and Surveillance Systems/Air Traffic Movement), Security services, Meteorological services, Mandatory health services, Customs control, Immigration services, Quarantine service and any other services as may be notified by GoI (refer to clause 19.4.2 of the CA, which has been detailed in the Annexure 5 in Chapter 17). This does not restrict AAI from requiring the Concessionaire to undertake any or all of the Reserved Services on such terms and conditions as may be mutually agreed between the Parties.

1.2.3 AEL later incorporated a 100% subsidiary named Adani Airports Holdings Limited (AAHL). As on 31st March 2023, AEL holds 51% shareholders equity in TKIAL and the remaining 49% is held by AAHL.

Table 3: Shareholding pattern of TKIAL

Name of the Shareholder	% Shareholding
Adani Enterprise Limited	51%
Adani Airport Holdings Limited	49%

Figure 1: Ownership Structure



1.3 Cargo, Ground Handling and Fuel Operations

Cargo Operations

1.3.1 TRV handled cargo volume of approx. 25,511 MT in 2019-20 (pre-COVID) which comprised 23,488 MT of international cargo and 2,023 MT of domestic cargo. Prior to the COD, domestic air cargo operations were managed by AAICLAS in a facility (Carved out area) with a 2,600-ton capacity.

1.3.2 The area of the Cargo facility retained in the carved-out area, i.e., ear-marked for AAICLAS is 8,301 sqm as per Annexure IV of Schedule A to the Concession Agreement (refer to Annexure 5 in Chapter 17). Hence under the Concession Agreement, this cargo area is retained by AAICLAS and not transferred to TKIAL.

1.3.3 Clause 19.4.1 of Concession Agreement details the obligations of TKIAL for upgrading, developing, operating and maintaining the Cargo Facilities in accordance with the provisions of the Concession Agreement, Applicable Laws, Permits and Good Industry Practices (refer to Annexure 5 in Chapter 17)

1.3.4 Pursuant to the terms of the Concession Agreement and to cater to the growing demands at TRV, TKIAL started to participate in the cargo handling business. Accordingly, TRV has started processing domestic cargo from August 2022 onwards.

1.3.5 In this regard, AERA vide Order no. 47/2021-22 dated 17th March 2022 allowed TKIAL to levy the existing charges for Domestic Cargo Handling Services at TRV till 30th September 2022. On 23rd September 2022, an interim Order No. 24/2022-23 was issued allowing TKIAL to levy the existing tariff as on date 30th September 2022 for a further period of 6 months w.e.f. 1st October 2022 till 31st March 2023. Further, to avoid a regulatory vacuum, AERA vide Order No. 42/2022-23 dated 23rd March 2023 allowed TKIAL to continue existing rates for the Cargo facility till 30th September 2023 and thereafter vide Order No. 20/2023-24 dated 27th September 2023 allowed TKIAL to continue the existing rates for the Cargo facility till 31st March 2024. Thereafter, AERA vide Order No. 30/2023-24 dated 20th December 2023 allowed KSIEL to levy the revised Tariff in respect of the Cargo Handling Services for the Third Control Period till 31st March 2026.

1.3.6 The cargo operations have also been factored in the ARR of TKIAL. The major components such as capital expenditure, depreciation, operating expenses and revenues with respect to the cargo operations and facilities have been presented separately in the respective sections.

Ground Handling Operations

1.3.7 Clause 19.2 of the Concession Agreement details TKIAL's obligations towards provision of infrastructure required for ground handling services at the TRV in accordance with the provisions of the Agreement, applicable Laws and Good Industry Practice (refer to Annexure 5 in Chapter 17).

1.3.8 Further, subject to the provisions of the Concession Agreement, TKIAL has the right to grant license to any entity for providing Ground Handling Services at TRV, on the terms and conditions mentioned in the License Agreement between TKIAL and the potential service providers.

1.3.9 Pursuant to above terms of the Concession Agreement, TKIAL has engaged GSEC Bird Airport Services Private Limited and Air India SATS Airport Services Private Limited for provision of such Ground Handling services at TRV through a bidding process, resulting in a revenue share of 45% of Gross Revenue from each of the service providers. Further, levy of charges by such Independent Service Providers is governed by

AERA vide Order No. 27/2022-23 for GSEC Bird Airport Services Private Limited and vide Order No. 31/2022-23 for Air India SATS Airport Services Private Limited.

Fuel Facility Operations

1.3.10 Clause 19.3 of the Concession Agreement lists down TKIAL's obligations towards providing aircraft fueling services, which has been detailed in Annexure 5 in Chapter 17.

1.3.11 Previously, when the airport was operated by AAI, various Oil Marketing Companies (OMCs) were providing fuel services at the airport using their own infrastructure. As mandated by the Concession Agreement (CA), TKIAL is planning to build an open access facility and is in the process of acquiring the existing assets of IOCL, BPCL and HPCL along with setting up a hydrant refueling system.

1.3.12 The fuel farm operations have also been factored in the ARR of TKIAL. The major components such as capital expenditure, depreciation, operating expenses, and revenues with respect to the fuel farm operations and facilities have been presented separately in the respective sections.

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2 TARIFF DETERMINATION OF THIRUVANANTHAPURAM INTERNATIONAL AIRPORT

2.1 Introduction

2.1.1 AERA was established by the Government of India (GoI) vide notification No. GSR 317(E) dated 12th May 2009. The functions of AERA, in respect of Major Airports, are specified in section 13(1) of The Airport Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'The Act') read with AERA (Amendment) Act 2019 and 2021, which are as below:

a) To determine the tariff for aeronautical services taking into consideration:
   (i) The capital expenditure incurred and timely investment in improvement of airport facilities.
   (ii) The service provided, its quality and other relevant factors.
   (iii) The cost of improving efficiency.
   (iv) Economic and viable operation of major airports.
   (v) Revenue received from services other than aeronautical services.
   (vi) The Concession offered by the Central Government in any agreement or memorandum of understanding or otherwise.
   (vii) Any other factor which may be relevant for the purposes of the Act.

   Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified in sub-clauses (i) to (vii).

b) To determine the amount of development fees in respect of major airports.
c) To determine the amount of passenger service fee levied under rule 88 of the Aircrafts Rules, 1937 made under the Aircraft Act, 1934.
d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority by it in this behalf.
e) To call for such information as may be necessary to determine the tariff under Clause 13(1)(a).
f) To perform such other functions relating to tariffs, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.

2.1.2 The terms "Aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

2.1.3 As per the AERA Act, 2008, following are the Aeronautical services:

i. Aeronautical services provided by the Airport Operators.
ii. Cargo, Ground Handling and Fuel Supply Services; and
iii. Air Navigation Services.

2.1.4 AAI shall be handling the Air Navigation Systems (ANS) at TRV. Tariff for ANS is presently regulated by the Ministry of Civil Aviation (MoCA) of India to ensure uniformity across the Airports in India. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport by excluding the assets, expenses, and revenues from ANS.

2.2 Authority's orders applied in tariff proposals in this Tariff Order

2.2.1 Detailed Guidelines laying down information requirements, periodicity and procedure for Tariff determination have been issued by the Authority. The details of Authority's Orders and Guidelines issued in this regard are as under:

i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators); and

ii. Order No. 05 dated 02.08.2010 (Regulatory philosophy and approach in Economic Regulation of the services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 (Terms and conditions for determination of tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts).

iii. Order No. 07/2016-17 dated 13.06.2016 (Normative Approach to Building Blocks in Economic Regulation of Major Airports).

iv. Order No. 14/2016-17 dated 12.01.2017 in the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India.

v. Order No. 20/2016-17 dated 31.03.2017 in the matter of allowing Concession to Regional Connectivity Scheme (RCS) Flights under RCS – Ude Desh ka Aam Naagrik (UDAN) at Major Airports.

vi. Order No. 35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/2017-18 dated 09.04.2018 in the matter of determination of useful life of Airport assets.

vii. Order No. 42/2018-19 dated 05.03.2019 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India.

2.3 Past tariff determination history of Thiruvananthapuram International Airport

2.3.1 Pursuant to the AERA Act 2008, the Authority issued guidelines for the purpose of determination of aeronautical tariffs at Major Airports. AAI had submitted Multi Year Tariff Proposals (MYTP) for the First Control Period from FY 2011-12 to FY 2015-16 for TRV, in respect of which the Authority had determined the Aeronautical tariff vide its Order No. 15/2015-16 dated 17th April 2015.

2.3.2 With respect to the Second Control Period of TRV commencing from FY 2016-17 to FY 2020-21, the Authority had determined the Aeronautical tariff vide its Order No. 03/2017-18 dated 2nd June 2017 read with addendum dated 28th June 2017 and corrigendum dated 1st December 2017. Also, the Authority had issued Order No. 25/ 2020-21 dated 2nd July 2020 with respect to provision of compensation in lieu of Fuel throughput charges at TRV.

2.3.3 AAI and TKIAL entered into a Concession agreement on 19th January 2021 for Operations, Management and Development of TRV and the date of Commercial Operations (COD) was 14th October 2021. The following are the tariff orders for Aeronautical Charges and Cargo respectively issued by the Authority for TRV.

Table 4: Tariff orders issued by the Authority for TRV

Tariff Orders	Applicability period
Order No. 03/2017-18 dated 2nd June 2017	Second Control Period order till 31st March 2021
Ad hoc Order No. 65/2020-21 dated 24th March 2021	1st April 2021 to 30th September 2021
Order No. 19/2021-22 dated 22nd September 2021 (for AAI)	1st October 2021 to 31st March 2022
Order No. 22/2021-22 dated 6th October 2021 (for the new AO)	COD to 31st March 2022
Order No. 42/2021-22 dated 14th March 2022	1st April 2022 to 30th September 2022
Order No. 22/2022-23 dated 20th September 2022	1st October 2022 to 31st March 2023
Order No. 41/2022-23 dated 22nd March 2023	1st April 2023 to 30th September 2023
Order No. 19/2023-24 dated 20th September 2023	1st October 2023 to 31st March 2024
Order No. 40/2023-24 dated 15th March 2024	1st April 2024 to 30th September 2024 or till the determination of Regular tariff for the control period, whichever is earlier

Table 5: Cargo Tariff orders issued by the Authority for TRV

Tariff Orders	Applicability period
Order No. 42/2020-21 dated 1st September 2020 (AAICLAS)	First Control Period w.e.f. 1st October 2020 to 31st March 2024
Order No. 41/2023-24 dated 15th March 2024 (AAICLAS)	1st April 2024 till 30th September 2024 or till the determination of Regular tariff for the control period, whichever is earlier
Ad hoc Order No. 47/2021-22 dated 17th March 2022	1st April 2022 till 30th September 2022
Order No. 24/2022-23 dated 23rd September 2022	1st October 2022 till 31st March 2023
Order No. 42/2022-23 dated 23rd March 2023	1st April 2023 till 30th September 2023
Order No. 20/2023-24 dated 27th September 2023 (CGF)	1st October 2023 till 31st March 2024
Order No. 30/2023-24 dated 20th December 2023 (KSIEL)	26th December 2023 till 31st March 2026
Order No. 41/2023-24 dated 15th March 2024 (TKIAL)	1st April 2024 till 30th September 2024 or till the determination of Regular tariff for the control period, whichever is earlier

2.4 Multi Year Tariff Proposal (MYTP) submission by TKIAL for Third Control Period

2.4.1 In terms of Direction No. 05 issued on 28th February 2011 (Terms and Conditions for Determination of Tariff for Airport Operators), Control Period means a period of five Tariff Years during which the Multi Year Tariff Order and Tariff(s) as determined by the Authority pursuant to such order shall subsist. Thus, TKIAL, on 15th April 2022 sought clarification from the Authority relating to the control period that is applicable for TRV. The Authority vide its Public Notice No. 05/2022-23 dated 20th June 2022 decided the following:

- *"To shift the Control Period for Trivandrum Airport from 01.04.2021-31.03.2026 to 01.04.2022-31.03.2027. The periodicity of the Control Period will be five years only.*
- *To consider the true up for 01.04.2021 to 31.03.2022 at the time of determination of tariff for the Third Control Period as per AERA policy."*

2.4.2 In compliance with the above, the following submission were made to the Authority for Tariff determination of Third Control Period:

- On 14th December 2022, AAI submitted true-up proposal for Second Control Period and the period from 1st April 2021 to 13th October 2021.
- On 21st February 2023, TKIAL submitted true-up proposal for the period from 14th October 2021 (Commercial Operation Date (COD)) to 31st March 2022.

- On 21st February 2023, TKIAL also submitted Multi-Year Tariff Proposal (MYTP) for the Third Control Period (TCP) covering FY 2022-23 to FY 2026-27.

Tariff determination for the pre-COD and post-COD period

a) Pre-COD Period:

2.4.3 AAI submitted its true up proposal for the Second Control Period and Pre-COD period from 1st April 2021 to 13th October 2021 vide email dated 14th December 2022. The document is available on the AERA website. To ensure clarity and understanding, a chronological timeline was established to represent the sequence of events leading up to the issue of Consultation Paper. The timeline captures key milestones such as the submission of the proposal, the preliminary scrutiny, the identification of discrepancies, the commencement of the inquiry and the subsequent provision of information by AAI which has been presented in the table below:

Table 6: Sequence of events regarding true up submissions of AAI

S. No.	Event	Date
1	Submission of original true up proposal of AAI	14th December 2022
2	Review of true-up submission and documentation provided by AAI	December 2022 to March 2023
3	Additional information on Operating Expenses	March 2023
4	Additional information on water charges and personal cost	May 2023
5	Additional information on Capital Expenditure, Non-Aeronautical Revenue	June 2023
6	Additional information on left over assets	November 2023

b) Post COD:

2.4.4 The tariff determination for the post-COD period has been considered for TKIAL under the following categories:

a) True up of the period from COD till 31st March 2022
b) Tariff determination for the Third Control Period i.e., from 1st April 2022 to 31st March 2027.

2.4.5 TKIAL in line with Authority's decision as stated in para 2.4.1, submitted its MYTP for true up of Post COD period and determination of aeronautical tariff for Third Control Period on 21st February 2023. The document is available on the AERA's website.

Table 7: Sequence of events regarding true up and MYTP submissions of TKIAL

S. No.	Events	Date
1	Submission of MYTP by AO	21st February 2023
2	Additional information on RAB, Operating Expenses, Traffic & FRoR	April 2023
3	Clarifications and details relating to Operating Expenditure	May 2023
4	Clarifications on Work-In-Progress assets	May 2023
5	Additional information and Clarification on Capital Expenditure Projects	May 2023 to July 2023
6	Submission of financials for FY 2022-23	July 2023
7	Clarifications relating to Capital Expenditure and Operating Expenditure	July 2023
8	Clarifications relating to Non-Aeronautical Revenue - Master Service Agreement etc.	August 2023
9	Additional information relating to Capital Expenditure and Operating Expenditure	August 2023
10	Assessment report relating to Terminal-1 Building	September 2023
11	Clarifications relating to Capital Expenditure	September 2023

S. No.	Events	Date
12	Additional information relating to Operating Expenditure, Non-Aeronautical Revenues and Capital Expenditure on CAPEX, OPEX & NAR	November 2023
13	Clarifications with respect to Capital Expenditure	December 2023
14	Status of Capital Expenditure projects, Head count, costs incurred till December 2023	January 2024
15	Additional information relating to actual traffic and Fuel volumes till December 2023	January 2024

2.4.6 As operations of TRV was taken over by TKIAL from the COD, i.e., 14th October 2021, the Authority considered to true up the necessary building blocks of TKIAL for a period of 169 days commencing from 14th October 2021 up to 31st March 2022. Accordingly, the Authority considered the Third Control Period of five years for TKIAL from 1st April 2022 to 31st March 2027.

2.4.7 The Authority has appointed an Independent Consultant, M/s PKF Sridhar & Santhanam LLP, to assess the MYTP submitted by TKIAL for the Third Control period. M/s PKF Sridhar & Santhanam LLP has assisted the Authority in examining the true up submission of AAI for the Second Control Period and Pre-COD period, by comparing each regulatory building block with the Tariff Order for the Second Control period, reviewing true up submission of TKIAL for the Post COD period, performed independent studies on the allocation of assets between Aeronautical and Non-aeronautical activities and efficient O&M expenses of TRV for the Second Control Period and FY 2021-22, examined the MYTP of TKIAL by verifying the data from various supporting documents submitted by TKIAL such as audited financials, Fixed Asset Register, Bill of Quantities of capital addition projects including award of various work orders, examining the building blocks in tariff determination, visiting the Airport in December 2023 and also ensuring that the treatment given to it is consistent with the Authority's methodology, approach etc.

2.4.8 Further to the presentation on MYTP made by TKIAL, the Authority advised TKIAL to re-evaluate the Capital Expenditure projects proposed by it as part of the MYTP submission, inter alia, considering the current passenger handling capacity at the Airport, traffic trends for present and future etc. together with the need to ensure modular construction of facilities as mandated by the Concession Agreement. Revised Capital Expenditure estimates have not been submitted by TKIAL. Therefore, the Authority assessed the Capital Expenditure requirements based on the assessment of current traffic scenario, available capacities, future traffic estimates and the need to ensure modular development of infrastructure at the Airport, with a view to ensure determination of optimal Aeronautical charges to be levied on the airport users.

2.4.9 In carrying out the analysis of MYTP submitted by TKIAL, the Authority carried out review of all details, break up of cost items etc., provided by TKIAL together with considering the financials of FY 2022-23 and FY 2023-24. Wherever details have not been provided/ partially provided, the Authority has carried out appropriate rationalization of such costs. The Authority has, in its analysis, indicated certain activities where the costs are proposed to be considered on an incurrence basis. These have been elaborated in the relevant paragraphs.

2.4.10 The Authority notes that Clause 5.7.1 of Direction 5/2010-11 pertaining to Terms and Conditions for determination of Tariff for Airport Operators Guidelines, 2011 states as follows:

"For any service provided by the Airport Operator for (i) ground handling services relating to aircraft, passengers and cargo at an airport; (ii) the cargo facility at an airport and (iii) supplying fuel to the aircraft at an airport, the Authority shall follow the regulatory approach and process for tariff determination as

mentioned in the Direction No. 4/ 2010-11 on Terms and Conditions for determination of Tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to the Aircraft Guidelines, 2011".

Further, Clause 1.2 of the Direction No.4/ 2010-11 states as follows:

"these Guidelines shall apply to Service Provider(s) for (i) the Cargo facility at a Major Airport, (ii) ground handling relating to aircraft, passengers and cargo at a major airport and for (iii) supplying fuel to the aircraft at a major airport: Provided that Airport Operator providing the Regulated Service(s) as defined herein shall be excluded from the application of these Guidelines.

2.4.11 Taking cognizance of the above provisions laid out under Direction 5/2010-11 and Direction 4/2010-11 and the fact that TKIAL is providing the services for cargo facility and supplying fuel to the aircraft, the Authority has examined the Assets, Expenses and Revenues pertaining to Cargo and Fuel farm of TKIAL separately under the relevant chapters in this Tariff Order, for the purpose of determining Aggregate Revenue Requirement of TKIAL.

Related Party Transactions

2.4.12 The Authority, through its Independent Consultant, conducted an analysis of the tendering procedures implemented by TKIAL and has reviewed the associated contract agreements concerning operating expenses and revenues entered into with related parties.

2.4.13 The Authority, on a sample review of contracts, notes that TKIAL has entered into contract with certain Related Parties as detailed hereunder.

Table 8: Services provided to TKIAL by related parties.

S. No.	Nature of Services	Name of Related Party	Description of Relationship
1	Master Service Agreement to operate and manage Non-Aeronautical Facilities	Adani Airport Holdings Limited	Company holding 49% shareholding in TKIAL
2	Corporate Support Service	Adani Airport Holdings Limited	Company holding 49% shareholding in TKIAL
3	Corporate Support Service	Adani Enterprises Limited	Holding Company
4	Borrowing	Adani Airport Holdings Limited	Company holding 49% shareholding in TKIAL

The Authority also notes the following from the Concession Agreement signed between TKIAL and AAI:

"5.6.1 The Concessionaire agrees and undertakes that it shall procure contracts, goods and services for the operations, management and development of the airport in a fair, transparent and efficient manner and without any undue favour or discrimination in this behalf. In pursuance hereof, it shall, within six (6) months from the COD, frame policy specifying the principles and procedures that it shall follow in awarding for supply of goods and services, and shall place the policy on its website for the information of general public and all interested parties. The policy shall:

(a) include the principles and procedures followed for sub-leasing, sub-licensing or grant or allocation of any space, building, rights or privileges to private entities in the Airport

(b) be approved by the Board of Directors of the Concessionaire

5.6.2 For procurement of goods, works, services, sub-lease(s), sub-license(s) or any other rights or previleges where the consideration (including deposits in any form or respect thereof) exceeds Rs. 25,00,00,000/-

*(Rupees Twenty-Five Crore) in any accounting year (collectively, the **contracts**) the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under clause 5.6.1*

5.6.3 The Parties agree that the Concessionaire should pre-quality and short-list the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm's length basis in a manner that is commercially prudent and protects interest of users."

5.6.4 The Concessionaire hereby agrees not to have any subsidiary or joint venture or any other similar form of arrangement with any other party.

2.4.14 AERA expects that TKIAL and the AAI, (Concession granting Authority) will ensure that the contracts with Related Parties are at arm's length and that the Related Party has experience of providing similar service in other places to ensure protection of interest of all stakeholders, as per the terms of the Concession Agreement detailed above, which may be followed in letter and spirit.

Studies commissioned by the Authority

2.4.15 The Authority commissioned the following studies through its Independent Consultant for the purpose of tariff determination of TRV:

a) **Study on allocation of Assets between Aeronautical and Non-Aeronautical Assets:** The Study (herein after referred to as "Study on Allocation of Assets") has carried out a detailed analysis of the Regulatory Asset Base (RAB) of both AAI and TKIAL. The study has developed a rationale for classification of assets into Aeronautical, Non-aeronautical, Air Navigation Services (ANS) and Common. It then apportioned the Common assets based on appropriate ratios. Further, the Study has also examined the assets transferred from AAI to TKIAL (as on COD) and determined the Deemed Initial RAB as on COD.

b) **Study on efficient Operation and Maintenance Expenses:** The Study (herein after referred to as Study on Opex) examined the historical trends in the O&M expenses of TRV and assessed how the Airport has been performing in comparison to select peers in the industry. The Study verified the classification of the various expenses between Aeronautical, Non-aeronautical, ANS and Common and made revisions wherever necessary. The Common expenses were further apportioned based on appropriate ratios. Further, the Study ascertained the expenses that were unreasonably high and rationalized them based on suitable benchmarks.

2.4.16 The recommendations of these studies have been used in this Tariff Order. The Study on Allocation of Assets is attached as Appendix 1 of this Tariff Order. The Study on Opex is attached as Appendix 2 of this Tariff Order.

2.4.17 After examination of MYTP and other details submitted by TKIAL, the Authority issued Consultation Paper No. 25/2023-24 dated 12th February 2024. The Authority invited comments from the stakeholders by 13th March 2024 and counter comments by 23rd March 2024. Following the release of the Consultation Paper, the Authority convened a meeting of stakeholders on 26th February 2024. The minutes of the meeting are available on AERA's website.

2.4.18 The following stakeholders have provided their comments on the Consultation Paper No. 25/2023-24 dated 12th February 2024 which are available on AERA's website:

i. TRV (Kerala) International Airport Limited (TKIAL)

ii. Airports Authority of India (AAI)
iii. Federation of Indian Airlines (FIA)
iv. International Air Transport Association (IATA)
v. Delhi International Airport Limited (DIAL)
vi. Hindustan Petroleum Corporation Limited (HPCL)
vii. Indian Oil Corporation Limited (IOCL)
viii. Reliance BP Mobility Limited (RBML)

Table 9: Regulatory building blocks with names of Stakeholders who commented on each building block

Component impacting tariff determination for the Third Control Period	Name of Stakeholder who has provided comments
Tariff Determination of Thiruvananthapuram International Airport	FIA
Framework for Tariff Determination of Thiruvananthapuram International Airport for the Third Control Period	FIA
True Up of AAI for the Second Control Period and Pre-COD Period	FIA, AAI
True Up of TKIAL for the Post COD Period from COD till 31st March 2022	FIA, TKIAL
Traffic for the Third Control Period	FIA, TKIAL, DIAL
Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Third Control Period	FIA, TKIAL, HPCL, RBML, IOCL
Fair Rate of Return (FRoR) for the Third Control Period	FIA, TKIAL, DIAL
Inflation for the Third Control Period	FIA
Operations and Maintenance (O&M) Expenses for the Third Control Period	FIA, TKIAL
Non-Aeronautical Revenue for the Third Control Period	FIA, IATA, TKIAL
Taxation for the Third Control Period	FIA, TKIAL
Quality of Service for the Third Control Period	No Comments
Aggregate Revenue Requirement for the Third Control Period	FIA, TKIAL, DIAL

2.4.19 The counter comments from Airport Operator on the comments from other stakeholders were received on 23rd March 2024. Thus, the stakeholders' consultation process concluded on the receipt of counter comments by the Airport Operator on 23rd March 2024.

2.4.20 No input was received from Ministry of Civil Aviation (MoCA) as a part of the consultation process.

2.5 Stakeholders' comments regarding Tariff Determination of Thiruvananthapuram International Airport

2.5.1 During the Stakeholders' Consultation Process, the Authority has received one comment/view from a stakeholder in response to the proposals of the Authority in Consultation Paper No. 25/2023-24 dated 12th February 2024 with respect to the determination of tariff for TKIAL.

2.5.2 FIA comment regarding Related Party Transaction is as follows:

"With regard to award for provision of services by TKIAL at Thiruvananthapuram, four Related Party transactions have been disclosed in para 2.4.13 of the CP. While we appreciate AERA conducting an independent analysis of the transactions, however it is to be noted that, AERA has:

a. *only sought confirmation from TKIAL on the RPT instead of a review of the same.*
b. *sought compliance on the same which will be trued up during the next control period.*

FIA submits that in our view the above may not be a prudent approach and AERA should conduct the RPT Compliance Check including the following in this control period.
In this regard, we request AERA to kindly ensure that:

a. *the provisions of Concession Agreement ('CA') have been complied with.*
b. *tendering and awards for services must go through a competitive, transparent, and fair process.*
c. *agreements with related parties shall not have any onerous terms.*

Aggressive cost escalation, restrictive covenants, unfair lock in period or cost escalations or any other terms that may arise from awards to Related Parties, which is not in favour of airport users/other stakeholders.

It is not in the interest of the stakeholders that related parties be awarded agreements for services (or otherwise) as there is fear of multi-layered transactions between / among airport operators or their Joint Ventures or their Holding / Subsidiary / Sister Subsidiary companies (or business associates by whatever name called), which is not efficient for the eco-system, and should be banned."

2.6 TKIAL's response to Stakeholders' comments regarding Tariff Determination of Thiruvananthapuram International Airport

2.6.1 TKIAL's comment to FIA's comment on Related Party Transaction is as follows:

As per the Concession Agreement, TKIAL is obliged to procure goods and services in a fair, transparent and efficient manner without any undue favour or discrimination. Also, TKIAL has framed a procurement policy specifying the principles and processes to be followed to avoid the scope of subjectivity and improving objectivity and transparency in decision making as required under the Concession Agreement. We would also like to inform that TKIAL has duly followed the process relating to Procurement of Goods and Services as mandated by the provisions of the Concession Agreement signed with AAI.

In view of the above, we feel that there is no further need for any examination in this regard.

2.7 Authority's analysis on Stakeholders' comments regarding Tariff Determination of Thiruvananthapuram International Airport

2.7.1 The Authority has examined the comments made by FIA and TKIAL's response to the same regarding party transactions (RPTs). In this regard, the Authority's analysis is presented below:

It is important to note that the Authority, through its Independent Consultant M/s PKF Sridhar & Santhanam LLP has assessed all components of the building blocks and its efficiency and reasonableness. Therefore, FIA's comment on the manner of analysis carried out by the Authority with respect to related party transactions is not correct.

Further, FIA's call for compliance checks with respect to the transactions with related parties during the current control period falls under the Concession Agreement executed between TKIAL and AAI. TKIAL is responsible for ensuring adherence to the Concession Agreement provisions as presented below and to ensure competitive, transparent and fair tendering process.

"5.6.2 For procurement of goods, works, services, sub-lease(s), sub-license(s), or any other rights or privilege where the consideration (including deposits in any form in respect thereof) exceeds Rs. 25,00,00,000/- (Rupees Twenty-Five Crore) in any Accounting Year (collectively, the "Contracts"), the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under Clause 5.6. 1

5.6.3 The Parties agree that the Concessionaire should pre-qualify and short-list the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm's length basis in a manner that is commercially prudent and protects the interests of the Users.

5.6.4 The Concessionaire hereby agrees not to have any subsidiary or joint venture or any other similar form of arrangement with any other party.

AERA expects that TKIAL and the AAI, (Concession granting Authority) will ensure that the contracts with Related Parties are at arm's length and that the Related Party has experience of providing similar service in other places to ensure protection of interest of all stakeholders, as per the terms of the Concession Agreement detailed above, which may be followed in letter and spirit.

AERA has taken cognizance of various related party transactions and recommends that the transactions with Related Parties in an Airport are to be minimised, so that the spirit of Public Private Partnerships in development of Airport Infrastructure is maintained. In addition, it is strongly advised that TKIAL ensures compliance with these transactions in a manner that is characterized by both fairness and transparency.

Furthermore, the Authority directs TKIAL and AAI, the concessioning authority to ensure the following while entering into Related Party Transactions:

- The requirements of the Concession Agreement are followed in both letter and spirit at all times.
- Related parties engaged for a particular service possess the requisite experience and expertise in carrying out similar services in other airports.
- The interests of all stakeholders are safeguarded to enable the optimization of aeronautical charges.

2.8 Construct of this Tariff Order

2.8.1 This Tariff Order has been developed/constructed in the order of the events as explained above. Chapter-wise details have been summarized as follows:

i. A background on Thiruvananthapuram International Airport and TKIAL is explained in Chapter 1. Chapter 2 (this chapter) explains the context for the current tariff determination exercise and the submissions made by TKIAL.

ii. In Chapter 3, the framework utilized for tariff determination as per the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011 have been discussed. Thereafter, comments of other stakeholders, responses of TKIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

iii. Chapter 4 lists out the submissions by AAI for true up of the Second Control Period and Pre COD period. This is followed by the Authority's examination on the specific issues and proposals for the true up for the Second Control Period and Pre COD period along with comments of AAI and other stakeholders, responses of AAI to other stakeholders' comments, the Authority's analysis and its final decision regarding ARR for the said period. This chapter also discusses the assessment and the outcome of the studies conducted by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is provided under Annexures to this Tariff Order and the reports have been appended separately to the Tariff Order.

iv. Chapter 5 lists out submission of TKIAL for true up of the Post COD period. This is followed by the Authority's examination on the specific issues and proposals for the true up of the Post COD period along with comments of TKIAL and other stakeholders, responses of TKIAL to other stakeholders' comments, the Authority's analysis and its final decision regarding ARR for the said period. This chapter also discusses the assessment and the outcome of the studies conducted by the Authority regarding asset allocation ratios between aeronautical and non-aeronautical assets and efficient cost segregation between aeronautical and non-aeronautical operating expenses. The summary of these reports is provided under Annexures of this Tariff Order and the reports have been appended separately to the Tariff Order.

v. Chapter 6 presents the submissions by TKIAL regarding Traffic Projections and the Authority's examination of TKIAL's submission along with its proposal for the same as set out in Consultation Paper No. 25/2023-24 dated 12th February 2024. Thereafter, comments of TKIAL and other stakeholders, responses of TKIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

vi. Chapter 7 includes the submissions by TKIAL regarding Capital Expenditure (CAPEX), Depreciation and RAB for the Third Control Period along with the Authority's detailed examination, adjustments, rationalization and proposals on the Aeronautical capital expenditure, useful lives and RAB for the Third Control Period as set out in Consultation Paper No. 25/2023-24 dated 12th February 2024. Thereafter, comments of TKIAL and other stakeholders, responses of TKIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

vii. Chapter 8-13 includes the submissions by TKIAL regarding various building blocks pertaining to the Third Control Period including Fair Rate of Return, Inflation, Operation and Maintenance Expenses, Non-aeronautical Revenue, Taxation and Quality of Service along with Authority's examination and proposals on each matter as set out in Consultation Paper No. 25/2023-24 dated 12th February 2024. Thereafter, comments of TKIAL and other stakeholders, responses of TKIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

viii. Chapter 14 presents the Aggregate Revenue Requirement as determined by the Authority based on the various proposals and adjustments considered by the Authority for the Third Control Period at the Consultation Stage. Thereafter, comments of TKIAL and other stakeholders, responses of TKIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

ix. Chapter 15 summarizes the Authority's decisions on all the matters relating to the tariff computations and Chapter 16 is the Final Tariff order issued by the Authority for the Third Control Period.

x. Chapter 17 contains Annexures.

- Annexure 1 – Tariff Card
- Annexure 2 – Summary of Study on Allocation of Assets between Aeronautical and Non-aeronautical assets
- Annexure 3 – Summary of Study on Efficient Operation and Maintenance expenses
- Annexure 4 – Projects not/partly considered for addition to RAB by the Authority for the Third Control Period
- Annexure 5 – Clauses of the Concession Agreement entered between AAI and TKIAL

xi. Chapter 18 contains the list of Appendices.

3 FRAMEWORK FOR TARIFF DETERMINATION OF THIRUVANANTHAPURAM INTERNATIONAL AIRPORT FOR THE THIRD CONTROL PERIOD

3.1 Methodology

3.1.1 The Methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 read with AERA (Amendment) Act 2019 and 2021, the AERA (Terms and Conditions for determination of Tariff for Airport Operators) Guidelines, 2011 and further Guidelines issued by AERA from time to time.

3.1.2 As per the guidelines, the Authority has adopted the Hybrid-Till mechanism for tariff determination for the Third Control Period wherein, 30% of the non-aeronautical revenues is to be used for cross-subsidizing the aeronautical charges and the same methodology is utilized for true up of all the regulatory blocks of the Second Control Period.

3.1.3 The ARR for a given Control Period, under Hybrid Till is calculated as

$$ARR = \sum_{t=1}^{5} ARR_t$$

$$ARR_t = (FRoR \; x \; RAB_t) + D_t + O_t + T_t - s \; x \; NAR_t$$

where,

t is the tariff year in the control period, ranging from 1 to 5
ARR_t is the Aggregate Revenue Requirement for tariff year 't'
$FRoR$ is the Fair Rate of Return for the Control Period
RAB_t is the Aeronautical Regulatory Asset Base for tariff year 't'
D_t is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'
O_t is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'
T_t is the Aeronautical taxation expense for the tariff year 't'
s is the cross-subsidy factor for revenue from services other than Aeronautical services under the Hybrid Till methodology followed by the Authority, s = 30%.
NAR_t is the Non-Aeronautical Revenue in tariff year 't'.

3.1.4 Based on ARR, Yield per passenger (Y) is calculated as per the formula given below:

$$Yield\ per\ passenger\ (Y) = \frac{\sum_{t=1}^{5} PV(ARR_t)}{\sum_{t=1}^{5} VE_t}$$

where,

$PV\ (ARR_t)$ is the Present Value of ARR for all the tariff years. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.

VE_t is the passenger traffic in year 't'

3.1.5 All the figures presented in this Tariff Order have been rounded off up to two decimals.

3.2 Revenues from Air Navigation Services (ANS)

3.2.1 TKIAL will be performing aeronautical services such as landing, parking, ground handling, cargo, and fuel supply services at TRV and has submitted revenue projections for the same in the Third Control Period in its MYTP. However, AAI shall be handling the Air Navigation Systems (ANS) at TRV and hence the MYTP submitted by TKIAL does not consider revenues, expenditure, and assets on account of ANS.

3.2.2 Tariff for ANS is presently regulated by the Ministry of Civil Aviation (MoCA). All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of TKIAL by excluding the assets, expenses, and revenues from ANS.

3.2.3 While Ministry of Civil Aviation (MoCA) determines ANS charges currently, should there be a change in the principal tariff methodology adopted for determining ANS charges, the same will be considered by the authority at the time of true up of tariff during the next control period.

3.3 Stakeholders' comments regarding Framework for Tariff Determination of Thiruvananthapuram International Airport for the Third Control Period

3.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding the methodology of tariff determination of Thiruvananthapuram International Airport for the Third Control Period. The comments of the stakeholders are presented below.

Other Stakeholder's comments regarding Framework for Tariff Determination

3.3.2 FIA's comments regarding revenues from Air Navigation Services is as follows:

It is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 ("AERA Act"), under sub-section (a), "aeronautical services means any services provided –

(i) For navigation, surveillance, and supportive communication thereto for air traffic management..."

It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services, should form part of aeronautical revenues and accordingly AERA should take into account of the corresponding revenue and revise the tariff card.

3.3.3 FIA's comments regarding Regulatory Till and Principles of Determination of Tariff are as follows:

It is observed that AERA have determined tariffs using the 30% Hybrid Till model including true ups, as applicable.

FIA has advocated the application of Single Till model across the airports in India and submits that AERA should adopt Single Till across all control periods, including by way of true up.

In a Shared/Hybrid till model, the airport operator has the incentive to skew the asset base towards aero-assets, thereby having a higher capital base for calculation of return offered by the regulator.

3.4 TKIAL's response to Stakeholders' comments regarding Framework for Tariff Determination of Thiruvananthapuram International Airport for the Third Control Period

3.4.1 TKIAL's response to FIA's comments regarding revenues from Air Navigation Services is given below:

TKIAL submits that no capital and operational expenditure related to ANS services (except those mandated under Concession Agreement (CA)) has been included in the tariff proposal.

As per CA, Schedule Q CNS/ATM Agreement, similar to other PPP Airports, the services of ANS are retained by AAI and are not under the purview of TKIAL. Since the services are provided by AAI, the rate of ANS services cannot be made part of tariff card of TKIAL.

3.4.2 TKIAL's response to FIA's comments regarding Regulatory Till and Principles of Determination of tariff are as follows:

We would like to submit that adoption of Hybrid-Till Model is considered in view of Provisions of NCAP, AERA order No. 14/2016-17 and TKIAL's Concession agreement.

Relevant provisions are indicated below:

A. ***Relevant extract of National Civil Aviation Policy, 2016 is reproduced below:***

"To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges."

B. ***Relevant extract of AERA Order No. 14/2016-17 issued on 23rd January 2017 is reproduced below:***

The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that:

(i) The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extant the airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory till, shall remain the same.

C. ***Relevant extract of the TKIAL's Concession Agreement with AAI is reproduced below:***

"28.3.2. The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval."

Further, we would like to bring to the Authority's attention that TDSAT vide order dated 23rd April 2018 (with respect to matters related to tariff determination of First Control Period of DIAL) has rejected contention of FIA with respect to adoption of single till as it is contrary to the provisions of the Concession agreement. Adoption of shared till by the Authority is correct because it creates a harmony between the

contract (OMDA/SSA) and the statute. The Hon'ble Supreme Court vide order dated 11th July 2022 has also disposed off the appeal filed by FIA with respect to various issues related to tariff determination of First Control Period of MIAL (including issue of single till).

Though the matter is already settled by the Hon'ble Supreme Court, the reasons why FIA has again raised this issue with the Authority is not known. Accordingly, the Authority may suitably reply.

3.5 Authority's analysis on Stakeholders' comments regarding Framework for Tariff Determination of Thiruvananthapuram International Airport for the Third Control Period.

Revenues from Air Navigation Services

3.5.1 The Authority notes FIA's comments regarding the inclusion of revenue from Air Navigation Services (ANS) in Aeronautical revenues and TKIAL's response that ANS services are not under the purview of TKIAL. The Authority notes that tariff for ANS is presently regulated by the Ministry of Civil Aviation. All the assets, expenses and revenues pertaining to ANS are considered separately by the Ministry while determining tariff for ANS services. Further, the tariff for ANS services is determined at the Central level by the Ministry of Civil Aviation to ensure uniformity across the Airports in the Country. Hence, AERA determines tariff for Aeronautical services of the Airport Operator, by excluding the assets, expenses, and revenues from ANS.

Regulatory Till and Principles of Determination of Tariff

3.5.2 The Authority notes FIA's comments regarding Methodology for tariff determination and TKIAL's response to the same. Determination of future tariffs under Hybrid Till mechanism is as per the recommendation of the National Civil Aviation Policy 2016 (NCAP 2016) of GoI and the amended tariff guidelines issued vide AERA Order No. 14/2016-17 dated 12th January 2017. The excerpt from the same has been provided below:

"(i) The Authority will in future determine the tariff of major airports under "Hybrid Till" wherein 30% non-aeronautical revenues will be used to cross subsidize aeronautical charges. Accordingly, to that extent, the airport operator guidelines of the Authority shall be amended. The provisions of the guidelines issued by the Authority, other than regulatory Till, shall remain the same."

Therefore, Hybrid Till has been followed to determine the aeronautical tariff uniformly across all the major airports It is also relevant to note that 30% Hybrid Till model, as currently implemented in the background of NCAP, ensures an appropriate balance between the interests of the airport operator and airport users. This provides a transparent framework for tariff determination that considers both aero and non-aero activities and ensuring fairness and competitiveness.

Also, the Authority notes that the Concession Agreement (Clause. No 28.3.2) specifies about the 30% shared till framework for Thiruvananthapuram International Airport.

Review of Tariff Order

3.5.3 As per the provisions of Section 13 (2) of AERA Act 2008, the tariff so determined can be revisited and reviewed.

4 TRUE UP OF AAI FOR THE SECOND CONTROL PERIOD AND PRE-COD PERIOD

4.1 Background

4.1.1 AAI entered into a Concession Agreement dated 19th January 2021 with Thiruvananthapuram (Kerala) International Airport Limited (TKIAL, the 'Concessionaire') to operate, manage and develop TRV, Thiruvananthapuram for a period of 50 years commencing from the Commercial Operation Date (COD), i.e., 14th October 2021.

4.1.2 As per the Concession Agreement between AAI and TKIAL (Clause 28.11.3), the amount which was due and payable by the Concessionaire to AAI, is subject to reconciliation, true up and final determination by AERA.

4.1.3 Pursuant to the above Concession Agreement, AAI has submitted True up workings for the Second Control Period and for period from 1st April 2021 up to 13th October 2021.

4.1.4 The true up workings submitted by AAI covers the following building blocks:

i. Traffic
ii. Regulatory Asset Base
iii. Depreciation
iv. Fair Rate of Return
v. Operation and Maintenance Expenses
vi. Return on Land
vii. Non-aeronautical Revenue
viii. Aeronautical Revenue
ix. Taxes

4.1.5 The Authority has examined AAI's true up submission in detail. Analysis of the Authority, has been organized as follows:

i. Recorded AAI's submission regarding different regulatory building blocks for true up of the Second Control Period and Pre-COD Period
ii. Recapped the decisions taken by the Authority in the Tariff Order for the Second Control Period (Order No. 03/2017-18 dated 2nd June 2017)
iii. Provided Authority's examination and proposals regarding the true up calculation of each regulatory building block for the Second Control Period and Pre-COD Period.

4.1.6 The Authority considered the following documents for determining true up for the Second Control Period and Pre-COD Period:

i. Tariff Order for Thiruvananthapuram International Airport (Order No. 03/2017-18) dated 2nd June 2017.
ii. Trial balance figures of AAI for the Second Control Period and Pre-COD Period
iii. AERA Guidelines and Orders
iv. Authority's decisions on the Regulatory Building Blocks as per previously issued Tariff Orders of other airports.

4.2 AAI's submission of True up for Second Control Period and Pre-COD period (from FY 2016-17 to COD)

4.2.1 AAI submitted a True Up submission on 14th December 2022. The details of the submission made by AAI have been provided below:

Table 10 : Submission of True up by AAI for Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Opening RAB	357.01	454.87	437.76	450.07	485.12		507.88	
Closing RAB	454.87	437.76	450.07	485.12	507.88		503.87	
Average Regulatory Asset Base (RAB)	405.94	446.32	443.92	467.60	496.50		505.88	
Fair Rate of Return (FRoR)	14%	14%	14%	14%	14%		14%	
Return on Average RAB	56.83	62.48	62.15	65.46	69.51	**316.44**	38.03	**354.47**
Depreciation	29.48	33.56	37.55	39.92	43.04	**183.55**	22.74	**206.29**
Operating Expenditure	111.01	136.60	152.05	169.01	127.64	**696.30**	70.78	**767.08**
Interest on Working Capital	-	-	-	-	-	-	0.68	**0.68**
Return on Land	-	-	-	-	-	-	0.33	**0.33**
Corporate Tax	-	5.04	28.39	4.44	-	**37.88**	156.44	**194.32**
Add: Carry forward of Shortfall from First Control Period	158.83	-	-	-	-	**158.83**	-	**158.83**
Less: Deductions for Non-aeronautical Revenues	16.69	17.43	22.59	26.64	7.37	**90.72**	6.84	**97.56**
Total ARR	**339.47**	**220.24**	**257.55**	**252.20**	**232.82**	**1,302.28**	**282.16**	**1,584.44**
Revenue earned from Aeronautical Services	137.07	214.14	271.75	229.27	60.46	**912.70**	39.32	**952.01**
(Excess) / Shortfall	**202.40**	**6.10**	**(14.20)**	**22.93**	**172.35**	**389.59**	**242.84**	**632.43**
PV Factor	1.81	1.59	1.39	1.22	1.07		1.00	
PV of (Excess) / Shortfall	**366.89**	**9.71**	**-19.81**	**28.05**	**184.98**	**569.83**	**242.84**	**812.67**

4.3 Authority's examination of True up submitted by AAI for Second Control Period and Pre-COD Period at Consultation Stage

4.3.1 The Authority has taken cognizance of the decisions taken at the time of determination of tariff for the Second Control Period and has then proceeded to examine the same as part of the tariff determination for the current Control Period.

4.3.2 The decisions taken at the time of determination of tariff for Aeronautical services for the Second Control Period vide Order No. 03/2017-18 dated 2nd June 2017 have been reproduced below:

Table 11 : Decisions taken by the Authority vide Order No. 03/2017-18 for the Second Control Period

S. No	Particulars	Decision no. and Description
1	Traffic Forecast	3a. The Authority decides to consider the ATM and passenger traffic as per Table 19. 3b. The Authority decides to true up the traffic volume (ATM and passengers) based on actual traffic in the 2nd Control period while determining tariff for the 3rd control period.
2	Opening Regulatory Asset Base	5a. The Authority decides to consider the opening regulatory base for the 2nd control period under Hybrid Till as Rs. 344.54 crores.
3	Capital Expenditure	6a. The Authority decides to consider allowable project cost of Rs. 471 crores and accordingly reckon the amount of Rs. 471 crores as additions to total assets during the 2nd control period. 6b. The Authority directs AAI to undertake user stakeholder consultation process for major Capex items as per the Guidelines.

S. No	Particulars	Decision no. and Description
		6c. The Authority decides to true up the Opening RAB of the next control period depending on the capex incurred and date of capitalization of underlying assets in a given year.
4	Depreciation	7a. The Authority decides to adopt depreciation rates as per Table 28 and depreciation for the 2nd control period as per Table 29. 7b. The Authority proposes to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up of depreciation while considering tariff determination in future.
5	RAB	8a. The Authority decides to consider RAB for the 2nd control period as given in Table 31. 8b. The Authority decides to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the Authority's decision on the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.
6	FRoR	9a. The Authority decides to consider the FRoR at 14% for TRV for the 1st and 2nd control period. 9b. The Authority decides to undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.
7	Non-Aeronautical Revenues	10a. The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue. 10b. The Authority decides to consider the Non-Aeronautical revenue as per Table 35. 10c. The Authority decides that Non-Aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.
8	Operation and Maintenance Expenditure	11a. The Authority decides to consider the operational and maintenance expenditure as given in Table 41, for the purpose of determination of aeronautical tariffs for the 2nd control period. 11b. The Authority expects AAI to reduce O&M expenditure over a period of time. 11c. The Authority decides to true up the O&M expenditure for 2016-17 to 2020-21 of the 2nd control period based on the actuals at the time of determination of tariffs for the 3rd control period.
9	Taxation	12a. The Authority decides to consider the corporate tax for aeronautical activities as per Table 43 for the 2nd control period. 12b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2nd control period during determination of tariffs for the 3rd control period.
10	Aeronautical Revenue	13a. The Authority decides to consider the Annual Tariff proposals as given in Table 46 (and Annexure) for determination of tariff during 2nd control period as the present value of proposed revenues (yield) by AAI is lower than the present value of ARR (yield) as per Authority. 13b. The Authority decides to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 9th February 2004 in order to encourage and promote intra-regional connectivity at TRV.

S. No	Particulars	Decision no. and Description
		13c. The Authority decides to provide waiver of landing and other charges in line with Order No. 20/2016-17 dated 31st March 2017 of the Authority. 13d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 1st July 2017. 13e. The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.

4.4 True up of Traffic

AAI's submission for true up of Traffic for Second Control Period and Pre-COD period

4.4.1 AAI has submitted the following passenger and ATM traffic based on actuals for the Second Control Period and Pre-COD Period:

Table 12 : AAI's submission for True up of traffic for the Second Control Period and Pre-COD period for TRV

Year	Passenger (in Nos)			ATM (in Nos)		
	Domestic	International	Total	Domestic	International	Total
FY 17	1,571,767	2,309,742	3,881,509	12,473	16,644	29,117
FY 18	1,916,127	2,477,342	4,393,469	14,680	19,058	33,738
FY 19	1,904,908	2,529,551	4,434,459	14,452	18,641	33,093
FY 20	1,709,229	2,209,964	3,919,193	14,030	14,812	28,842
FY 21	476,559	458,876	935,435	5,111	4,202	9,313
Total (FY17 to FY21)	**7,578,590**	**9,985,475**	**17,564,065**	**60,746**	**73,357**	**134,103**
Pre-COD (1st April 2021 to 13th October 2021)	263,194	302,459	565,653	3,125	3,428	6,553

Recap of decisions taken by the Authority for Traffic at the time of tariff determination for the Second Control Period

4.4.2 The Authority vide decision no. 3 of Order no 03/2017-18 dated 2nd June 2017 decided the following with respect to Traffic for Second Control Period:

- *Decision no. 3.a. The Authority decides to consider the ATM and Passenger traffic as per Table 19.*
- *Decision no. 3.b. The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 2nd control period while determining tariffs for the 3rd Control Period.*

Table 13: Traffic as approved by the Authority for Second Control Period (Table 19 of Second Control Period order)

Year	Passenger (In Nos)			ATM (In Nos)		
	Domestic	International	Total	Domestic	International	Total
FY 17	1,555,119	2,388,270	3,943,389	12,600	16,961	29,561
FY 18	1,772,835	2,507,684	4,280,519	13,860	17,640	31,499
FY 19	2,021,032	2,633,068	4,654,100	15,246	18,345	33,591
FY 20	2,303,976	2,764,721	5,068,698	16,770	19,079	35,849
FY 21	2,626,533	2,902,957	5,529,490	18,447	19,842	38,289
Total	**10,279,495**	**13,196,700**	**23,476,196**	**76,923**	**91,867**	**168,789**

Authority's examination and proposal for Traffic as part of True-up of the Second Control Period and the Pre-COD Period at the Consultation Stage

4.4.3 The Authority verified the actual Passenger traffic and ATM (as per Table 12) for the Second Control Period based on the details available on AAI's website and noted no variances.

4.4.4 The Authority examined the actual passenger traffic and ATM of TRV with the traffic projections approved by the Authority for the Second Control Period (as per Table 13) and noted that the actual Passenger and ATM traffic for the first three tariff years of the Second Control Period is comparatively in line with that approved by the Authority in the Tariff Order for the Second Control Period, with minor deviations.

4.4.5 The Authority noted that there has been a decrease in the Passenger and ATM traffic from FY 2019-20 due to the closure of operations by Jet Airways with no replacement for vacant slots and the impact of COVID-19 pandemic towards the end of FY 2019-20.

4.4.6 The actual traffic for the 5th tariff year viz., FY 2020-21 is significantly lower than the projections in Tariff order for the Second Control Period, due to the adverse impact of the COVID-19 pandemic.

4.4.7 Further, the Authority has considered the actual traffic handled in FY 2021-22 till COD for true up of the Pre COD period as AAI operated the Airport till 13th October 2021 (COD) and the remaining period of FY 2021-22 was handled by TKIAL.

Stakeholder's comments regarding True up of Traffic for the period from FY 2016-17 up to COD

4.4.8 No comments have been received from stakeholders regarding True up of Traffic for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Traffic for the period from FY 2016-17 up to COD

4.4.9 The Authority notes that there are no stakeholder's comments regarding True up of Traffic for the period from FY 2016-17 up to COD. Based on the above facts, the Authority decides to consider the actual passenger traffic and ATM as submitted by AAI for true up of the Second Control Period and Pre-COD period as given in Table 12.

4.5 True up of Capital Expenditure (CAPEX)

AAI's submission for true up of RAB for the Second Control Period and Pre-COD Period:

4.5.1 AAI has submitted the details of capital additions during the Second Control Period and Pre-COD period as follows:

Table 14: Capital Additions incurred during Second Control Period and Pre-COD Period submitted by AAI

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD* (B)	Total (A+B)
Aero additions (A)	128.31	16.38	49.76	73.74	68.05	**336.24**	17.60	**353.84**
Non-aero additions (B)	0.00	0.04	0.11	0.03	0.05	**0.23**	-	**0.23**
Other additions** (C)	0.17	2.11	4.45	3.23	1.72	**11.68**	-	**11.68**
Total additions (A + B + C)	**128.47**	**18.53**	**54.32**	**77.01**	**69.82**	**348.15**	**17.60**	**365.75**

** Pre-COD refers to the period from 1st April 2021 to 13th October 2021*

*** Other Additions include assets related to Cargo and ANS/CNS operations like XBIS, DVOR, DVOR Building, HF RX Antenna, Radio equipment test set, IP AMSS server network, etc.*

4.5.2 AAI has classified the above capital additions into Aeronautical, Non-aeronautical, ANS and Common as shown below:

Table 15: Asset Classification submitted by AAI

Asset Category	Asset Sub-Category / Description	Asset classification
Boundary-Freehold	Construction of boundary wall	Aeronautical
Building Freehold	Extension of airside corridor & CISF barrack, construction of new fire station, provision of RCC ramp in NITB	Aeronautical
	Civil infrastructure works at ATC complex and for examination and renovation of toilet in ANS building	Aeronautical
	Provision of canopy in existing walkway, Provision of emergency Casualty centre, modification of cargo complex	Aeronautical
	Civil infrastructure works at Cargo complex	Aeronautical
	Renovation of toilet in admin building	Aeronautical
	Construction of DVOR building replacement of DVOR	ANS
	Provision of Casualty center, Modification of Arrival & Departure Hall	Common
	Provision of shed for parking in AAI residential Colony, children's park in AAI residential Colony	Common
Computer Software	Software application - MS Office 2016, 2019, Auto CAD for Civil engineering	Aeronautical
	MS office 2016	Aeronautical
Furniture & Fixtures	Preparation table and benches for egress, Providing boarding gate counter, immigration counters & check in counters, Supply of chairs	Aeronautical
	Table and Chair for CNS/ATM block	Aeronautical
	Sofa, Locker, Visitors chair, Senate conference table, Supply of Optimizer	Aeronautical
	Acrylic Painting on Canvas, Statue etc.	Aeronautical
Furniture & Fixture - Trolley	Procurement Of 250 Passenger Baggage Trolley	Aeronautical
Office Appliances	Complaint Kiosk, LED Monitors, Printers, LED Signages, Smart TV, CCTV	Aeronautical
	Office Equipment required at CNS/ATM department	Aeronautical
	Desktop/Scanner/Cards etc.	Aeronautical
	Water Dispenser/telephone Cables/ID Card Machines	Aeronautical
	Termination of Toll Booth Camera	Aeronautical
	Procurement of IT infrastructure for Common User Domestic Cargo Terminal (CUDCT)	Aeronautical
	Precision biometric integrated attendance, matrix biometric device	Common
Plant & Equipment - Freehold	Integration of tower ATS automation with AOCC, Provision of way findings signage, Replacement of existing old DG sets & CCR, Supply of threat containment vessel, CUTE & CUSS, scanner, keyboard, Runway rubber removal machine	Aeronautical
	Replacement of conventional lamp, SITC of RF links for remote sites CNS, SITC 10KVA MOD UPS for IPAMSS CNS, providing comprehensive VCS at AAI, SITC of augmentation of tower ATS automation	Aeronautical
	Supply of weighing scale	Aeronautical
	Provision of ventilation for DTB & Admin, BAS device, SITC of network equipment, ALCO SENSOR IVCM with printer	Aeronautical
	Provision of addl. AC units at various locations, Replacement of cooling towers at NITB, SITC of CCTV upgradation, Provision of garden lighting at NITB, Procurement of boom lift	Aeronautical
	Toll booth	Aeronautical
	SITC of Cargo XBIS	Cargo*

Asset Category	Asset Sub-Category / Description	Asset classification
	SITC of HF RX antenna, Procurement of survey equipment, Procurement of WAN routers for ADP and AMSS, Procure radio communication test set	ANS
	Biometric access control systems, Replacement of old split/window AC	Common
	Provision of borewell, standby pumps, rewiring of residential colony	Common
Plant & Equipment - Leasehold	XBIS Lease	Aeronautical
Runway, Taxiway & Apron	Resurfacing & strengthening of runway, construction of additional apron, extension of parallel taxi track	Aeronautical
Solar Panel	SITC of 500 KWP grid connected solar	Aeronautical
Vehicle	Ambulance, BDDS & Dog Squad vehicles, Mobile command post, tractor, tow tug trolley	Aeronautical
	Cargo trolley	Cargo*
	Vehicles used for ANS activities	ANS

**Cargo assets are Assets related to bonded cargo activities within the airport operational area managed by the AAI until FY 2016-17*

4.5.3 Further, AAI has submitted that the above common assets have been allocated into aeronautical and non-aeronautical by using the following ratios:

Table 16: Ratios submitted by AAI for the Second Control Period and Pre-COD Period

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD*
Employee Head Count Ratio (Aeronautical: Non-Aeronautical)	98.41% : 1.59%	98.31% : 1.69%	98.01% : 1.99%	98.51% : 1.49%	98.44% : 1.56%	98.28% : 1.72%
Staff Quarters Ratio (Aeronautical: ANS)	78.12% : 21.88%	78.12% : 21.88%	74.07% : 25.93%	73.91% : 26.09%	71.43% : 28.57%	85.00% : 15.00%
Terminal Building Ratio (Aeronautical: Non-Aeronautical)	92% : 8%					

**Pre-COD refers to the period from 1st April 2021 to 13th October 2021*

4.5.4 Considering the above, AAI has submitted RAB for the Second Control Period and Pre-COD Period as follows:

Table 17: RAB for the Second Control Period and Pre-COD period submitted by AAI

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Opening RAB (A)	357.01	454.87	437.76	450.07	485.12		507.88*	
Addition (B)	128.31	16.38	49.76	73.74	68.05	**336.24**	17.60	**353.84**
Addition - Financing Allowance (C)	2.05	0.14	0.32	2.89	3.23	**8.64**	1.41	**10.05**
Depreciation (D)	29.48	33.56	37.55	39.92	43.04	**183.55**	22.74	**206.29**
Depreciation - Financing Allowance (E)	0.01	0.07	0.09	0.17	0.35	**0.69**	0.27	**0.96**
Sales/Disposals/Transfers (F)	3.01	-	0.14	1.48	5.14	**9.77**	-	**9.77**
Closing RAB (G = A + B + C - D - E - F)	**454.87**	**437.76**	**450.07**	**485.12**	**507.88***		**503.87**	
Average RAB [H= (A + G) ÷ 2]	**405.94**	**446.31**	**443.91**	**467.59**	**496.50**		**505.87**	

** Opening RAB for the Pre COD period is the closing RAB of FY 2020-21*

Recap of decision taken by the Authority for RAB at the time of tariff determination for the Second Control Period

4.5.5 The Authority vide its decision no. 5, 6 and 8 of Order no. 03/2017-2018 dated 2nd June 2017 decided the following with respect to Opening Aeronautical RAB, Additions and RAB for Second Control Period:

- *Decision no. 5.a The Authority decides to consider the opening regulatory base for the 2nd Control Period under Hybrid Till as Rs. 344.54 crore.*
- *Decision no. 6.a. The Authority decides to consider the allowable project cost of Rs. 471 crores and accordingly to reckon the amount of Rs. 471 crores as an addition for total assets during the 2nd control period.*
- *Decision no. 6.c. The Authority decides to true up the Opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in a given year.*
- *Decision no. 8.a. The Authority decides to consider RAB for 2nd Control Period as given in Table 31.*

Table 18: RAB as approved by Authority in the Tariff Order for Second Control Period (Table 31 of the SCP Order)

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB (A)	344.54	419.13	422.47	391.53	381.67	
Addition (B)	105.00	36.00	-	20.00	310.00	**471.00**
Depreciation (C)	30.41	32.66	30.94	29.86	34.87	**158.74**
Sales/Disposals/Transfers (D)	-	-	-	-	-	-
Closing RAB (E = A + B – C – D)	**419.13**	**422.46**	**391.52**	**381.66**	**656.80**	
Average RAB [(A + E) ÷ 2]	**381.83**	**420.79**	**406.99**	**386.59**	**519.23**	

- *Decision no. 8.b. The Authority decides to true up the RAB of 2nd control period based on actual asset addition and revised depreciation rates based on the Authority's decision on the study commissioned by the Authority, at the time of determination of tariff for the 3rd control period.*

Authority's examination and proposal for RAB as part of tariff determination for the Second Control Period and Pre-COD Period at the Consultation Stage:

4.5.6 The Authority had undertaken the "*Study on Allocation of Assets between Aeronautical and Non-Aeronautical Assets*" to carry out a detailed analysis of the Regulatory Assets, apportion the common assets based on appropriate ratios, and examine the assets transferred from AAI to TKIAL.

4.5.7 The Authority noted the following while comparing the RAB as submitted by AAI for true up (Table 17) and that approved in Second Control Period tariff order (Table 18):

- There was a difference between Opening RAB as on 1st April 2016 as submitted by AAI and that approved by AERA in the Second Control Period Order. This variation has been discussed in para 4.5.9.
- AAI has not capitalized a significant part of the additions of capital expenditure that it had proposed at the time of determination of tariffs for the Second Control Period. The same has been discussed in para 4.5.13.

Opening RAB for the Second Control Period

4.5.8 The Authority noted that at the time of determination of tariff for the Second Control Period, in the Tariff Order, the Opening RAB for FY 2016-17 was determined to be Rs. 344.54 crores (Decision No. 5a, Tariff Order No. 03/2017-18 dated 2nd June 2017). The details are as follows:

Table 19: Opening RAB of Second Control Period approved by AERA in the Second Control Period Order

(Rs. in crores)

Particulars	Ref.	Amount
Original Cost of Airport Aeronautical Assets excluding CNS/ATM related assets as on 01.04.2011	A	420.00
Aeronautical asset addition during the First Control Period	B	128.15
Cost of Aeronautical Assets as on 31.03.2016	**C = A + B**	**548.15**
Accumulated Depreciation as on 31.03.2016	D	203.61
Closing RAB as on 31.03.2016	**E = C – D**	**344.54**
Opening RAB as on 01.04.2016	**F = E**	**344.54**

4.5.9 For true-up, AAI had considered a slightly different value for Opening RAB for FY 2016-17 from what was approved by AERA in the Tariff Order for TRV for the Second Control Period. The opening RAB submitted by AAI as part of the true up proposal submission was Rs. 357.01 crores. On seeking clarification, AAI had submitted the following justification for the difference of Rs. 12.48 crores – *"the reason for variation is that certain assets were inadvertently excluded during the tariff finalization process for the Second Control Period. However, these assets were subsequently identified and included when transferring them to TKIAL. Consequently, these assets have been duly considered and accounted for in the Opening RAB for the Second Control Period".*

4.5.10 Based on the explanation provided by AAI and the comparison of the left-out assets (the list of left out assets are detailed in Annexure 1 of Appendix 1) with the physical verification report (Joint Asset Reconciliation Statement (JARS) dated 4th November 2022 signed between AAI and TKIAL team), it was noted that these assets exclusively belong to TRV. Hence, the Authority proposed to include these left out assets as part of the Opening RAB for FY 2016-17 of the Second Control Period.

4.5.11 Further, the Authority noted that the classification of the left-out assets by AAI aligns with the allocation principles determined by the Authority in the Second Control Period for Opening RAB, as stated in para 8.3 of Order No. 03/2017-18 dated 2nd June 2017.

4.5.12 The Authority, based on the above facts, proposed to consider the opening RAB for true-up of the Second Control Period as given below.

Table 20: Opening RAB for Second Control Period proposed by the Authority

(Rs. in crores)

Particulars	Ref.	Amount
Opening RAB as on 01.04.2016 as per Second Control Period Order (A)	Table 19	344.54
Assets left out of opening block as on 1.04.2016 (B)	Annexure 1 of the Independent Study	12.48
Revised Opening RAB as on 01.04.2016 (A + B)		**357.01**

Capital additions submitted by AAI for Second Control Period and Pre-COD Period

4.5.13 The Authority noted differences between the approved figures in the Tariff Order for the Second Control Period and the actual capitalization of aeronautical assets. The Tariff Order for the Second Control period had projected a capitalization of aeronautical assets worth Rs. 471.00 crores by FY 2020-21, but as per AAI's submission, Rs. 353.84 crores worth of aeronautical assets had been capitalized until the COD (Commercial Operation Date).

The Authority reviewed the total capital additions provided by AAI and compared them with the capital additions approved in the Second Control Period order as detailed below:

Table 21: Reconciliation of Additions considered in the Second Control Period Order and actuals incurred by AAI.

(Rs. in crores)

Particulars	Ref.	Amount
Additions as per Second Control Period Order	A	471.00
Capital Expenditure proposed in Second Control Period but later deferred due to impact of COVID-19 pandemic	B	274.95
Variance in cost between additions approved and incurred (refer para 4.5.14 b))	C	7.14
Additions capitalized in the Second Control Period but not approved by AERA in the Second Control Period Order	D	150.64
Total additions proposed by AAI in its True-up of Second Control Period	**E = A - B + C + D**	**353.84**

4.5.14 The Authority had analyzed the reasons for such differences as detailed below:

a. Capex proposed in the Second Control Period amounting to Rs. 274.95 crores were deferred due to the disruption caused by COVID-19 pandemic and also since AAI was in the process of concessioning out TRV to TKIAL.

b. The cost of assets commissioned by AAI as compared to the approved amount in Second Control Period order resulted in cost overrun of Rs. 7.14 crores due to actual tendered costs being higher than the estimates.

c. AAI capitalized assets worth Rs. 150.64 crores, which were not approved in the Second Control Period Order. These assets were commissioned mainly for enhancing passenger facilitation (such as toilet renovations), improving security (installing CCTV etc.), and maintaining the overall operational efficiency of the airport like SITC of 500 KWP grid connected solar, provision of wayfinding signage, replacement of existing old DG sets, threat containment vessel, integration of tower ATS automation with AOCC etc.

4.5.15 Based on the above analysis, the Authority noted that the justification for the difference between the capital additions as approved in the Tariff Order of the Second Control Period (Rs. 471.00 crores) and the actual additions submitted by AAI (Rs. 353.84 crores) as explained above appeared to be reasonable. Thus, the Authority proposed to allow the actual capital expenditure submitted by AAI till COD for the purpose of true up.

4.5.16 Further, the Authority, as part of its review, noted the following with respect to the RAB submitted by AAI:

a) **Financing Allowance:** It was observed that the additions to RAB submitted by AAI included Financing Allowance of Rs. 10.05 crores for the Second Control Period. The Authority, considering the brownfield nature of airport, and the detailed explanation provided below in this regard, proposed not to allow financing allowance as additions for the determination of RAB:

- Providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.
- Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred if debt is used for funding projects.

- Furthermore, the future returns from the project should generate adequate amounts to cover the cost of equity during the construction stage. The airport operator is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, financing allowance was provisioned in the initial stages to such airports. It may be further noted that financing allowance was never provided in the case of brownfield airports like MIAL, DIAL and other AAI airports. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development after which IDC was permitted on the debt portion of the proposed capital expenditure.
- It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports cannot be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and the AO continues to collect charges from the users. In the case of TRV, the Airport ought to be considered as a brownfield airport, which would not be eligible for an allowance on equity portion of newly funded capital projects.
- Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt.

Therefore, based on the above analysis, the Authority decides to not allow financing allowance of Rs. 10.05 crores claimed by AAI for the Second Control Period.

b) **Financial Lease Assets (Accounting treatment Adjustment):**

- It was observed that assets worth Rs. 3.10 crores were acquired under a contract to operate the X-ray Baggage Inspection Systems (XBIS) using a Build-Operate-Transfer (BOT) model. According to this contract, AAI leased the XBIS system for a period of 6 years, with an annual lease payment of Rs. 0.65 crores. Initially, AAI treated this lease as an operating lease, recording the lease payment as part of its O&M expenses until FY 2018-19.
- However, in FY 2019-20, due to the implementation of accounting standard on leases, AAI reclassified the lease from an operating lease to a "Financial Lease." Consequently, the asset value of Rs. 3.10 crores were included as additions to the Regulated Asset Base (RAB).
- The Authority proposed that these assets would not be considered as part of additions to RAB but would be considered as an Operating expense based on the lease nature of the transaction.

c) **Interest on Capital Expenditure during Construction (Rs. 0.16 crores):**

- The Authority noted that interest on Capital expenditure has been included in Operation and Maintenance expenses for the Second Control Period. It was explained by AAI that the interest is

associated with a loan obtained from AXIS Bank in FY 2020-21 at the headquarters level. This interest has been allocated to the station (TRV) based on the portion of the loan utilized for acquiring capital assets. According to the Study and Direction 5 of AERA, interest on Capital Expenditure represents the financing cost incurred in acquiring capital assets. Therefore, this cost should be capitalized and considered as part of RAB in order to claim a return on investment. Hence, the Authority proposed to consider this cost as a part of capital additions commissioned and acquired through debt in FY 2020-21 and Pre-COD period.

d) Left out Assets (Rs. 1.12 crores):

- Further to the submission in the MYTP, the Authority noted that AAI has informed vide email dated 17th November 2023 that it had inadvertently left out two assets amounting to Rs. 1.12 crores capitalized in FY 2017-18, while submitting the proposal for true up of RAB as on COD. These relate to assets which were constructed by or available with Kerala State Industrial Enterprises Limited (KSIE) that were transferred/handed over to AAI. The Authority also noted that AAI has informed that these were later transferred to TKIAL along with other assets on COD. The Authority thus proposed to consider these assets as part of RAB additions for the purpose of true up.

4.5.17 Considering the above factors, the Authority proposed the following revised capital additions for the purpose of true up of the Second Control Period and Pre-COD Period:

Table 22: Adjustments made to Additions submitted by AAI and proposed by the Authority

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
As per AAI								
Aero Additions (A)*	128.31	16.38	49.76	73.74	68.05	**336.24**	17.60	**353.84**
Non-aero additions (B)	0.00	0.04	0.11	0.03	0.05	**0.23**	-	**0.23**
Other additions (C)	0.17	2.11	4.45	3.23	1.72	**11.68**	-	**11.68**
Total Additions (D = A + B + C)	**128.47**	**18.53**	**54.32**	**77.01**	**69.82**	**348.15**	**17.60**	**365.75**
Exclusions								
Financial Lease (Aero) (Ref. 4.5.16 b)) (E)	-	-	-	3.10	-	**3.10**	-	**3.10**
Inclusion								
IDC – Aero (F)	-	-	-	-	0.11	**0.11**	0.04	**0.16**
IDC – Non-Aero (G)	-	-	-	-	-	-	-	-
IDC – ANS (H)	-	-	-	-	0.002	**0.002**	-	**0.002**
Left out assets – Aero (Ref. 4.5.16 d)) (I)	-	1.12	-	-	-	**1.12**	-	**1.12**
Additions as per the Study								
Aero Additions (J = A – E + F + I)	128.31	17.50	49.76	70.64	68.16	**334.37**	17.64	**352.01**
Non-aero additions (K = B + G)	0.00	0.04	0.11	0.03	0.05	**0.23**	-	**0.23**
Other additions (L = C + H)	0.17	2.11	4.45	3.23	1.73	**11.69**	-	**11.69**
Total Additions (M = J + K + L)	**128.47**	**19.65**	**54.32**	**73.91**	**69.93**	**346.29**	**17.64**	**363.93**

**Excludes Financing Allowance (refer Table 17)*

Reclassification and Reallocation of assets submitted by AAI for the Second Control Period and Pre-COD Period

4.5.18 The Authority has commissioned an independent study through the Consultant appointed by AERA on allocation of assets between Aeronautical and Non-aeronautical services for TRV for the Second Control Period and FY 2021-22 (Pre and Post COD of AAI and TKIAL respectively) (summary of the study is given in Annexure 2 and the Study is attached as Appendix 1) and used the recommendation of the study, while truing up the RAB till COD, i.e., 13th October 2021 for AAI.

4.5.19 The Authority notes that the Independent Study has provided a broad framework for allocation of various classes of airport assets into Aeronautical, Non-aeronautical and Common. The process followed by the Study is as follows:

- The assets responsible for/ used exclusively for the provision of aeronautical (as defined in section 2 (a) of the AERA Act,2008) services have been classified as 'Aeronautical' for the purposes of Study. Additionally, the decisions of AERA on allocation of certain assets in the previous control periods and in the case of other airports have also been taken into consideration for this exercise.
- Assets which are solely used for the provision of services other than aeronautical services are classified as 'Non-Aeronautical'.
- If any asset is not exclusively used for the provision of either Aeronautical service or Non-Aeronautical service, it has been classified as 'Common'.
- Apart from being an airport operator, AAI is also responsible for the provision of Air Navigation Services (ANS) over the Indian airspace. Therefore, certain ANS assets also form part of the books of AAI. However, since this service is managed separately by AAI and the tariff for the same are presently regulated by Ministry of Civil Aviation (MoCA), the assets related to the same are not considered under the RAB of AAI. Therefore, such assets have been excluded from the Aeronautical Gross Block of AAI.
- However, certain ANS related assets were also transferred to TKIAL as on COD. As per the terms of the Concession Agreement, AAI would continue to provide ANS services at TRV. As mentioned in Schedule Q of Clause 20.2.1 of the Concession Agreement, TKIAL is required to make available all necessary civil infrastructure and necessary support to AAI for providing ANS services. Therefore, the ANS related assets, when transferred to the books of the TKIAL, would be considered as aeronautical in nature considering that TKIAL is not providing or charging for ANS services at TRV whereas it is required to provide the supporting infrastructure.
- Aeronautical assets (e.g. aerobridges, among others) are directly added to RAB and assets identified to be Non-Aeronautical (e.g. commercial complex) are excluded from it. The assets that have been classified as Common assets need to be further bifurcated into aeronautical and non-aeronautical based on a suitable ratio. This ratio has been determined based on the underlying proportion of their expected utilization for Aeronautical and Non-aeronautical services and activities at the Airport.

4.5.20 The Authority upon reviewing allocation of assets conducted in the Study, had made the following observations and proposals regarding AAI's submission of allocation ratios and classification of assets to be considered for the Second Control Period and Pre-COD period:

- Revision of Allocation Ratios: The bifurcation of common assets to aeronautical and non-aeronautical is based on three ratios i.e., Terminal Building Ratio (TBLR), Employee Head Count Ratio (EHCR) and

Staff Quarters Ratio (QTR). A comprehensive evaluation of these ratios, as submitted by AAI, has been undertaken in the Study. After evaluating the analysis presented in the Study, the Authority agrees with the recommendations and proposed the following ratios to be considered for the allocation of common assets (for a more detailed explanation, refer to section 4.4 of the Study on Allocation of Assets):

Table 23: Allocation Ratios submitted by AAI and recomputed by the Authority

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD
Submitted by AAI						
Employee Ratio (Aero: Non-Aero)	98.41% : 1.59%	98.31% : 1.69%	98.01% : 1.99%	98.51% : 1.49%	98.44% : 1.56%	98.28% : 1.72%
Terminal Building Ratio (Aero: Non-Aero)	92.00% : 8.00%					
Staff Quarter Ratio (Aeronautical: ANS)	78.12% : 21.88%	78.12% : 21.88%	74.07% : 25.93%	73.91% : 26.09%	71.43% : 28.57%	85.00% : 15.00%
Proposed by the Authority as per the Independent Study						
Employee Ratio (Aero: Non-Aero)	94.73%: 5.27%	94.12% : 5.88%	94.02% : 5.98%	93.86% : 6.14%	93.78% : 6.22%	92.50%: 7.50%
Terminal Building Ratio (Aero: Non-Aero)	90% : 10%					
Staff Quarters Ratio (Aeronautical: ANS)	78.12%: 21.88%	78.12% : 21.88%	74.07% : 25.93%	73.91% : 26.09%	71.43% : 28.57%	85.00% : 15.00%

- Based on the examination of the submission made by AAI, the Authority concurs with the majority of the asset allocation methodology adopted in the submission by AAI, except as specifically identified in the table below. Further, assets have been analyzed: on a case-to-case basis and in case of any discrepancies identified in allocation, appropriate reclassification has been made for such assets.

Table 24: Reclassification of assets capitalized in the Second Control Period and Pre-COD Period proposed by the Authority.

(Rs. in crores)

Asset Category	Asset Sub-Category / Description	Reason for Reclassification	Asset classification as per		Impact
			AAI	Independent Study	
Boundary-Freehold	Construction of boundary wall	-	Aero	Aero	-
Building Freehold	Extension of airside corridor & CISF barrack, construction of new fire station, provision of RCC ramp in NITB	-	Aero	Aero	-
	Civil infrastructure works at ATC complex and for examination and renovation of toilet in ANS building	The construction of civil infrastructure at the ANS building led to its reclassification as ANS and subsequent removal from RAB.	Aero	ANS	-0.21
	Provision of canopy in existing walkway, Provision of emergency Casualty centre,	Assets are pertaining to Terminal Building	Aero	Common (TBLR)	-0.16

Asset Category	Asset Sub-Category / Description	Reason for Reclassification	Asset classification as per		Impact
			AAI	Independent Study	
	modification of cargo complex				
	Civil infrastructure works at Cargo complex	The civil infrastructure works were undertaken for Cargo complex, thus treated as Cargo, and removed from RAB	Aero	Not Considered*	-0.26
	Renovation of toilet in admin building	The renovation of the toilet facilities in the administrative building, which is exclusively used by employees of AAI, resulted in the reclassification of the asset as "common." Consequently, the allocation of this asset is now based on the Employee Head Count Ratio.	Aero	Common (EHCR)	-0.02
	Construction of DVOR building replacement of DVOR	-	ANS	ANS	-
	Provision of Casualty centre, Modification of Arrival & Departure Hall	Change in % of Terminal Building ratio.	Common (TBLR)	Common (TBLR)	-0.04
	Provision of shed for parking in AAI residential Colony, children's park in AAI residential Colony	-	Common (QTR)	Common (QTR)	-
Computer Software	Software application - MS Office 2016, 2019, Auto CAD for Civil engineering	-	Aero	Aero	-
	MS office 2016	It is used by the employees of AAI, thus the MS office 2016 has been classified as common and allocated based on Employee Head Count Ratio	Aero	Common (EHCR)	-0.00
Furniture & Fixtures	Preparation table and benches for egress, Providing boarding gate counter, immigration counters & check in counters. Supply of chairs	-	Aero	Aero	-
	Table and Chair for CNS/ATM block	The table and chairs are purchased for CNS block. Thus, classified as ANS.	Aero	ANS	-0.01
	Sofa, Locker, Visitors chair, Senate conference table, Supply of Optimizer	The assets like Sofa, Locker, Visitors chair etc. were purchased for employees of AAI at TRV. Thus, classified as common and allocated	Aero	Common (EHCR)	-0.01

Asset Category	Asset Sub-Category / Description	Reason for Reclassification	Asset classification as per		Impact
			AAI	Independent Study	
		based on Employee Head Count Ratio			
	Acrylic Painting on Canvas, Statue etc	The assets like Acrylic Painting on Canvas, Statue etc are for aesthetic enhancement of the airport premises. It is not directly related to the core aeronautical operations or safety requirements of the airport. Thus, considered as common.	Aero	Common (TBLR)	-0.04
Furniture & Fixture - Trolley	Procurement Of 250 Passenger Baggage Trolley	-	Aero	Aero	-
Office Appliances	Complaint Kiosk, LED Monitors, Printers, LED Signages, Smart TV, CCTV	-	Aero	Aero	-
	Office Equipment required at CNS/ATM department	Office Equipment purchased for CNS/ATM department.	Aero	ANS	-0.06
	Desktop/Scanner/Cards etc	Desktop/Scanner/Cards etc- Used for employees of AAI sitting in Admin Building	Aero	Common (EHCR)	-0.02
	Water Dispenser/telephone Cables/ID Card Machines	Water Dispenser/telephone Cables assets are for both Aeronautical and Non-Aeronautical activities. Thus, classified as common.	Aero	Common (TBLR)	-0.01
	Termination of Toll Booth Camera	Termination of Toll Booth Camera is at the Car park area which is a non-aeronautical area	Aero	Non-Aero	-0.04
	Procurement of IT infrastructure	Procurement of IT infrastructure - It is for Cargo Operations	Aero	Not considered*	-0.01
	Precision biometric integrated attendance, matrix biometric device	Precision biometric integrated attendance, matrix biometric device- Used for employees of AAI sitting in Admin Building	Common (EHCR)	Common (EHCR)	-0.00
Plant & Equipment – Freehold	Integration of tower ATC automation with AOCC, Provision of way findings signage, Replacement of existing old DG sets & CCR, Supply of threat containment vessel, CUTE & CUSS, scanner, keyboard, Runway rubber removal machine	-	Aero	Aero	-
	Replacement of conventional lamp, SITC of	Assets used in CNS department	Aero	ANS	-0.79

Asset Category	Asset Sub-Category / Description	Reason for Reclassification	Asset classification as per		Impact
			AAI	Independent Study	
	RF links for remote sites CNS, SITC 10KVA MOD UPS for IPAMSS CNS, providing comprehensive VCS at AAI, SITC of augmentation of tower ATC automation				
	Supply of weighing scale	Supply of weighing scale was purchased for cargo operations	Aero	Not Considered*	-0.00
	Provision of ventilation for DTB & Admin, BAS device, SITC of network equipment, ALCO SENSOR IVCM with printer	BAS device etc. is used by employees of AAI.	Aero	Common (EHCR)	-0.04
	Provision of additional AC units at various locations, Replacement of cooling towers at NITB, SITC of CCTV upgradation, Provision of garden lighting at NITB, Procurement of boom lift	Replacement of conventional light & lighting fittings etc are done at Terminal building which is used for both aero and non-aeronautic activities. Thus, classified as common.	Aero	Common (TBLR)	-0.84
	Toll booth	Procurement of boom lift & toll booth	Aero	Non-Aero	-0.14
	SITC of Cargo XBIS	-	Cargo	Not Considered*	-
	SITC of HF RX antenna, Procurement of survey equipment, Procurement of WAN routers for ADP and AMSS, Procure radio communication test set	-	ANS	ANS	-
	Biometric access control systems, Replacement of old split/window AC	Change in % of Employee Head Count Ratio.	Common (EHCR)	Common (EHCR)	-0.14
	Provision of borewell, standby pumps, rewiring of residential colony	-	Common (QTR)	Common (QTR)	-
Plant & Equipment - Leasehold	XBIS Lease	-	Aero	Aero	-
Runway, Taxiway & Apron	Resurfacing & strengthening of runway, construction of additional apron, extension of parallel taxi track	-	Aero	Aero	-
Solar Panel	SITC of 500 KWP grid connected solar	-	Aero	Aero	-

AERA

Asset Category	Asset Sub-Category / Description	Reason for Reclassification	Asset classification as per		Impact
			AAI	Independent Study	
Vehicle	Ambulance, BDDS & Dog Squad vehicles, Mobile command post, tractor, tow tug trolley	-	Aero	Aero	-
	Cargo trolley	-	Cargo	Not Considered*	-
	Vehicles used for ANS activities	-	ANS	ANS	-
Total					**-2.84**

** Cargo assets are Assets related to bonded cargo activities within the airport operational area managed by the AAI until FY 2016-17*

4.5.21 As can be seen above, due to the reclassification of assets proposed by the Authority, there is an impact of Rs. 2.84 crores (reduction) in the aeronautical capital additions of AAI from FY 2016-17 till COD.

4.5.22 The break-up of the revised aeronautical capital additions given above, across Second Control Period and Pre-COD is as follows:

Table 25: Revised aeronautical capital additions from FY 2016-17 till COD proposed by the Authority

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
As per AAI submission (A)	128.31	16.38	49.76	73.74	68.05	**336.24**	17.60	**353.84**
As per the Independent Study (B)	127.71	16.95	49.41	70.26	67.37	**331.69**	17.48	**349.17**
Variance (A – B)	**0.60**	**(0.57)**	**0.35**	**3.48**	**0.68**	**4.55**	**0.12**	**4.67***

** The variance of Rs. 4.67 crores is due to exclusion of lease asset of Rs. 3.10 crores (refer para 4.5.16 b), inclusion of IDC of Rs. 0.16 crores (refer para 4.5.16 c), inclusion of left out assets of Rs. 1.12 crores (refer para 4.5.16 d) and reclassification of Rs. 2.84 crores (Table 24)*

4.5.23 Based on the above resultant revision to capital additions, the Authority proposed the following Aeronautical Gross Block for AAI for the Second Control Period and Pre COD period:

Table 26: Gross Block proposed by the Authority for Second Control Period and Pre COD period

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD
As per AAI Submission						
Aeronautical Gross Block (A)	684.41	700.79	749.45	821.44	883.13	900.73
Non-Aeronautical Gross Block (B)	21.76	21.80	21.90	21.93	21.95	21.95
Other Assets Gross Block (C)	38.53	40.64	45.09	48.31	50.04	50.04
Total Gross Block (D = A + B + C)	**744.70**	**763.23**	**816.44**	**891.69**	**955.12**	**972.72**
Percentage Aeronautical (E = A ÷ D)	*91.90%*	*91.82%*	*91.79%*	*92.12%*	*92.46%*	*92.60%*
Proposed by the Authority as per the Independent Study						
Aeronautical Gross Block (F)	683.82	700.76	749.07	817.57	878.58	896.06
Non-Aeronautical Gross Block (G)	21.91	22.40	22.76	23.13	23.45	23.46
Other Assets Gross Block (H)	38.98	41.19	45.73	49.01	51.23	51.38
Total Gross Block (I = F + G + H)	**744.70**	**764.36**	**817.57**	**889.71**	**953.26**	**970.90**
Percentage Aeronautical (J = F ÷ I)	*91.82%*	*91.68%*	*91.62%*	*91.89%*	*92.17%*	*92.29%*
Variance (K = J - E)	*-0.08%*	*-0.14%*	*-0.17%*	*-0.23%*	*-0.30%*	*-0.31%*

Stakeholder's comments regarding True up of Capital Expenditure (CAPEX) for the period from FY 2016-17 up to COD

4.5.24 No comments have been received from stakeholders regarding True up of Capital Expenditure (CAPEX) for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Capital Expenditure (CAPEX) for the period from FY 2016-17 up to COD

4.5.25 The Authority notes that there are no stakeholder's comments regarding True up of Capital Expenditure (CAPEX) for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Capital Expenditure (CAPEX) as per Table 25.

4.6 True up of Depreciation

AAI's submission for true up of Aeronautical Depreciation for Second Control Period and Pre-COD period:

4.6.1 AAI had submitted that depreciation has been calculated based on AERA approved rates provided in the tariff order of the Second Control Period. AAI had computed the aeronautical depreciation for the Second Control Period and Pre-COD Period as follows:

Table 27: Aeronautical depreciation submitted by AAI for True up of Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Depreciation as per AAI (refer Table 10)	29.48	33.56	37.55	39.92	43.04	**183.55**	22.74	**206.29**

Recap of decision taken by the Authority for depreciation at the time of tariff determination for the Second Control Period:

4.6.2 The Authority vide its Decision No. 7 of order No. 03/2017-18 dated 2nd June 2017 decided the following with respect to depreciation for Second Control Period.

- *Decision no. 7.a.: The Authority decided to adopt depreciation rates as per Table 28 and depreciation for the 2nd control period as per Table 29.*

Table 28: Depreciation rates as submitted by AAI and as considered by the Authority in the Second Control Period (Table 28 of Second Control Period order)

S. No	Asset class	As per AAI	As per Authority till FY14	As per Authority – 2015 onwards
1	Free hold land	0%	0%	0%
2	Runways	13%	3.33%	3.33%
3	Taxiways	13%	3.33%	3.33%
4	Aprons	13%	3.33%	3.33%
5	Road, bridges & culverts	13%	1.63%	3.33%
6	Terminal & other buildings in operational area	8%	1.63%	3.33%
7	Building-Temporary	100%	100%	33.33%
8	Building-Residential	5%	1.63%	3.33%
9	Fencing-Temporary	100%	100%	33.33%
10	Other buildings -Unclassified	8%	1.63%	3.33%

S. No	Asset class	As per AAI	As per Authority till FY14	As per Authority – 2015 onwards
11	Computers & IT H/w & accessories	20%	16.21%	16.67%
12	Plant and Machinery	11%	4.75%	6.67%
13	Tool and Plant	20%	4.75%	6.67%
14	Office Furniture & fixtures	20%	6.33%	10%
15	Other Vehicles	14%	9.50%	12.50%
16	Electric Installations & AC	11%	4.75%	10%
17	Other Office Equipment	18%	4.75%	20%
18	F&F- operational area	20%	6.33%	10%
19	XBIS (X-RAY Baggage)	11%	4.75%	6.67%
20	CFT	13%	4.75%	6.67%
21	Boundary wall -Operational	8%	1.63%	3.33%
22	Intangible assets - computer s/w	20%	20%	20%
23	Boundary wall- Residential	5%	1.63%	3.33%
24	Vehicle (Car/Jeep)	14%	9.50%	12.50%

Table 29: Depreciation considered by the Authority in the Second Control Period Order (Table 29 of Second Control Period Order)

(Rs. in crores)

S. No	Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
1	As per AAI	60.93	58.67	52.65	45.62	70.63	**288.51**
2	As per Authority	30.41	32.66	30.94	29.86	34.86	**158.74**

- *Decision no. 7.b.: The Authority decides to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up depreciation while considering tariff determination in future.*

Authority's examination and proposal for Aeronautical Depreciation as part of tariff determination for the Second Control Period and Pre-COD Period at the Consultation stage:

4.6.3 The Authority noted that for the purposes of true up, AAI had calculated the depreciation for the period from 1st April 2016 to 31st March 2018 using the depreciation rates approved by AERA in the tariff order of the Second Control Period till FY 2017-18 and for the period from 1st April 2018 to COD, the depreciation had been determined by considering the useful life as prescribed under AERA Order No. 35/2017-18 dated 12th January 2018.

4.6.4 Upon review of the depreciation rates used by AAI for additions, the Authority observed that they were in line with the rates specified in AERA Order No. 35/2017-18 dated 12th January 2018, except for trolleys, office appliances and solar panels. AAI submitted that this deviation from Order 35/2017-18 was an oversight and should be corrected. Therefore, the Authority proposed to adjust the depreciation rates for these specific items according to Order 35/2017-18 and recalculate the depreciation accordingly.

4.6.5 The Authority had computed depreciation for the Second Control Period and Pre-COD period, after making necessary adjustments to the assets excluded from RAB and the same is presented as follows:

Table 30: Depreciation proposed by the Authority for Second Control Period and Pre-COD period

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Depreciation as per AAI (A) (refer Table 10)	29.48	33.56	37.55	39.92	43.04	**183.55**	22.74	**206.29**

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Adjustments due to reclassification of assets (B)	-0.02	-0.03	-0.13	-0.36	-0.35	**-0.90**	-0.21	**-1.11**
Depreciation proposed by the Authority (A + B)	**29.46**	**33.52**	**37.43**	**39.56**	**42.69**	**182.65**	**22.53**	**205.19**

4.6.6 The Authority proposed to consider depreciation as per Table 30 for true up of the Second Control Period and Pre-COD period.

Stakeholder's comments regarding True up of Depreciation for the period from FY 2016-17 up to COD

4.6.7 No comments have been received from stakeholders regarding True up of Depreciation for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Depreciation for the period from FY 2016-17 up to COD

4.6.8 The Authority notes that there are no stakeholder's comments regarding True up of Depreciation for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Depreciation as per Table 30.

4.7 True up of Regulatory Asset Base (RAB)

4.7.1 After considering all the aforementioned analysis and adjustments, the Authority had proposed the following RAB for each year during the Second Control Period and the Pre-COD Period:

Table 31: RAB for Second Control Period and Pre COD period proposed by the Authority.

(Rs. in crores)

Particulars	Ref.	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
As per AAI Submission									
Opening RAB (A)	Table 17	357.01	454.87	437.76	450.07	485.12		507.88	
Addition (B)		130.36	16.52	50.09	76.63	71.28	**344.88**	19.01	**363.89**
Depreciation (C)		29.49	33.63	37.64	40.09	43.39	**184.24**	23.01	**207.25**
Sales/Disposals/Transfers (D)*		3.01	-	0.14	1.48	5.14	**9.77**	-	**9.77**
Closing RAB (E = A+B-C-D)		**454.87**	**437.76**	**450.07**	**485.12**	**507.88**		**503.87**	
Average RAB [(A + E) ÷ 2]		**405.94**	**446.31**	**443.91**	**467.59**	**496.50**		**505.87**	
Proposed by the Authority as per the Independent Study									
Opening RAB (F)	Table 20	357.01	452.25	435.68	447.52	476.74		496.28	
Addition (G)	Table 25	127.71	16.95	49.41	70.26	67.37	**331.69**	17.48	**349.17**
Depreciation (H)	Table 30	29.46	33.52	37.43	39.56	42.69	**182.65**	22.53	**205.19**
Sales/Disposals/Transfers (I)**		3.01	-	0.14	1.48	5.14	**9.77**	-	**9.77**
Closing RAB (J = F+G-H-I)		**452.25**	**435.68**	**447.52**	**476.74**	**496.28**		**491.23**	
Average RAB [(F + J) ÷ 2]		**404.63**	**443.96**	**441.60**	**462.13**	**486.51**		**493.75**	

**Includes depreciation of Rs. 0.96 crores on Financing Allowance*

***Mainly relates to Runway Rubber Removal Machine, XBIS, CFT Firefighting equipment etc.*

Deemed Initial RAB

4.7.2 As per Concession Agreement, TKIAL shall be liable to pay to AAI an amount equivalent to investments made by AAI in aeronautical assets as of COD and as considered by the Authority as part of Regulatory Asset Base (RAB) subject to reconciliation, true up and final determination by the Authority. The relevant clauses of the concession agreement in this regard are mentioned below:

Clause 28.11.3

(a) It is agreed by the parties that the concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment ***("Deemed Initial RAB")****.*

(b) The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on 31st March 2018 is Rs. 424,00,00,000 (Rupees Four Hundred and Twenty Four crore) ***("Estimated Deemed Initial RAB")****. It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

Clause 28.11.4

"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):

(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or

(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.

Clause 28.11.5

Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.

(a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.

(b) The parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns etc.

4.7.3 The Authority noted that in November 2022, members from both AAI and TKIAL collaborated to conduct a physical verification of the assets. Following this verification, they jointly signed the fixed asset register to confirm the assets' status as of COD. TKIAL had accepted that the value of aeronautical assets transferred by AAI as on COD were Rs. 486.21 crores and that the value of ANS related assets transferred were Rs. 0.05 crores as detailed in Joint Asset Reconciliation Statement (JARS).

4.7.4 Taking cognizance of the above clauses in the Concession Agreement and adjustments & reclassification proposed by the Authority based on the outcome of the independent study conducted by the Independent Consultant appointed by AERA on allocation of assets for TRV, Thiruvananthapuram, including disallowance of Financing Allowance, exclusion of Financial lease assets, inclusion of IDC and the left out assets, reclassification of assets and the resulting change in depreciation, the Authority had proposed the Deemed Initial RAB as on COD, as follows:

Table 32: Deemed Initial RAB for TKIAL as on COD considered by the Authority

(Rs. in crores)

Particulars	Ref.	Aeronautical Assets	Non-Aeronautical Assets	Other Assets	Total
		(A)	(B)	(C)	D = (A + B +C)
Closing RAB as on 13th October 2021, as submitted by AAI (A)	Table 17	503.87	1.59	9.97	**515.43**
Financing Allowance net of depreciation (B)	Para 4.5.16a)	-9.08	-	-	**-9.08**
Financial Lease Assets (C)	Para 4.5.16b)	-3.10	-	-	**-3.10**
IDC (D)	Para 4.5.16c)	0.16	-	0.00	**0.16**
Left out assets (E)	Para 4.5.16d)	1.12	-	-	**1.12**
Reclassification of assets (F)	Table 24	-2.84	1.50	1.34	-
Change in depreciation (G)	Table 30	1.11	(0.31)	(0.25)	**0.54**
Net block of assets as on 13th October 2021 after reclassification and other adjustments as per the Study [H = sum (A to G)]		**491.23**	**2.79**	**11.05**	**505.07**
Less: Assets retained by AAI (I)		8.00	0.07	10.51	**18.59**
Net block of assets transferred by AAI to TKIAL as on 13th October 2021 (J = H - I)		**483.23**	**2.71**	**0.54**	**486.48**
Other Assets* (ANS & Cargo) considered as aeronautical (K)		0.54	-	-0.54	-
Opening RAB of TKIAL as on 14th October 2021 (L = J + K)		**483.77**	**2.71**	-	**486.48**

** Other Assets include assets related to Cargo and ANS/CNS operations which has been transferred to TKIAL. This asset has been considered as part of RAB in TKIAL submission. Cargo assets are Assets related to bonded cargo activities within the airport operational area which was managed by the AAI until FY 2016-17 but after transfer, the cargo activities are undertaken by TKIAL itself. Therefore, the study considers it as part of Initial RAB of TKIAL.*

4.7.5 Therefore, the Deemed Initial RAB which would be the opening RAB for TKIAL as on COD was proposed by the Authority to be Rs. 483.77 crores.

Stakeholder's comments regarding True up of Capital Expenditure (CAPEX), Depreciation and RAB for the period from FY 2016-17 up to COD

4.7.6 No comments have been received from stakeholders regarding True up of Capital Expenditure (CAPEX), Depreciation and RAB for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Capital Expenditure (CAPEX), Depreciation and RAB for the period from FY 2016-17 up to COD

4.7.7 The Authority notes that there are no stakeholder's comments regarding True up of Capital Expenditure (CAPEX), Depreciation and RAB for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of RAB as per Table 32.

4.8 True up of Fair Rate of Return (FRoR)

AAI's submissions on the Fair Rate of Return (FRoR) for Second Control Period and Pre-COD period

4.8.1 AAI has considered Fair Rate of Return (FRoR) as 14% in MYTP for true up of Second Control Period and Pre COD period based on the decision taken in Order no. 03/2017-2018 dated 2nd June 2017 of TRV for tariff determination of Second Control Period.

Recap of decision taken by the Authority for FRoR at the time of tariff determination for the Second Control Period:

4.8.2 The Authority vide Decision no. 9 of the Order no. 03/2017-2018 dated 2nd June 2017 decided the following with respect to Fair Rate of Return for the Second Control Period

- *Decision no 9.a. The Authority decides to consider the FRoR at 14% for TRV for the 1st and 2nd Control Period.*
- *Decision no 9.b. The Authority decided to undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.*

Authority's examination and proposal for true up of Fair Rate of Return for Second Control Period and Pre-COD period at the Consultation Stage:

4.8.3 The Authority noted that interest on Capital expenditure had been included in Operation and Maintenance expenses in FY 2020-21 and Pre COD period (1st April 2021 to 13th October 2021). Upon seeking clarification from AAI about the nature of interest, AAI submitted that the interest is associated with Term Loan of Rs. 2,100 crores which was raised from M/s. Axis Bank Ltd to meet a part of its Capital Expenditure for FY 2020-21 at an interest rate of 6.21% for AAI Airports. The term loan was disbursed to TRV from FY 2020-21 as per the Capital expenditure requirement. However, AAI has not considered the cost of debt factor into FRoR computation.

4.8.4 The Authority had earlier considered the Fair Rate of Return at 14% for most of the major AAI airports. Accordingly, the Authority decided to consider the Fair Rate of Return at 14% in the Second Control Period order considering that for TRV internal accruals were sufficient to meet capital expenditure requirement and accordingly no loan was required and FRoR was arrived at 14%.

4.8.5 In the Tariff Order for the Second Control Period, the Authority had decided to commission a study with regard to determination of FRoR and true up the same. The Authority noted that the capital structure of AAI was not cost efficient and is highly equity leveraged. AAI had taken steps to make its capital structure efficient

by availing debt in FY 2020-21 for executing capital expansion plans at certain Airports (which also includes TRV). However, TRV has been concessioned out to TKIAL. Hence, at this juncture, the Authority did not intend to conduct an independent study for assessing the normative capital structure.

4.8.6 The Authority noted that as per AAI's replies to queries dated 19th June 2023, loan amounting to Rs. 11.23 crores and Rs. 1.94 crores were disbursed for incurring the capital expenditure in FY 2020-21 and FY 2021-22.

4.8.7 Therefore, the Authority proposed to consider the cost of equity at 14%, for true up of the first four tariff years of the Second Control Period and thereafter to rework the FRoR considering loan disbursed for fifth tariff year of the Second Control Period and the Pre COD period. The revised FRoR for the Second Control Period and Pre COD period are as given below.

Table 33: FRoR proposed by the Authority for true up of the Second Control Period and Pre COD period

Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Pre-COD
Cost of Equity (%)	A	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Cost of Debt (%)	B	-	-	-	-	6.21%	6.21%
Equity %	C	100.00%	100.00%	100.00%	100.00%	98.29%	99.70%
Debt %	D	-	-	-	-	1.71%	0.30%
FRoR (%)	E = (A * C) + (B * D)	14.00%	14.00%	14.00%	14.00%	13.87%	13.97%
Weighted Average FRoR	**F**	**13.97%**					

4.8.8 Further, it is to be noted that AAI operated the Airport in FY 2021-22 till 13th October 2021. Therefore, AAI is eligible to claim return on RAB only till the COD. Hence, for FY 2021-22, the Authority proposed to pro-rate the FRoR for 196 days during which AAI operated the Airport. The pro-rated FRoR for FY 2021-22 (till COD) has been computed as follows:

$$\text{FRoR COD} = \text{FRoR}^* \, n/365$$

Where,

FRoR is the fair rate of return for the entire FY 2021-22, FRoR COD is the pro-rated FRoR for the period till COD and n is the number of days in operation by AAI in FY 2021-22.

4.8.9 Based on the above approach the pro-rated FRoR for Pre COD period was computed as follows:

Table 34: Pro-rated FRoR proposed by the Authority for true up of Pre-COD period

Particulars	Value (%)
FRoR for FY 2021-22 (A)	13.97%
Number of days of operations in FY 2021-22 (B)	196
Pro-rated FRoR for FY 2021-22 (till COD) (A*B/365)	7.50%

4.8.10 Based on the above analysis, the Authority proposed to consider FRoR as 13.97% for true up of the Second Control Period and 7.50% for FY 2021-22 (up to COD) for true up of the Pre-COD period.

Stakeholders' comments on the True up of FRoR for the period from FY 2016-17 up to COD

4.8.11 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 with respect

to the True up of FRoR for the period from FY 2016-17 up to COD. Further no comments have been received from AAI. The comments of the other stakeholders are presented below:

Other Stakeholders' comments on the True up of FRoR for the period from FY 2016-17 up to COD

4.8.12 FIA's comment regarding the Fair Rate of Return is as follows:

It is submitted that:

(a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.

Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.

(b) FIA observes that Fair Rate of Return of 14% provided to Airport Authority of India ("AAI") is higher than comparison to the same being given to the present Airport Operator i.e. TKIAL@ 13.97% (Refer 4.8.7 of the CP). Without prejudice to (a) above, there appears no rationale to provide higher return to AAI in comparison to TKIAL and accordingly AERA may reduce the FRoR suitably.

Response to Stakeholders' comments on True up of FRoR for the period from FY 2016-17 up to COD

AAI's response to Stakeholders' comment on True-up of FRoR for the period from FY 2016-17 up to COD

4.8.13 AAI's response to FIA's comments regarding True up of FRoR for the period from FY 2017 to COD is as follows:

True up of Trivandrum airport for the period form FY 2016-17 to COD
Submission of AAI:

1. *FRoR for an Airport depends on cost of debt and cost of equity.*
2. *In the first control period of Chennai Airport, AAI has submitted a study conducted by M/s KPMG in regard to calculation of cost of equity wherein Estimated Asset Beta was 0.92 and corresponding Equity Beta works out to 0.98.*
3. *AERA has been considering cost of equity as 14% as against 15.64% as per study report submitted by M/s KPMG.*
4. *However, the cost of equity submitted by AAI in respect of Trivandrum International Airport up to COD works to 14% whereas AERA has considered cost of Equity as 14% only resulting in a FRoR of 13.97%*

TKIAL's response to Stakeholders' comment on True-up of FRoR for the period from FY 2016-17 up to COD

4.8.14 TKIAL's response to FIA's comments regarding True up of FRoR for the period from FY 2017 to COD is as follows:

In respect to FRoR, we would like to clarify that Authority has allowed FROR of 13.97% to AAI for true up purpose and also allowed FROR of 13.97% to AO for true up of 5.5 months i.e. from COD to March-2022.

For TCP, Authority has allowed FRoR of 12.21%. However, TKIAL is seeking FRoR of 14.76% based on cost of equity of 17.30% as determined by the independent study done for LIAL as per methodology prescribed in AERA Guidelines and cost of debt of 12% as per actuals. If Airport Operators are not given suitable returns on their investment, the development and upgradation of such infrastructure facilities will not be of the level as expected by the Governments, Aviation Industry and Users.

Further it is to be noted that proportion of airport charges to total operational cost of Airlines is insignificant i.e. in range of 6-8% (based on the study of annual reports/financials available in public domain of listed Indian airlines such as Indigo, SpiceJet etc.). Thus, its sensitivity towards the profitability of the airlines is minuscule.

Also, with respect to the comment by FIA on huge losses suffered by airlines, please refer the comments provided under point no. 1.19 (refer para 10.4.4 of this Tariff Order).

As far as efficiency is concerned, Airport Operator has and will continue to sweat the assets and build in efficiency whenever possible.

Authority's analysis on the Stakeholders' comments on True up of FRoR for the period from FY 2016-17 up to COD

4.8.15 The Authority has carefully examined FIA's comment and the responses of both AAI and TKIAL and is of the view that an airport infrastructure is a capital-intensive business and requires investment with a long-term perspective wherein investors desire a stable return on equity. Therefore, the Authority finds that it is not pragmatic or fair to reduce or not to provide any return on the assets of the Airport Operator.

Regarding AAI's comment on the study commissioned by AAI through M/s KPMG on Cost of Equity, it is to be noted that the study pertains to 2011, which is a very dated report.

The Authority would also reiterate that the independent study conducted by TKIAL for Cost of Equity has its inherent conflicts and hence it would not be fair to consider the estimate for Cost of Equity as per the study conducted by the AO.

Thus, these studies are to be undertaken by an independent and reputed agency. In this context, the study conducted by IIM-Bengaluru, engaged by AERA for determining cost of equity for representative airports would be the basis of determining FRoR since the reputation of the organization and its independence vis-à-vis private airports is incontrovertible as the same was determined in FY 2020-21 / 2021-22.

4.8.16 Further, it may be noted that AAI has availed debt during FY 2020-21 and hence, the Authority has computed weighted average FRoR of 13.97% for AAI for true up of the Second Control Period as proposed during the Consultation stage (Refer Table 33).Based on the above, the Authority decides to consider the FRoR as per Table 33 for the true-up for the period from FY 2016-17 up to COD.

4.9 True up of Operation and Maintenance (O&M) expenses

AAI's submission for true up of Operation and Maintenance expenses for Second Control Period and Pre-COD period

4.9.1 The component wise break up of Aeronautical Operation and Maintenance expenses submitted by AAI for the Second Control Period and Pre-COD Period is as follows:

Table 35: O&M expenses submitted by AAI for true-up of Second Control Period & Pre-COD Period

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Employee Benefit Expenses	48.71	60.58	74.97	78.42	58.01	**320.70**	33.30	**354.00**
A&G Expenses	2.61	1.90	2.56	3.92	5.59	**16.58**	0.04	**16.62**
CHQ & RHQ Expenses	32.58	43.44	42.45	52.47	31.11	**202.05**	17.54	**219.59**
R&M Expense	11.95	11.46	12.54	12.46	15.65	**64.05**	9.61	**73.66**
Utility & Outsourcing Expenses	13.64	16.57	16.52	18.68	16.83	**82.25**	9.63	**91.88**
Other Outflows	1.53	2.64	3.01	3.06	0.45	**10.68**	0.66	**11.33**
Total O&M Expenditure	**111.01**	**136.60**	**152.05**	**169.01**	**127.64**	**696.30**	**70.78**	**767.08**

4.9.2 The above submission of aeronautical operational expenses by AAI is based on the classification as given below:

Table 36: O&M expenses classification adopted by AAI for Second Control Period and Pre-COD Period

Expense Category	Expense Sub-Category / Description	Expense Classification	Allocation Basis
Employee Benefit Expenses	Salary, wages & bonus	Common	EHCR
A&G Expenses	Advertisement; Arbitration Expenses: Legal Charges;	Common	Actuals
	Other fees like Aerodrome license; Travelling and Conveyance; Freight Charges/Shifting Expenses; Insurance Cost; Rent, Rates & Taxes; Municipal Taxes; Consultancy/Advisory Expenses; Interest & Solatium; Interest Capex Term Loan Axis; Interest on Finance Lease XBIS; Prior Period (PP) Exp-Admin & other expense	Aeronautical	100%
	Books, Journals & Periodicals; Telephone Charges; Office Expenses; Other Sundry Expenses	Common	EHCR
R&M Expenses	Civil Works; Electrical Works	Common	TBLR
	Furniture & Fittings; Electronics	Common	EHCR
	R&M Build Operate Transfer (BOT) XBIS Lease; Airport Operations Control Centre (AOCC) Expenses; Inline Baggage Manpower; Vehicle	Aeronautical	100%
CHQ/RHQ Expenses	CHQ/RHQ expenses allocated to TRV	Common	95%
Utility & Outsourcing Expenses	Power Charges	Common	Electricity Ratio
	Water Charges	Aeronautical	100%
	Consumption of other consumables	Common	TBLR
	Consumption of paper glass; Consumption of Petrol, Oil, Lubricant (Car & Jeeps); Hire charges for cars/jeeps; Other hire charges	Aeronautical	100%
	Watch & Ward Exp./Other Security Contracts; Conservancy Charges/Cleaning Contracts Environmental Support Services (ESS); Upkeep Mechanized Environmental Support Services (MESS)	Common	TBLR
Other Outflows	Collection charges on UDF; Collection charges paid to IATA (Aero charges); Collection charges on Passenger Service Fee (PSF)	Aeronautical	100%

4.9.3 The following allocation ratios have been used by AAI for allocation of above Common expenses to Aeronautical and Non-aeronautical expenses:

Table 37: Allocation ratios adopted by AAI for Second Control Period and Pre-COD Period

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD
EHCR (Aero: Non-Aero: ANS)	74.50% : 1.20% : 24.30%	72.31% : 1.24% : 26.45%	71.37% : 1.45% : 27.18%	70.22% : 1.06% : 28.72%	70.07% : 1.11% : 28.82%	68.02% : 1.19% : 30.79%
EHCR (Aero: Non-Aero)	98.41% : 1.59%	98.31% : 1.69%	98.01% : 1.99%	98.51% : 1.49%	98.44% : 1.56%	98.28% : 1.72%
Terminal Building Ratio (Aero: Non-Aero)	92.34% : 7.66%	92.12% : 7.88%	92.21% : 7.79%	92.19% : 7.81%	93.29% : 6.71%	91.59% : 8.41%
Electricity Ratio (Aero: Non-Aero: ANS)	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%

Recap of decision taken by the Authority for Operation and Maintenance expenses at the time of tariff determination for the Second Control Period

4.9.4 The Authority vide Decision no. 11 of Order no. 03/2017-2018 dated 2nd June 2017 for the Second Control Period had decided the total O&M expenses to be Rs. 633.47 crores based on its analysis of the submissions made by AAI.

- *Decision no 11.a.: The Authority decides to consider the operational and maintenance expenditure as given in Table 41, for the purpose of determination of aeronautical tariffs for the 2nd Control Period.*
- *Decision no 11.c.: The Authority decides to true up the O&M expenditure for 2016-17 to 2020-21 of the 2nd Control Period based on the actuals at the time of determination of tariff for the 3rd Control Period.*

Table 38: O&M expenses considered by the Authority in the Second Control Period Order (Table 41 of the Order)

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Employee Benefit Expenses	54.62	68.28	73.00	78.04	83.44	**357.38**
A&G Expenses	2.67	2.94	3.22	3.54	3.89	**16.26**
CHQ & RHQ Expenses	22.70	23.84	25.03	26.28	27.59	**125.44**
R&M Expense	9.87	10.85	11.94	13.13	14.44	**60.23**
Utility & Outsourcing Expenses	13.29	13.61	13.96	14.36	14.79	**70.01**
Other Outflows	0.75	0.79	0.83	0.87	0.91	**4.15**
Total	**103.90**	**120.31**	**127.98**	**136.22**	**145.06**	**633.47**

4.9.5 The following allocation ratios were adopted by the Authority for allocating the expenses in the Second Control Period order:

Table 39: Allocation Ratio adopted by the Authority in the Second Control Period Order

Particulars	%
Terminal Building Ratio (TBLR)	90%:10%
Employee Head Count Ratio (EHCR)	95%:5%

4.9.6 The major considerations, in terms of O&M expenses and allocation ratios, adopted by the Authority in the Second Control Period order are as follows:

Para 7.6: The Authority observed that the percentage of non- aeronautical area is lower as compared to similar airports. The Authority had proposed to adopt 90% as aeronautical area for asset allocation of

terminal related assets to encourage growth of Non-Aeronautical Revenue (NAR) which would cross-subsidize aeronautical charges.

Para 7.16: The Authority notes that allocation ratio of 97.9% as mentioned by International Air Transport Association (IATA) refers to the average allocation of total assets and not just terminal assets. As per AAI's submissions, terminal related assets have been allocated based on 93.47%:6.53%, 93.11%:6.89% and 92.70%:7.30% respectively for FY 2015-16, FY 2016-17 and FY 2017-18. The Authority had proposed to consider terminal related assets in the ratio of 90%:10% for aeronautical and non-aeronautical allocation.

Authority's examination and proposal for Operation and Maintenance expenses as part of tariff determination for the Second Control Period and Pre-COD Period at the Consultation Stage:

4.9.7 The Authority had commissioned an independent study through the Consultant appointed by AERA on efficient Operation and Maintenance expenses for TRV for the Second Control Period and FY 2021-22 (Pre and Post COD of AAI and TKIAL respectively) (summary of the study is given in Annexure 3 and the Study is attached as Appendix 2). The Study has included analyzing O&M expenses submitted by AAI, conducting internal and external benchmarking, identifying cost drivers for allocation, and making necessary adjustments for accurate expense alignment.

4.9.8 Based on outcomes of the Study on Opex for the Second Control Period and Pre-COD period, the Authority has made the following observations regarding AAI's submission of O&M expenses under various heads for the Second Control Period and Pre-COD period in the following sequence:

a) Allocation Ratios
b) Assessment and Rationalization of O&M expenses
c) Reclassification and Reallocation of Expenses

a) Allocation Ratios

Revision of the Terminal Building Ratio:

4.9.9 The Authority in the Second Control Period Order decided to adopt the Terminal Building Ratio as 90%:10% (Aeronautical : Non-Aeronautical) (refer para 4.9.6 for extract of relevant paragraphs in the Second Control Period Order) to encourage the growth of non-aeronautical revenues which would cross-subsidize aeronautical charges. Further it can be observed that in its computations, AAI had considered only the specific areas allocated to commercial activities as non-aeronautical. The common areas had not been identified and further bifurcated between aeronautical and non-aeronautical. Therefore, in light of the above, the Terminal Building Ratio has been considered as 90:10 (Aeronautical: Non-Aeronautical) in line with the Authority's decision in Order No. 03 /2017-18 dated 2nd June 2017.

Revision of the Gross Block Ratio:

4.9.10 The Authority noted that AAI has used Terminal Building Ratio for allocation of certain expenses that are incurred for the entire airport. However, the Authority observed that the Study recommends applying Gross Block ratio (ratio of aeronautical gross block to total gross block) to such expenses which are common to airport (detailed reasons for using Gross Block Ratio has been mentioned in paras 4.7.3 to 4.7.6 of the Study on Allocation of Assets). Hence, in line with the Study's proposal, the Authority proposed to consider Gross Block Ratio as shown in Table 7 of the Study on Opex, presented as follows:

Table 40: Gross Block Ratio as per the Authority

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD
Aero Gross Block %	91.82%	91.68%	91.62%	91.89%	92.17%	92.29%
Non-Aero Gross Block %	2.95%	2.93%	2.79%	2.60%	2.46%	2.42%
ANS Gross Block %	5.23%	5.39%	5.59%	5.51%	5.37%	5.29%

Revision of the Employee Head Count Ratio (EHCR):

4.9.11 The Authority analyzed the method used by AAI to calculate the Employee Head Count Ratio (EHCR). The Authority observed that categorization of certain departments like Law, Housekeeping, Land Management, and Medical were taken as aeronautical. The Authority was of the view that these departments offer services not only to aeronautical areas but also to other departments and non-aeronautical areas. Thus, the Authority proposed to reclassify these departments based on the nature of the services they offer.

Further, the Authority noted that even though the costs directly pertaining to ANS employees have been excluded from the O&M expenses, the common expenses are included. Therefore, the Authority had considered the common expenses allocated to ANS employees as deemed non-aeronautical and had recomputed the Employee ratio as shown in Table 10 of the Study on Opex presented below:

Table 41: Employee Head Count Ratio as per the Authority

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD
Aero: Non-Aero: ANS	71.71%: 3.99%: 24.30%	69.23%: 4.32%: 26.45%	68.47%: 4.35%: 27.18%	66.90%: 4.38%: 28.72%	66.75%: 4.43%: 28.82%	64.02%: 5.19%: 30.79%
Aero: Non-Aero	94.73%: 5.27%	94.12%: 5.88%	94.02%: 5.98%	93.86%: 6.14%	93.78%: 6.22%	92.50%:7.50%

Revision of the Electricity Ratio:

4.9.12 The Authority had obtained the rationale behind the electricity ratio used by AAI to divide electricity expenses between ANS and the airport. AAI explained that the ratio is based on the average units consumed by ANS equipment. Since there are no separate meters, estimates of consumption were used to determine the consumption by ANS. AAI recovers utility costs from non-aero concessionaires based on the load factor of non-aero areas. The percentage of recoveries from non-aeronautical concessionaire ranges from 4.63% to 11.87% as presented and computed in Table 12 of the Study on Opex. The Authority concurs with the methodology used by AAI to compute the consumption, hence considers the electricity ratio submitted by AAI to be appropriate.

4.9.13 Based on the above analysis of ratios, the Authority proposed to consider the following revised ratios for the allocation of expenses of TRV for the Second Control Period and Pre-COD Period:

Table 42: Allocation Ratios submitted by AAI and recomputed by the Authority

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD
Submitted by AAI						
Employee Ratio (Aero: Non-Aero: ANS)	74.50%: 1.20% : 24.30%	72.31% : 1.24% : 26.45%	71.37% : 1.45% : 27.18%	70.22% : 1.06% : 28.72%	70.07% : 1.11% : 28.82%	68.02% : 1.19% : 30.79%
Employee Ratio (Aero: Non-Aero)	98.41% : 1.59%	98.31% : 1.69%	98.01% : 1.99%	98.51% : 1.49%	98.44% : 1.56%	98.28% : 1.72%

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD
Terminal Building Ratio (Aero: Non-Aero)	92.34% : 7.66%	92.12% : 7.88%	92.21% : 7.79%	92.19% : 7.81%	93.29% : 6.71%	91.59%: 8.41%
Electricity Ratio (Aero: Non-Aero: ANS)	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%
Recomputed as per the Study						
Employee Ratio (Aero: Non-Aero: ANS)	71.71% : 3.99% : 24.30%	69.23% : 4.32% : 26.45%	68.47% : 4.35% : 27.18%	66.90% : 4.38% : 28.72%	66.75% : 4.43% : 28.82%	64.02% : 5.19% : 30.79%
Employee Ratio (Aero: Non-Aero)	94.73% : 5.27%	94.12% : 5.88%	94.02% : 5.98%	93.86% : 6.14%	93.78% : 6.22%	92.50%: 7.50%
Terminal Building Ratio (Aero: Non-Aero)	90% : 10%	90% : 10%	90% : 10%	90% : 10%	90% : 10%	90% : 10%
Electricity Ratio (Aero: Non-Aero : ANS)	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%
Gross Block Ratio (Aero: Non-Aero : ANS)	91.82% : 2.95% : 5.23%	91.68% : 2.93% : 5.39%	91.62% : 2.79% : 5.59%	91.89% : 2.60% : 5.51%	92.17% : 2.46% : 5.37%	92.29% : 2.42% : 5.29%

b) Assessment and Rationalization of O&M expenses

4.9.14 The Authority had taken note of the expenses related to the Second Control Period and Pre-COD Period submitted by AAI. While conducting a comparative analysis with the approved expenses as per Second Control Period order, the Study recognized that the Pre-COD period falls outside the 5-year control period. To accurately assess and compare the expenses during the Pre-COD period, the Study computed estimated figures by extrapolating the approved expenses from FY 2020-21 (as per the Second Control Period order) to the Pre-COD period of 196 days. This extrapolation was done using the growth rate used to project expenses for FY 2020-21 as specified in the order.

Upon review and analysis of the O&M expenses submitted by AAI for both the Second Control Period and the Pre-COD Period, the Authority observed the following:

- **Employee benefit expenses**: The Authority observed that the actual expenses during Second Control Period were mostly lower than the approved expenses mentioned in the Second Control Period Order, except for slight increases in FY 2018-19 and FY 2019-20 due to retirement benefits and flood-related overtime expenses. The reduction in expenses during FY 2020-21 was attributed to the impact of COVID-19 pandemic on staff numbers and retirement expenses.

  Despite the overall reduction in expenses, employee expenses per passenger and per employee showed an upward trend in average salaries and efficient resource utilization. However, the Authority noted that the actual expenses remained within the approved limits set in the Second Control Period Order, indicating steady spending by AAI.

  Even during the Pre-COD period, it was observed that the employee expenses incurred were lower than the estimated figures computed in the Study. This further supports the fact that expenses have been reasonably incurred.

  Taking into account these findings, the Authority considered that the employee benefit expenses

submitted by AAI for the Second Control Period and Pre-COD period are reasonable.

- **Administrative and General (A&G) Expenses**: The Authority had reviewed the A&G expenses incurred by AAI for the Second Control Period, which amounted to Rs. 16.58 crores, slightly exceeding the approved amount of Rs. 16.26 crores specified in the Second Control Period order. Several factors contributing to this increase have been identified which include changes in travel policies resulting in higher traveling expenses, delayed municipal tax demands, erroneous classification of telephone expenses, interest and solatium expenses related to land acquisition, inclusion of interest and penalty expenses, adjustments in lease accounting, and prior period expenses.

  The Authority had examined each factor and proposed necessary adjustments to the A&G expenses submitted by AAI for the Second Control Period. After applying appropriate adjustments, the revised A&G expenses stand at Rs. 12.58 crores, as shown in Table 22 of the Study on Opex, which appears reasonable. External benchmarking has indicated that AAI's expenses align well with other airports.

  For the Pre-COD period, AAI has submitted A&G expenses of Rs. 0.04 crores, encompassing the same line of expenses covered in the Second Control Period. Therefore, the Authority proposed to apply the same adjustments as proposed for the A&G expenses of the Second Control Period. As a result, after making the necessary adjustments, the revised A&G expenses for the Pre-COD period amount to Rs. 0.12 crores, as explained in detail in Table 50 of the Study on Opex.

  Impact: The overall impact of these adjustments leads to a reduction of A&G expenses by Rs. 3.92 crores for both the Second Control Period and Pre-COD periods.

- **CHQ & RHQ Expenses:** The Authority noted that the CHQ & RHQ expense incurred by AAI for the Second Control Period of Rs. 202.05 crores is significantly higher than the approved amount of Rs. 125.44 crores as per the Second Control Period order. This had resulted in a variance of approximately 61%.

  It was also observed that AAI reported higher CHQ & RHQ expenses for the Pre-COD period compared to the estimated amount (refer Table 52 of the Study on Opex). The expense for the Pre-COD period was calculated by applying a 5% growth rate to the actual expenses of FY 2020-21, as submitted by AAI, since the workings for CHQ & RHQ expenses for FY 2021-22 were not finalized.

  The Authority observes that the Study has carried out comprehensive analysis to examine and justify these expenses. As a result, the CHQ & RHQ expenses were rationalized and reallocated which is detailed below (for detailed analysis refer para 3.4.13 of the Study on Opex):

  Rationalization and reallocation of CHQ & RHQ Expense

  The basis for allocation of AAI's CHQ & RHQ Expenses to TRV and other airports was reviewed, and the following were noted:

  - All expenses incurred by CHQ & RHQ (such as staff costs, Administrative and other expenses, Repairs & Maintenance, utilities, outsourcing expenses, etc.) were allocated to all AAI airports.
  - All the above-mentioned expenses including Employee benefit expenses were allocated in the ratio of revenues earned by each airport.
  - Expenses such as legal costs, interest and penalties were related to specific airports. However, these have also been allocated to the common pool and apportioned to all AAI airports.

Based on analysis of the major components of CHQ & RHQ Expenses for the period from FY 2016-17 to FY 2020-21 submitted by AAI, the following expense allocation had been proposed:

a) Pay and Allowances

- AAI had considered pay and allowances of Commercial department at CHQ & RHQ as Aeronautical expenses, whereas it was proposed to consider such expenses as Non-Aeronautical.
- AAI had excluded pay and allowances of employees involved in ATM, Communications, Navigation and Surveillance (CNS) and Cargo departments at CHQ & RHQ while determining the allocation to the airport. However, costs of support services departments including HR, Finance, Civil, and Terminal Management (Housekeeping) were not excluded in the determination of such allocation.
- CHQ & RHQ staff also provide services to Non-Aeronautical activities, Air Traffic Control (ATC) and CNS cadres at respective airports for which appropriate adjustment was not carried out.

In order to give effect to the above re-allocation, it is proposed that 20% of CHQ & RHQ pay and allowances be excluded towards adjustment for:

- Support services to ANS, Cargo and Commercial at CHQ, RHQ and Airports; and
- Officials of Directorate and Commercial

It is proposed that the balance 80% of CHQ & RHQ pay and allowances be allocated to airports.

b) Administrative and other expenses

- AAI had incurred legal and arbitration costs at CHQ & RHQ, which have been allocated across all AAI airports instead of allocation to specific airports on a case-to-case basis.
- Further, AAI had paid interest and penalties to Government of India at CHQ & RHQ due to various lapses and delays and allocated the same across all AAI airports instead of allocation to specific airports on a case-to-case basis.
- As per Section 13 of the AERA Act, 2008 and International Civil Aviation Organization's (ICAO) principle of 'Cost-relatedness', it is determined that CHQ/ RHQ expenses being allocated to TRV on the basis of revenue results in large Y-o-Y variation in such expenses.

Accordingly, the revised allocation of CHQ & RHQ expenses to TRV was Rs. 133.72 crores as compared to Rs. 202.05 crores allocated by AAI for the Second Control Period and Rs. 15.09 crores for the Pre-COD period. The same had been proposed by carrying-out the following rationalization:

i. By excluding 20% of CHQ and RHQ pay and allowances towards adjustment for support services to ANS, Cargo, Commercial at CHQ & RHQ and Officials of Directorate and Commercial

ii. By excluding the allocated costs of legal and arbitration expenses and interest and penalties paid to Government of India by AAI at CHQ & RHQ

The Authority was of the view that the users should pay only for the services availed by them. Further, in line with Section 13 of the AERA Act, 2008 the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had rationalized the CHQ/ RHQ expenses being allocated to TRV, Thiruvananthapuram. The

Authority noted that the allocation of CHQ & RHQ expenses by AAI on the basis of revenue is non-transparent and an inefficient method, as it brings large variation in such expenses Y-o-Y, due to change in revenue and was against the basic principle of cost relatedness in tariff determination. Further, as the revenue from these airports goes up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect. The Authority, therefore, expects AAI to examine these issues in detail and devise an effective and efficient method for allocation of CHQ & RHQ expenses as a priority.

Further, the Authority notes that AAI should exploit the potential of its non-traffic avenues fully so that 30% of the same, by cross subsidization, can be used to cover Aeronautical expenses.

Impact: The overall impact of these adjustments leads to a reduction of CHQ & RHQ expenses by Rs. 70.78 crores for both the Second Control Period and Pre-COD periods.

- **Repairs and Maintenance (R&M) Expenses:** The Authority upon examination observed that AAI's R&M expenses incurred during the Second Control period amounted to Rs. 64.05 crores, surpassing the approved budget of Rs. 60.23 crores outlined in the Second Control Period order. Majority of the expenses showed a steady growth rate, except for a significant spike of 26% in FY 2020-21. During the analysis, specific areas with significant expenses were identified, including additional R&M expenses for Inline Baggage Manpower and a 107% increase in electronic expenses in FY 2018-19 compared to the previous year.

  AAI justified these cost increases by attributing them to new contracts, security-related expenditures, and spare equipment purchases. Regarding the Inline Baggage Manpower expense, AAI clarified that it should have been categorized under Hiring Charges as part of the Utility & Outsourcing expense head, rather than R&M expenses.

  Considering the above, the Authority re-categorized the Inline Baggage Manpower expense to Utilities & Outsourcing expenses and R&M-BOT XBIS lease to A&G expense (refer para 3.4.15.4 and 3.4.7.1 (8) (1) of the Study on Opex respectively). After necessary adjustments, the revised R&M expenses for the Second Control Period and Pre-COD were found to be Rs. 59.89 crores and Rs. 9.58 crores, respectively, which were deemed reasonable.

  The Authority also analyzed the R&M expenses in relation to the Regulatory Asset Base (RAB) and observed that the R&M expenses are reasonable and within the range of 6% of the Opening RAB throughout the Second Control Period and Pre-COD period (refer Table 30 and Table 55 of Study on Opex). This aligns with the methodology used for similar airports and further supports the reasonableness of AAI's R&M expenses.

  In conclusion, the Authority's comprehensive analysis suggests that AAI's R&M expenses were justified and reasonable, considering the explanations provided and the alignment with industry norms and practices.

- **Utility and Outsourcing Expenses:** The Authority noted that AAI exceeded the approved amount mentioned in the Second Control Period order (Rs. 70.01 crores) and incurred a total cost of Rs. 82.25 crores. The Authority observed that in FY 2017-18, there were significant increases in expenses for upkeep and watch & ward compared to the previous year. AAI justified the increase in upkeep expenses due to additional requirements like implementing mechanized cleaning services. The watch & ward expenses escalated due to the engagement of the Kerala traffic police for traffic control and increased costs of the bird chaser contract. In FY 2020-21, the actual costs exceeded the projected figures in the

Second Control Period order despite COVID-19 pandemic restrictions. The increase was attributed to expenses related to hiring charges and other contracts for airport maintenance and cleanliness.

After adjustments for recategorization of inline baggage manpower cost from R&M expense to Utility and Outsourcing Expense head, the revised expense for Second Control Period amounted to Rs. 84.74 crores.

For pre-COD Period, it was observed that AAI has exceeded the estimated amount computed in the Study. Upon analysis, it was noticed that in Pre-COD Period, the major expense was towards hiring manpower for screening of Inline Baggage (ILBS) for Rs. 1.01 crores and trolley retrieval of Rs. 0.23 crores.

Overall, the analysis concluded that the expenses incurred were necessary for the proper functioning and maintenance of the airport, and thus the Utility and Outsourcing Expenses appeared to be reasonable. External benchmarking analysis also suggested that AAI's expenses are in line with those of comparable airports.

- **Other outflows:** The Authority noted that AAI has exceeded the approved amount of Rs. 4.15 crores specified in the Second Control Period order for Other Outflows by incurring a total of Rs. 10.68 crores. The increase in expenses beyond the approved figures can be attributed mainly to the collection charges paid to IATA, which were not included in the Second Control Period Order's projected figures for collection charges on User Development Fee (UDF) and Passenger Service Fee (PSF). However, after careful consideration of the analysis, the Authority considered the expenses submitted by AAI for the Second Control Period and Pre-COD Period to be reasonable. These expenses were necessary for the collection of aeronautical revenue.

4.9.15 Further, the Authority observed that AAI had considered interest on working capital as a separate line item in the true up of ARR. However, the Authority considers working capital interest as part of the Operations and Maintenance (O&M) expenses. AAI had calculated working capital interest based on the actual revenue and payment of expenses. According to their calculations, the need for working capital interest arose during the Pre COD period.

The Authority, after careful consideration, observed that the expenses related to the Pre COD period have been actualized, and there was no evidence of working capital interest being incurred in the books of TRV. As a result, including the working capital interest in the true-up calculation appeared unreasonable.

Therefore, the Authority proposed to exclude the working capital interest from the true-up process.

4.9.16 Based on the analysis and rationale provided in the above paras for each head of O&M expenses, the expenses submitted by AAI for Second Control Period and Pre-COD Period had undergone adjustments. These adjustments were summarized in the table below to determine the adjusted figure for subsequent reclassification and reallocation:

Table 43: Impact of Adjustments on the O&M Expenses proposed by the Authority for Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
O&M expenses as submitted by AAI (A)	111.01	136.60	152.05	169.01	127.64	696.30	70.78	767.08
Adjustment to								

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
A&G Expenses (B)	-1.19	0.21	0.54	-0.42	-3.14	-4.00	0.08	-3.92
CHQ/RHQ Expense (C)	-17.91	-25.49	-11.75	-8.84	-4.35	-68.33	-2.45	-70.78
Repair and Maintenance Costs (D)	-	-0.29	-0.65	-0.55	-2.33	-3.82	-	-3.82
Utilities & Outsourcing Expenses (E)	-	-0.02	-0.08	0.29	2.30	2.49	-	2.49
Total adjustments as per the Study (F = B + C + D + E)	**-19.10**	**-25.58**	**-11.93**	**-9.52**	**-7.52**	**-73.66**	**-2.37**	**-76.03**
Adjusted O&M expenses as per the Study (G = A + F)	**91.91**	**111.01**	**140.11**	**159.48**	**120.12**	**622.64**	**68.40**	**691.05**

c) **Reclassification and Reallocation of Expenses**

4.9.17 The Authority noted that the Study on efficient O&M expenses for TRV had allocated O&M expenses into Aeronautical, Non-aeronautical and Common based on the following principles:

- **Aeronautical Expenses:** Expenses which are incurred for operation and maintenance of Aeronautical assets were categorized as aeronautical expenses.
- **Non-aeronautical Expenses:** Expenses which are incurred for operation and maintenance of non-aeronautical assets were categorized as non-aeronautical expenses.
- **ANS Expenses:** Expenses which are incurred for operation and maintenance of ANS assets were categorized as ANS expenses.
- **Common Expenses:** Expenses for which the benefits or use cannot be exclusively linked to either Aeronautical, Nonaeronautical or ANS were segregated as Common expenses.

4.9.18 The Authority had analyzed the submission made by AAI on allocation of Common expenses into Aeronautical and Non-aeronautical on a case-to-case basis and applied appropriate re-classification and allocation ratio on the expenses wherever it noted discrepancies in the allocation of expenses by AAI in accordance with principles presented above in para 4.9.17. The table below presents the expense classification for aeronautical and common expenses, as well as the allocation ratio for each category and subcategory of O&M expenses related to the Second Control Period and Pre-COD Period submitted by AAI (Table 36) together with Authority's proposed classification and reasons:

Table 44: O&M expenses classification and allocation ratio adopted by AAI and proposed by the Authority for Second Control Period and Pre-COD Period

Expense Category	Expense Sub-Category / Description	Expense Classification as per		Reasons	Ref*
		AAI	Authority		
Employee Benefit Expenses	Salary, wages & bonus	Common (EHCR)	Common (EHCR)	It was noticed that AAI had previously categorized retirement benefits allocated by CHQ as 100% aeronautical expenses until FY 2018-19. From that point onwards until COD, AAI has used EHCR key (refer Table 36) to allocate the cost. This has been addressed by the Authority to rectify the approach by applying the revised ratio (Table 41) from FY 2016-17 onwards.	Table 17 & 46

Expense Category	Expense Sub-Category / Description	Expense Classification as per		Reasons	Ref*
		AAI	Authority		
A&G Expenses	Travelling Expenses. Expenditure on Seminar & Development Course; Freight Charges/Shifting Expenses; Insurance Costs	Aeronautical (100%)	Common (EHCR - Aero: Non-Aero)	The Authority proposed to classify these expenses as common, as they are incurred for official purposes and are expected to benefit the entire organization. Traveling expenses, expenditures on seminars and development courses, freight charges, and insurance costs are likely to be shared across different departments and units as employees from various divisions engage in these activities. Given the common nature of these expenses, the Authority proposed to apply a revised Employee Head Count Ratio (EHCR) to allocate these common expenses between aeronautical (aero) and non-aeronautical (non-aero) departments.	Table 24 & 51
	Municipal Tax; Rent, Rates & Taxes; Other Professional Fees & Expenses; Interest & Solatium Prior Period Expenses	Aeronautical (100%)	Common (GBR)	The Authority proposed to classify these expenses as common, as they are associated with the facilities used by the organization for its operations, benefiting the entire organization as a whole. Rent, rates, taxes, and other professional fees and expenses are not limited to specific departments but support various activities, including both aeronautical and non-aeronautical operations. Given their common nature, the Authority proposed allocating these expenses by applying the gross block ratio.	
	Books, Journals & Periodicals; Telephone Charges; Office Expenses; Other Sundry Expenses; Expenditure on Rajbhasha	Common (EHCR - Aero:Non-Aero:ANS)	Common (EHCR - Aero:Non-Aero:ANS)	The Authority proposed to classify these expenses as common. These expenses benefit the entire organization as they contribute to the smooth functioning, knowledge enhancement, and communication needs of all departments. They are not specific to any department, thus making them suitable for common classification. To allocate these common expenses among different departments, the Authority proposed to use the Employee Head Count Ratio (EHCR) approach. The EHCR ensures that the expenses are	

Expense Category	Expense Sub-Category / Description	Expense Classification as per		Reasons	Ref*
		AAI	Authority		
				distributed fairly based on the number of employees working for Aero, Non-aero or ANS department.	
R&M Expenses	Civil & Electrical works	Aeronautical (100%) / Common (TBLR)	Common (TBLR/GBR/ EHCR)	The Authority conducted a comprehensive analysis of each line item of R&M expenses to ensure the accuracy of the allocations made by AAI. It was observed that AAI had allocated expenses based on actual data, where specific breakdowns for Aero, Non-Aero, and ANS were available. For the remaining expenses categorized as common, AAI applied relevant ratios for allocation. The Authority has considered the actual allocation submitted by AAI and for the common expenses, proposed to reclassify and reallocate using the principles and revised ratios presented in para 4.9.17 and Table 41 respectively. This ensures that the allocation of costs aligns more accurately with the nature and utilization of these expenses across different activities within the Airport.	Table 32 & 56
	Furniture and Fittings	Common (EHCR)	Common (EHCR)		
	Electronics	Aeronautical (100%) / Common (EHCR)	Common (TBLR/ EHCR)		
	Vehicle	Aeronautical (100%)	Common (EHCR)		
Utility & Outsourcing Expenses	Hire Charges of Car/Jeeps. Consumption of Petrol Oil, Lubricant (Car & Jeeps)	Aeronautical (100%)	Common (EHCR - Aero:Non-Aero)	The Authority conducted a comprehensive analysis of each line item of Utility & Outsourcing expenses to ensure the accuracy of the allocations made by AAI. During the examination, it was observed that AAI had allocated expenses based on actual data, where specific breakdowns for Aero, Non-aero, and ANS were available. For the remaining expenses categorized as common, AAI applied relevant ratios for allocation. The Authority has considered the actual allocation submitted by AAI and for the common expenses proposed to reclassify and reallocate using the principles and revised ratios presented in para 4.9.17 and Table 41 respectively. This ensures that the allocation of costs aligns more accurately with the nature and utilization of these	Table 36 & 58
	Water Costs. Other Hire Charges	Aeronautical (100%)	Common (GBR)		
	Consumption Of Other Consumables.	Actuals	Common (TBLR - 90:10)		
	Watch & Ward Exp./Other Security Contracts. Conservancy Charges/Cleaning Contracts (ESS); Upkeep (MESS)	Common (TBLR)	Common (TBLR - 90:10)		

Expense Category	Expense Sub-Category / Description	Expense Classification as per		Reasons	Ref*
		AAI	Authority		
				expenses across different activities within the Airport.	

**References are from the Study on Efficient Operation and Maintenance Expenses for TRV.*

4.9.19 Based on the reclassification presented in Table 44, the adjusted O&M expenses as per Table 43 were recomputed and the impact of such reclassification/reallocation on each head of O&M expenses is as summarized below:

Table 45: Impact of Reclassification and Reallocation on the O&M expenses for Second Control Period and Pre-COD Period proposed by the Authority

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Adjusted O&M Expense as per the Study (A) (refer Table 43)	**91.91**	**111.01**	**140.11**	**159.48**	**120.12**	**622.64**	**68.40**	**691.05**
Impact due to reclassification & reallocation of								
Employee Benefit Expenses (B)	-0.56	-0.86	-1.18	-1.09	-0.85	**-4.53**	**-1.99**	**-6.52**
A&G Expenses (C)	-0.21	-0.07	-0.12	-0.14	-0.08	**-0.62**	**-0.05**	**-0.67**
CHQ & RHQ Expenses (D)	-	-	-	-	-	-	-	-
R&M Expense (E)	-0.12	-0.05	-0.04	-0.05	-0.09	**-0.34**	**-0.03**	**-0.37**
Utility & Outsourcing Expenses (F)	-0.17	-0.20	-0.27	-0.24	-0.30	**-1.18**	**-0.13**	**-1.30**
Other Outflows (G)	-	-	-	-	-	-	-	-
Total impact (H = B + C + D + E + F)	**-1.05**	**-1.17**	**-1.60**	**-1.52**	**-1.32**	**-6.66**	**-2.20**	**-8.87**
Revised O&M expenses (I = A + H)	**90.87**	**109.84**	**138.51**	**157.97**	**118.80**	**615.98**	**66.20**	**682.18**

4.9.20 Considering the changes above, the Authority had recalculated the aeronautical O&M expenses for Second Control Period and Pre-COD Period as given below:

Table 46: Aeronautical O&M Expenses proposed by the Authority for Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
As per AAI submission								
Employee Benefit Expenses	48.71	60.58	74.97	78.42	58.01	**320.70**	33.30	**354.00**
A&G Expenses	2.61	1.90	2.56	3.92	5.59	**16.58**	0.04	**16.62**
CHQ & RHQ Expenses	32.58	43.44	42.45	52.47	31.11	**202.05**	17.54	**219.59**
R&M Expense	11.95	11.46	12.54	12.46	15.65	**64.05**	9.61	**73.66**
Utility & Outsourcing Expenses	13.64	16.57	16.52	18.68	16.83	**82.25**	9.63	**91.88**
Other Outflows	1.53	2.64	3.01	3.06	0.45	**10.68**	0.66	**11.33**
Total Aeronautical O&M Expenses	**111.01**	**136.60**	**152.05**	**169.01**	**127.64**	**696.30**	**70.78**	**767.08**
As per the Authority								
Employee Benefit Expenses	48.15	59.73	73.80	77.33	57.16	**316.17**	31.31	**347.48**
A&G Expenses	1.21	2.05	2.98	3.35	2.37	**11.96**	0.06	**12.02**
CHQ & RHQ Expenses	14.67	17.96	30.70	43.63	26.76	**133.72**	15.09	**148.80**
R&M Expense	11.83	11.11	11.86	11.86	13.23	**59.89**	9.58	**69.47**
Utility & Outsourcing Expenses	13.47	16.36	16.16	18.73	18.83	**83.56***	9.50	**93.07**

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Other Outflows	1.53	2.64	3.01	3.06	0.45	**10.68**	0.66	**11.33**
Total Aeronautical O&M Expenses	**90.87**	**109.84**	**138.51**	**157.97**	**118.80**	**615.98**	**66.20**	**682.18**

**The increase in Utility and Outsourcing expenses is due to the following – increase of Rs. 2.85 crores due to reclassification of Inline Baggage Manpower expense from R&M expenses, exclusion of Rs. 0.36 crores due to reclassification of Other Hire Charges (AAICLAS) and decrease of Rs.1.18 crores due to change in classification (aeronautical, non-aeronautical and common) and reallocation of ratios.*

4.9.21 As can be seen above, the aeronautical O&M expense proposed by the Authority for the Second Control Period and the Pre-COD Period was determined to be Rs. 682.18 crores after considering the following:

A. Adjustments to the O&M expenses submitted by AAI (refer Table 43) – Impact of Rs. 76.03 crores

B. Re-classification and Re-allocation of the O&M expenses (refer Table 44 and Table 45 respectively) – Impact of Rs. 8.87 crores

Stakeholder's comments regarding True up of Operation & Maintenance Expenses for the period from FY 2016-17 up to COD

4.9.22 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 with respect to the True up of Operation & Maintenance Expenses for the period from FY 2016-17 up to COD. The comments of the stakeholders are presented below.

4.9.23 AAI's comment regarding the Terminal Building Ratio (TBLR) and Gross Block Ratio (GBR) is as follows:

AERA has reduced the O & M expenses to Rs. 691.05 cr against Rs. 767.08 submitted by AAI by applying the Gross Block Ratio (GBR) and Terminal Building Ratio (TBR).

Since AERA has considered revenue from Space allotted to airlines as Aeronautical, AERA is requested to consider the space allotted to airlines also as aeronautical and revise the Terminal Building Ratio (TBR) and Gross Block ratio (GBR) for allocation of expenses into Aero: Non-Aero.

Accordingly, all the common expenses where Gross Block Ratio (GBR) and Terminal Building Ratio (TBR) are applied to by AERA to bifurcate expenses into Aero: Non-aero and the revised cost may be considered for arriving ARR and shortfall, specially in respect of PPP airports because it is a final and one-time settlement.

In view of the above AAI requests AERA to revise the allocation.

Authority's analysis on stakeholder's comments regarding true up of Operation & Maintenance Expenses for the period from FY 2016-17 up to COD

4.9.24 The Authority has noted the comments of AAI on Terminal Building ratio. The Authority had considered Terminal Building ratio as 90:10, after considering the impact of space rentals from airlines being considered Aeronautical, considering the need to drive efficiency and improve the revenue generation. There should be continued efforts by AAI to increase the efficiency in Airport operation by generating Non-Aeronautical revenue.

The Authority also notes that merely accepting the ratios provided by the Airport Operator would not bring in efficiencies in the airport operations. Further, AERA is mandated to consider factors such as IMG recommendations, IATA norms and that followed in other similar airports.

Accordingly, the Authority decides to consider the Terminal Building Ratio of 90:10 for the purpose of True up of Aeronautical Operation & Maintenance Expenses for the Second Control Period. Further in the case of many AAI airports, such as Pune, Bhuvaneshwar, Patna, etc. space rental from airlines has been considered as aeronautical.

4.9.25 Based on the above, the Authority decides to consider the O&M expenses as per Table 46 for the true-up for the period from FY 2016-17 up to COD.

4.10 True up of Return on Land

AAI's submission for true up of Return on Land (Unamortized value of land) for Second Control Period and Pre-COD period

4.10.1 AAI has claimed unamortized value of land of Rs 0.33 crores in the Pre COD period as part of its true up submission process. Considering that TRV has been transferred to TKIAL w.e.f. 14th October 2021, AAI has submitted that the unamortized cost of the land be allowed to be claimed in the Pre-COD Period.

Authority's examination and proposal for true up of Return on Land (Unamortized value of land) for Pre-COD period at Consultation Stage:

4.10.2 The Authority noted that AAI has included the unamortized cost of the land in their claims for the Pre-COD period. The Authority noted that the Land has not been transferred by AAI to TKIAL. The Authority highlights the following clauses in the Order No. 42/ 2018-19 (In the matter of determination of Fair Rate of Return (FRoR) to be provided on the Cost of Land incurred by various Airport Operators in India) dated 5th March 2019:

"4.1.4 In case land is purchased by the airport operating company either from private parties or from government, the compensation shall be in the form of equated annual instalments computed at actual cost of debt or SBI, base rate plus 2% whichever is lower over a period of thirty years.

4.1.8 This order of the Authority will take effect from the next control period."

4.10.3 From the perusal of the above Order, it is evident that the benefit of compensation is available to the Airport Operator (AAI)

(i) over a period of thirty years; and
(ii) from the Control Period subsequent to the date of the Order i.e. 5th March 2019.

4.10.4 Further, the Order envisages return on land over a period of thirty years and it does not contemplate providing cumulative return on land as proposed by AAI in its submission for true up of Pre-COD period. Hence, the Authority proposed not to consider the amortization of the balance cost of Land claimed by AAI (Rs. 0.33 crores), as part of its true up submission for the pre-COD period.

Stakeholder's comments regarding True up of Return on Land for the period from FY 2016-17 up to COD

4.10.5 No comments have been received from stakeholders regarding True up of Return on Land for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Return on Land for the period from FY 2016-17 up to COD

4.10.6 The Authority notes that there are no stakeholder's comments regarding True up of Return on Land for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Return on Land as per para 4.10.4.

4.11 True up of Non-Aeronautical Revenue

AAI's submission for true up of Non-Aeronautical Revenue for Second Control Period and Pre-COD period

4.11.1 AAI had submitted the actual Non-Aeronautical Revenue (NAR) for the Second Control Period and Pre-COD period for TRV as follows:

Table 47: Non-Aeronautical Revenue submitted by AAI for Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Revenue from Trading Concessions								
Restaurant / Snack Bar	2.97	3.01	7.79	8.43	1.39	23.60	0.79	24.39
TR Stall/ others	16.74	21.67	22.30	27.33	3.31	91.35	6.71	98.05
Hoarding & Display	2.00	2.03	2.84	3.85	0.48	11.21	0.08	11.29
Rent and other revenues								
Land Leases	0.18	1.25	0.12	0.37	0.45	2.37	0.58	2.95
Buildings (Residential)	0.01	0.01	0.01	0.01	0.01	0.06	0.00	0.06
Buildings (Non-Residential)	6.05	5.53	8.21	9.01	6.36	35.16	10.28	45.44
Duty Free Shops	15.26	14.33	17.84	22.47	3.58	73.47	1.87	75.34
Car Parking	5.64	5.95	7.42	5.49	0.75	25.24	0.54	25.77
Admission Tickets	1.04	2.04	2.21	2.02	0.13	7.44	0.08	7.52
Rest Room	0.01	0.01	0.02	0.01	0.00	0.04	0.00	0.04
Other Misc. Income	5.72	2.29	6.54	9.82	8.11	32.47	1.85	34.32
Total	**55.62**	**58.12**	**75.29**	**88.81**	**24.56**	**302.40**	**22.79**	**325.19**

Recap of decisions taken by the Authority for Non-aeronautical Revenue at the time of tariff determination for the Second Control Period

4.11.2 The Authority vide Decision no. 10 of Order no. 03/2017-18 dated 2nd June 2017 had decided the following with respect to NAR for the Second Control Period:

- *Decision no. 10.a. The Authority decides to consider the revenues accruing to AAI on account of the aeronautical services of Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as aeronautical revenue.*
- *Decision no. 10.b. The Authority decides to consider the Non-Aeronautical revenue as per Table 35.*

Table 48: NAR as approved by the Authority for Second Control Period (Table 35 in Second Control Period Order)

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Non-Aeronautical Revenues as per AAI (A)	60.29	66.13	72.54	79.58	87.30	365.84
Adjustment:						

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Revenue from Cargo, ground handling and fuel services considered as aeronautical revenues (1)	5.76	6.24	6.76	7.32	7.93	34.01
Additional revenues from increase in non-aeronautical area (2)	0.82	2.81	3.09	3.40	3.74	13.86
Change in lease revenue on account of drop of domestic cargo terminal proposal (3)	0.72	0.79	0.87	0.95	1.05	4.38
Adjustment by the Authority (B =1-2+3)	5.66	4.21	4.53	4.87	5.23	24.50
NAR Projections as per Authority (A-B)	**54.63**	**61.92**	**68.01**	**74.71**	**82.07**	**341.34**

- *Decision no 10.c "The Authority decides that non-aeronautical revenue will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues."*

Authority's examination and proposal for true up of Non-Aeronautical Revenue (NAR) for the Second Control Period and Pre-COD period at the Consultation Stage:

4.11.3 The Authority had taken note of the non-aeronautical revenues related to the Second Control Period and Pre-COD Period submitted by AAI. To assess and compare the non-aeronautical revenues during the Pre-COD period, the Authority computed estimated figures by extrapolating the approved non-aeronautical revenues from FY 2020-21 (as per the Second Control Period order) to the Pre-COD period of 196 days. This extrapolation was done using the growth rate (10%) used to project NAR for FY 2020-21 as specified in the order.

Table 49: NAR for Pre-COD Period (196 days) extrapolated based on growth rates decided in the Second Control Period Order for FY 2020-21

(Rs. in crores)

Particulars	FY 21	Growth %	FY 22	Pre COD*
NAR	82.07	10.00%	90.28	48.48

** Prorated considering the number of days from 1st April 2021 till 13th October 2021, i.e., 196 days*

4.11.4 The Authority compared the actual Non-aeronautical revenue submitted by AAI as per Table 47 with the projections given in the Tariff Order for the Second Control Period as per Table 48 and Pre COD Period as per Table 49 and the same is detailed as follows:

Table 50: Comparison of actual non-aeronautical revenue as per AAI and projections as per Tariff Order for Second Control Period and estimated figure for Pre COD period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
NAR Projections as per Tariff Order for the Second Control Period (A)	54.63	61.92	68.01	74.71	82.07	**341.34**	48.48	**389.82**
Actual NAR as per AAI's submission (B)	55.62	58.12	75.29	88.81	24.56	**302.40**	22.79	**325.19**
Variance (A-B)	**-0.99**	**3.80**	**-7.28**	**-14.10**	**57.51**	**38.94**	**25.69**	**64.63**

4.11.5 For FYs 2016-17, 2018-19 and 2019-20, the Authority noted that the NAR as per AAI has exceeded the projections approved by the Authority in the Tariff Order for the Second Control Period by approximately 7.16%. The Authority observed that the non-aeronautical revenues earned for FY 2017-18, FY 2020-21 and Pre-COD period were on the lower side compared (by approximately 6%, 70% & 53% respectively) to the projections approved by the Authority in the tariff order for the Second Control Period and estimated figure

computed above in Table 49. However, it would be pertinent to note that the passenger traffic in FY 2020-21 had dropped by approximately 76% (~79% drop in international and ~72% drop in domestic) compared to FY 2019-20 due to the negative impact of the COVID-19 pandemic. During the Pre-COD period (1st April 2021 to 13th October 2021), there was a growth of 12.61% in traffic compared to the proportionate traffic (196 days) of FY 2020-21 (the COVID-19 year). However, when compared to the traffic in FY 2019-20 (the pre-COVID level), there was still a significant drop of 73% in traffic. The Authority also observed that the decrease in FY 2017-18 was mainly due to a decrease in revenue earned from duty free shops, land lease and other miscellaneous incomes.

4.11.6 Decision no. 10c vide Tariff No. 03/ 2017-18 states as follows: *"The Authority decides that Non-Aeronautical revenues will be trued up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues".*

4.11.7 The Authority was of the view that the variance between the projected and actual NAR for FY 2020-21 and Pre COD period was due to adverse impact of COVID-19 pandemic leading to a substantial decline in passenger traffic and its impact on non-aeronautical revenues for the period. While there was some recovery during the Pre-COD period, it was still far from reaching the pre-pandemic levels of traffic and revenue. Thus, the Authority proposed to consider truing up the actual NAR submitted by AAI for the pre-COD period.

4.11.8 The Authority vide email dated 30th May 2023, requested AAI to share the details regarding "Space rentals collected from Airlines". AAI, vide email dated 19th June 2023, responded with the following table:

Table 51: Breakup of "Space rentals collected from Airlines" as shared by AAI

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Air Arabia PJSC	0.03	0.04	0.04	0.04	0.04	0.20	0.03	0.22
Air India Express Limited	-	-	-	0.05	0.04	0.10	0.02	0.12
Air India Limited	3.28	1.33	1.93	0.26	1.03	7.84	0.43	8.27
Emirates	0.28	0.31	0.33	0.37	0.33	1.62	0.21	1.83
Etihad Airways	0.08	0.09	0.09	0.10	0.10	0.46	0.06	0.51
Fly Dubai	0.02	0.02	0.02	-	-	0.05	-	0.05
Gulf Air	0.05	0.06	0.06	0.06	0.06	0.29	0.03	0.32
Islands Aviation Limited	0.03	0.03	0.04	0.04	0.04	0.19	0.02	0.21
Jet Airways	0.59	0.80	0.41	0.04	-	1.83	-	1.83
Kuwait Airlines	0.10	0.11	0.12	0.13	0.13	0.59	0.07	0.66
Malindo Air	0.04	0.04	0.04	0.05	0.01	0.18	-	0.18
Oman Air (S A O C)	0.10	0.11	0.12	0.13	0.12	0.57	0.07	0.64
Qatar Airways	0.11	0.12	0.13	0.14	0.13	0.62	0.07	0.69
Saudi Arabian Airlines	0.00	0.03	0.05	-	-	0.07	-	0.07
Spice Jet Limited	0.22	0.13	0.11	0.12	0.69	1.27	0.42	1.69
Sri Lankan Airlines	0.08	0.08	0.09	0.10	0.10	0.45	0.06	0.51
Tata Sia Airlines Limited	-	-	0.00	0.07	0.15	0.22	0.09	0.30
Total	**5.00**	**3.28**	**3.58**	**1.69**	**2.98**	**16.54**	**1.58**	**18.11**

4.11.9 The Authority was of the view that space rentals from agencies providing aeronautical services should be treated as Aeronautical Revenue. Hence, the Authority proposed to consider "Space rentals collected from Airlines" amounting to Rs. 18.11 crores as Aeronautical Revenue.

4.11.10 Based on its analysis, the Authority proposed to consider the actual Non-aeronautical Revenue as given in the table below for true up of AAI for the Second Control Period and Pre-COD period.

Table 52: Non-aeronautical Revenue decided by the Authority for true-up of AAI for Second Control Period and Pre-COD period.

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Revenue from Trading Concessions								
Restaurant / Snack Bar	2.97	3.01	7.79	8.43	1.39	23.60	0.79	24.39
TR Stall/ others	16.74	21.67	22.30	27.33	3.31	91.35	6.71	98.05
Hoarding & Display	2.00	2.03	2.84	3.85	0.48	11.21	0.08	11.29
Rent and other revenues								
Land Leases	0.18	1.25	0.12	0.37	0.45	2.37	0.58	2.95
Buildings (Residential)	0.01	0.01	0.01	0.01	0.01	0.06	0.00	0.06
Buildings (Non-Residential)	6.05	5.53	8.21	9.01	6.36	35.16	10.28	45.44
Duty Free Shops	15.26	14.33	17.84	22.47	3.58	73.47	1.87	75.34
Car Parking	5.64	5.95	7.42	5.49	0.75	25.24	0.54	25.77
Admission Tickets	1.04	2.04	2.21	2.02	0.13	7.44	0.08	7.52
Rest Room	0.01	0.01	0.02	0.01	0.00	0.04	0.00	0.04
Other Misc. Income	5.72	2.29	6.54	9.82	8.11	32.47	1.85	34.32
Total (A)	**55.62**	**58.12**	**75.29**	**88.81**	**24.56**	**302.40**	**22.79**	**325.19**
Less: Space rentals collected from Airlines (B) (refer para 4.11.9)	**5.00**	**3.28**	**3.58**	**1.69**	**2.98**	**16.54**	**1.58**	**18.11**
Total Non-Aero Revenue (A-B)	**50.62**	**54.84**	**71.71**	**87.11**	**21.58**	**285.86**	**21.21**	**307.07**

Stakeholder's comments regarding True up of Non-Aeronautical Revenue for the second control period from FY 2016-17 up to COD

4.11.11 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 with respect to the True up of Non-Aeronautical Revenue for the period from FY 2016-17 up to COD. The comments of the stakeholders are presented below.

4.11.12 AAI's comment regarding the Terminal Building Ratio considered by the Authority is as follows:

Airlines have been allotted space for its offices & Backup offices at airports and AAI charges space rent for these areas. AAI had proposed these revenues as Non-aero in MYTP proposal and the same had been considered/approved by AERA in the tariff order of Kolkata, Chennai, Goa, Srinagar, Calicut, Indore, Coimbatore, Amritsar, Varanasi, Trichy, Raipur, Lucknow & Mangalore airports.
Revenue from space rent from the airlines of Rs.18.11 crore has been changed from Non-aero to Aero by AERA in the consultation paper of Trivandrum airport.
In this regard, the following points are submitted:

1. *Airlines are allotted these spaces for offices at the airports and AAI is getting only space rent not the royalty per pax. Hence AERA may be requested to consider the revenue from space allotted to airlines as non-aero in line with the earlier orders issued by AERA right from the beginning at all AAI airports.*

2. *Airlines are not bound to take space at Airports, and they are occupying offices normally for their administrative offices only. Since it is optional for Airlines to take office on rent inside the terminal building. It is, therefore, revenue from airlines to be considered as Non-aero Revenue.*
3. *However, if AERA is treating as Aeronautical revenue, similar treatment should be given to the area allotted to airlines while calculating the Terminal building area into Aero: Non-aero. As these areas have been considered as non-aero for calculating the non-aero % to total area.*
4. *Accordingly, all the common expenses where Terminal Building Ratio is applied to by AERA to bifurcate expenses into Aero: Non-aero and the revised cost may be considered for arriving ARR and shortfall, especially in respect of PPP airports because it is a final and onetime settlement.*
5. *To illustrate the above, details of space allotted to airlines, total area of Terminal Building and total Non-Aero area of Trivandrum airport is given below:*

Terminal Building Ratio as approved by AERA for 2nd Control period (Table 23 of Order No. 03/2017-18)

Particulars	Ratio
Terminal Building Ratio	96.18%

True Up of Terminal Building Ratio for 2nd Control Period submitted by AAI

Particulars	Location	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (Up to COD)
Space Rented	T1	938	927	960	965	880	971
Capacity	T1	15,543	15,543	15,543	15,543	15,543	15,543
Non-Aero %	**T1**	**6.04%**	**5.97%**	**6.18%**	**6.21%**	**5.66%**	**6.25%**
Aero %	**T2**	**93.96%**	**94.03%**	**93.82%**	**93.79%**	**94.34%**	**93.75%**
Space Rented	T2	3,047	3,173	3,093	3,097	2,613	3,407
Capacity	T2	36,497	36,497	36,497	36,497	36,497	36,497
Non-Aero %	**T2**	**8.35%**	**8.69%**	**8.47%**	**8.49%**	**7.16%**	**9.33%**
Aero %	**T2**	**91.65%**	**91.31%**	**91.53%**	**91.51%**	**92.84%**	**90.67%**
Space Rented	T1 + T2	3,985	4,101	4,053	4,062	3,493	4,378
Capacity	T1 + T2	52,040	52,040	52,040	52,040	52,040	52,040
Non-Aero %	**T1 + T2**	**7.66%**	**7.88%**	**7.79%**	**7.81%**	**6.71%**	**8.41%**
Aero %	**T1 + T2**	**92.34%**	**92.12%**	**92.21%**	**92.19%**	**93.29%**	**91.59%**

Terminal Building Ratio as per consultation paper issued by AERA for 2nd Control period (Table 21 of CP 25/2023-24 page-43)

Particulars	Ratio
Terminal Building Ratio	90%:10%

Since AERA has considered revenue from Space allotted to airlines as Aeronautical accordingly the revised Terminal Building Ratio as per the actual utilization is as under:

Revised Terminal Building Ratio (T-1-Dom) (Space allotted to Airlines considered as Aero instead of Non- Aero as per AERA decision.)

Particulars	Location	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (up to COD)
Space Rented (A)	T-1 (DOM)	938.05	927	960	965	880	971
Space to Airlines (B) (Included in space rent)	Considered AERO	259.21	259.21	259.21	259.21	210.97	249.97

Airports Economic Regulatory Authority of India

Particulars	Location	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (up to COD)
Airlines space (%) on total Area		1.67%	1.67%	1.67%	1.67%	1.36%	1.61%
Airlines space (%)on Non Aero		27.63%	27.96%	27.00%	26.86%	23.97%	25.74%
C=B-A	**T.B(SQM)Excluding airlines space**	**678.84**	**667.79**	**700.79**	**705.79**	**669.03**	**721.03**
Capacity (D)	T. B(SQM)	**15,543**	**15,543**	**15,543**	**15,543**	**15,543**	**15,543**
Non-Aero % (Revised)	T. B(SQM)	**4.37%**	**4.30%**	**4.51%**	**4.54%**	**4.30%**	**4.64%**
Aero % (Revised)	T. B(SQM)	**95.63%**	**95.70%**	**95.49%**	**95.46%**	**95.70%**	**95.36%**

Revised Terminal Building Ratio (T-2-INTL) (Space allotted to Airlines considered as Aero instead of Non- Aero as per AERA Decision.)

Particulars	Location	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (Up to COD)
Space Rented (A)	T-2 (NTL)	3,047	3,173	3,093	3,097	2,613	3,407
Space to Airlines (B) (Included in space rent)	Considered as AERO	917.35	927.03	911.70	911.70	854.32	809.97
Airlines space (%) on total Area		2.51%	2.54%	2.50%	2.50%	2.34%	2.22%
Airlines space (%) on Non Aero		30.11%	29.22%	29.46%	29.42%	32.69%	23.77%
C=B-A	B(SQM)Excluding airlines space	2,129.65	2,245.97	2,181.83	2,185.83	1,758.68	2,597.03
Capacity (D)	T. B(SQM)	36,497	36,497	36,497	36,497	36,497	36,497
Non-Aero % (Revised)	T. B(SQM)	5.84%	6.15%	5.98%	5.99%	4.82%	7.12%
Aero % (Revised)	T. B(SQM)	94.16%	93.85%	94.02%	94.01%	95.18%	92.88%

Revised Terminal Building Ratio (T-1 & 2) (Space allotted to Airlines considered as Aero instead of Non-Aero as per AERA Decision.)

Particulars	Location	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22(up to COD)
Space Rented (A)	T-1 & 2	3,985	4,100	4,053	4,062	880	**4,378**
Space to Airlines (B) (Included in space rent)	Considered as AERO	1,176.56	1,186.24	1,170.38	1,170.38	1,065.29	1,059.94
Airlines space (%) on total Area		2.26%	2.28%	2.25%	2.25%	2.05%	2.04%
Airlines space (%) on Non Aero		29.52%	28.93%	28.88%	28.81%	30.50%	24.21%
C=(B-A)	**T.B(SQM) Excluding airline space**	**2,808.49**	**2,913.76**	**2,882.62**	**2,891.62**	**2,427.71**	**3,318.06**
Capacity (D)	T. B(SQM)	52,040	52,040	52,040	52,040	52,040	**52,040**
Non-Aero % (Revised)	T. B(SQM)	**5.40%**	**5.60%**	**5.54%**	**5.56%**	**4.67%**	**6.38%**
Aero % (Revised)	T. B(SQM)	**94.60%**	**94.40%**	**94.46%**	**94.44%**	**95.33%**	**93.62%**

It can be seen from the above table that Airlines is using 30% area of total Non -Aero area. Since AERA has considered revenue from Space allotted to airlines as Aeronautical, AERA is requested to consider the space allotted to airlines also as aeronautical and revise the Terminal Building Ratio for allocation of expenses.

6. *AERA has bifurcated Assets into Aero: Non-aero into 90:10 (Non-aero) based on the optimum Non-aeronautical proportion of 8%-12% approved for similar airports while apportioning the common assets within the Terminal Building.*

AERA is requested to revise the optimum non-aeronautical proportion to 93:7 (Non-Aero) as against 90: 10 as Non-Aero (10%) includes the area allotted to airlines as office space (30% of total Non- Aero Area) which is Aero as considered by AERA in their recent tariff orders. The optimum ratio may not be achieved at non-metro airports considering the passenger earning/buying behavior/earning of the non-metro passenger cannot be matched with the passenger of metro airports.

Basis the above AERA is requested to revise the allocation of assets into Aero:Non aero on the actual utilization of Non aero area of the total terminal building area".

TKIAL's responses to stakeholders' comments on the True-up of Non-Aeronautical Revenue for the Second Control Period from FY 2016-17 up to COD

4.11.13 TKIAL's response to AAI's comment regarding revision of Asset allocation is as follows:

We also agree with AAI on their comment with respect to Rental Income from airline offices.

Authority's analysis on Stakeholder's comments on True up of Non-Aeronautical Revenue for the second control period from FY 2016-17 up to COD

4.11.14 The Authority has noted the comments of AAI on Terminal Building ratio and Non-Aeronautical Revenue and TKIAL's response to the same. The Authority states that there should be continued efforts by AAI to increase the efficiency in the operation of airports in generating Non-Aeronautical Revenue. The Authority, therefore, decides to consider the ratio of Terminal building as 90:10 (Aeronautical: Non-aeronautical) as approved in the Tariff Order for the Second Control Period. The Authority also notes that merely accepting the ratios provided by the Airport Operator would not bring in efficiencies in the airport operations. Further, AERA is mandated to consider factors such as IMG recommendations, IATA norms and that followed in other similar airports.

The Authority had considered Terminal Building ratio as 90:10 considering the need to drive efficiency and hence, decides to consider the same for the purpose of True up of Second Control Period.

The Authority has considered Terminal Building ratio of 90:10 after considering the impact of space rental from airlines as aeronautical. Further in the case of many AAI airports, for example Pune, Bhuvaneshwar, Patna, etc. space rental from airlines has been considered as aeronautical.

AAI should bring in efficiencies in its Non-Aero Revenue by allocating more area/space for Non-Aero services in line with other PPP airports where the Terminal Ratio was in the range of 85% to 90% instead of 90:10 being used in a traditional manner. By adopting this approach AO should harness more Non-Aero revenue to have good cashflow and use sufficient Non-Aero revenue for cross subsidization for the benefit of the passengers. Even AO should optimize passenger handling capacity by adopting latest technology to get the following benefits:

i. Decongest the airport, and
ii. Allocate more space for non-aero services to generate more revenue.

4.11.15 Based on the above, the Authority decides to consider the Non-Aeronautical Revenue as per Table 52 for the true-up of the period from FY 2016-17 up to COD.

4.12 True up of Aeronautical Revenue

AAI's submission for true up of Aeronautical Revenue for Second Control Period and Pre-COD period

4.12.1 AAI has submitted the actual Aeronautical revenue for the Second Control Period and Pre-COD period for TRV as follows:

Table 53: Aeronautical Revenue submitted by AAI for Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Landing charges								
Landing Domestic	9.22	14.43	15.89	12.97	5.55	**58.06**	3.31	**61.37**
Landing International	21.33	31.33	35.64	28.09	10.85	**127.24**	7.22	**134.47**
Parking charges	0.72	0.24	0.30	0.48	0.68	**2.41**	0.39	**2.80**
PSF and UDF charges								
PSF Domestic	7.52	2.18	0.00	0.00	0.00	**9.70**	0.00	**9.70**
PSF International	9.92	4.47	0.00	0.00	0.00	**14.39**	0.00	**14.39**
UDF Domestic	0.00	33.11	104.46	116.32	29.59	**283.48**	19.86	**303.34**
UDF International	65.03	106.44	90.40	54.84	4.43	**321.13**	4.70	**325.83**
Other revenue								
CUTE charges	2.35	3.03	3.53	3.51	0.76	**13.17**	0.51	**13.68**
Fuel Throughput Revenue	1.80	2.22	2.42	2.01	0.00	**8.45**	0.00	**8.45**
Cargo Revenue	1.25	1.25	0.94	0.94	0.94	**5.32**	0.51	**5.82**
Concession Fees from AAICLAS	0.00	0.08	0.29	0.24	0.18	**0.79**	0.10	**0.89**
Revenue from Ground Handling Agency	11.61	10.02	13.81	9.42	4.30	**49.15**	2.26	**51.41**
Land lease to Oil companies	1.71	1.70	1.45	1.45	1.43	**7.73**	0.46	**8.19**
Land lease to GHA	4.63	3.66	2.62	-0.99	1.76	**11.67**	0.00	**11.67**
Total	**137.07**	**214.14**	**271.75**	**229.27**	**60.46**	**912.70**	**39.32**	**952.01**

Recap of decision taken by the Authority for Aeronautical Revenue at the time of tariff determination for the Second Control Period

4.12.2 The Authority vide Decision no. 13 of Order no. 03/2017-18 dated 2nd June 2017 had decided the following with respect to aeronautical revenue for the Second Control Period.

- *Decision no. 13.b. The Authority decides to continue with waiver of landing charges for (a) aircraft with a maximum certified capacity of less than 80 seats, being operated by domestic scheduled operators (b) Helicopters of all types as approved by Govt. of India vide order no. G.17018/7/2001- AAI dated 9th February 2004 in order to encourage and promote intra-regional connectivity at TRV.*
- *Decision no. 13c. The Authority decides to provide waiver of landing and other charges in line with the Order No. 20/2016-17 dated 31st March 2017 of the Authority.*

- *Decision no. 13d. The Authority decides to merge UDF and PSF (facilitation) charges and only UDF charges to be applicable on each domestic and international embarking passenger w.e.f. 1st July 2017.*
- *Decision no. 13e. The Authority decides to consider shortfall/ excess in revenues for the 2nd control period based on proposed tariffs by AAI while determining aeronautical tariffs for the 3rd control period.*

4.12.3 The Authority had estimated the aeronautical revenues as given in the table below at the time of tariff determination for the Second Control Period.

Table 54: Aeronautical Revenue as per Tariff Order for Second Control Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Aeronautical revenue Projections as per Tariff Order for the Second Control Period	136.66	207.44	253.05	280.85	312.07	1,190.07

Authority's examination and proposal for true up of Aeronautical revenue for the Second Control Period and Pre-COD period at Consultation Stage

4.12.4 The Authority noted that as per decision no 10a. in the Order no. 03/2017-18 regarding aeronautical revenues, AAI has considered services related to Cargo facility, Ground Handling Services and Supply of fuel to aircraft (FTC) including land lease rentals and building rent from these activities as Aeronautical Revenue in their true up submission.

4.12.5 The Authority compared the actual Aeronautical revenue submitted by AAI as per Table 53 with the projections given in the Tariff Order for the Second Control Period as per Table 54 and the same is detailed below.

Table 55: Comparison of actual aeronautical revenue as per AAI and projections as per Tariff Order for Second Control Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Aeronautical revenue Projections as per Tariff Order for the Second Control Period (A)	136.66	207.44	253.05	280.85	312.07	1190.07
Actual Aeronautical revenue (B)	137.07	214.14	271.75	229.27	60.46	912.70
Variance (A-B)	**-0.41**	**-6.70**	**-18.70**	**51.58**	**251.61**	**277.37**

4.12.6 The Authority noted that there was a slight reduction between Projected and Actual Aeronautical revenue in the FY 2019-20 and a significant variance in FY 2020-21, which was attributable to lower passenger and ATM traffic due to the adverse impact of the COVID-19 pandemic on the Aviation sector.

4.12.7 As observed in para 4.11.9, the Authority proposed to make certain adjustments to the aeronautical revenue by reclassifying "Space rentals collected from Airlines" as aeronautical revenue. Hence, the Authority proposed to recompute and consider the Aeronautical Revenue for true up of AAI for the Second Control Period and Pre COD period as shown in the following table.

Table 56: Aeronautical Revenue proposed by the Authority for true up of AAI for Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Landing charges								
Landing Domestic	9.22	14.43	15.89	12.97	5.55	58.06	3.31	61.37
Landing International	21.33	31.33	35.64	28.09	10.85	127.24	7.22	134.47

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Parking charges	0.72	0.24	0.30	0.48	0.68	2.41	0.39	2.80
PSF and UDF charges								
PSF Domestic	7.52	2.18	0.00	0.00	0.00	9.70	0.00	9.70
PSF International	9.92	4.47	0.00	0.00	0.00	14.39	0.00	14.39
UDF Domestic	0.00	33.11	104.46	116.32	29.59	283.48	19.86	303.34
UDF International	65.03	106.44	90.40	54.84	4.43	321.13	4.70	325.83
Other revenue								
CUTE charges	2.35	3.03	3.53	3.51	0.76	13.17	0.51	13.68
Fuel Throughput Revenue	1.80	2.22	2.42	2.01	0.00	8.45	0.00	8.45
Cargo Revenue	1.25	1.25	0.94	0.94	0.94	5.32	0.51	5.82
Concession Fees from AAICLAS	0.00	0.08	0.29	0.24	0.18	0.79	0.10	0.89
Revenue from Ground Handling Agency	11.61	10.02	13.81	9.42	4.30	49.15	2.26	51.41
Land lease to Oil companies	1.71	1.70	1.45	1.45	1.43	7.73	0.46	8.19
Land lease to GHA	4.63	3.66	2.62	-0.99	1.76	11.67	0.00	11.67
Total (A)	**137.07**	**214.14**	**271.75**	**229.27**	**60.46**	**912.70**	**39.32**	**952.01**
Add: Space Rentals collected from Airlines (B)	**5.00**	**3.28**	**3.58**	**1.69**	**2.98**	**16.54**	**1.58**	**18.11**
Total Aeronautical revenue (A+B)	**142.08**	**217.42**	**275.33**	**230.96**	**63.45**	**929.23**	**40.89**	**970.13**

Note – The total Aeronautical Revenue of Rs. 970.13 crores proposed by the Authority is arrived at by considering Rs.18.11 crores of space rentals from Airlines as Aeronautical Revenues which was considered under Non-Aeronautical Revenue by AAI (refer para 4.12.7)

Stakeholder's comments regarding True up of Aeronautical revenue for the period from FY 2016-17 up to COD

4.12.8 No comments have been received from stakeholders regarding True up of Aeronautical revenue for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Aeronautical revenue for the period from FY 2016-17 up to COD

4.12.9 The Authority notes that there are no stakeholder's comments regarding True up of Aeronautical revenue for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Aeronautical revenue as per Table 56.

4.13 True up of Taxation

AAI's submission for true up of Taxation for Second Control Period and Pre-COD period

4.13.1 AAI has submitted taxation for the Second Control Period and Pre-COD period as follows:

Table 57: Tax expenditure submitted by AAI for the Second Control Period and Pre-COD period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Revenue								
Aeronautical Revenue	137.07	214.14	271.75	229.27	60.46	**912.70**	39.32	**952.01**
Return on Land	-	-	-	-	-	-	0.33	**0.33**
Total (A)	**137.07**	**214.14**	**271.75**	**229.27**	**60.46**	**912.70**	**39.65**	**952.34**

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Shortfall/ under recovery proposed to be collected (Refer Table 10) (B)	-	-	-	-	-	-	812.67	**812.67**
Expenses								
O&M expenses (Refer Table 10)	111.01	136.60	152.05	169.01	127.64	**696.30**	70.78	**767.08**
Interest on Working Capital	-	-	-	-	-	-	0.68	**0.68**
Depreciation (as per Income Tax Act, 1961)	41.65	47.38	38.46	42.60	46.81	**216.90**	45.35	**262.25**
Total (C)	**152.66**	**183.98**	**190.50**	**211.61**	**174.45**	**913.20**	**116.81**	**1,030.02**
Profit /Loss (D=A+B-C)	**-15.59**	**30.16**	**81.25**	**17.66**	**-113.99**	**-0.51**	**735.51**	**735.00**
Prior period loss (E)		-15.59					-113.99	
Profit Before Tax (F)		**14.57**	**81.25**	**17.66**			**621.52**	
Tax Rates (G)	34.61%	34.61%	34.94%	25.17%	25.17%		25.17%	
Tax (H=F*G)	-	**5.04**	**28.39**	**4.44**	-		**156.44**	

Recap of decision taken by the Authority for Taxation at the time of tariff determination for the Second Control Period

4.13.2 The Authority vide Decision no. 12 of Order no. 03/2017-18 dated 2nd June 2017 had decided the following Taxation for the Second Control Period.

- *Decision no 12.a. The Authority decides to consider the corporate tax for aeronautical activities as per Table 43 for the 2nd Control Period.*

Table 58: Tax expenditure approved by the Authority for the Second Control Period (Table 43 of SCP Order)

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Aeronautical Revenue	136.66	207.44	253.05	280.85	312.07	**1190.07**
Aeronautical O&M (excluding CHQ/RHQ Overheads)	72.55	85.65	91.38	97.56	104.22	**451.36**
CHQ/RHQ Overheads	31.36	34.67	36.62	38.68	40.86	**182.19**
Depreciation as per Income Tax Act	16.49	24.38	23.24	21.21	35.99	**121.31**
PBT	16.28	62.76	101.84	123.42	131.04	**435.34**
Tax for aeronautical services	**5.63**	**21.71**	**35.24**	**42.7**	**45.34**	**150.62**

- *Decision no 12.b. The Authority decides to true up the difference between the actual/ apportioned corporate tax paid and that estimated by the Authority for the 2nd control period during determination of tariffs for the 3rd control period.*

Authority's examination and proposal for true up of Taxation for the Second Control Period and Pre-COD period at the Consultation Stage:

4.13.3 The Authority noted that AAI had computed tax of Rs. 156.44 crores on the shortfall amount (difference between Target Revenue and Actual Aeronautical revenue) of Rs. 812.67 crores, which is present value of the shortfall of the Pre-COD period, that was proposed to be collected from TKIAL as per Clause 28.11.4 of the Concession agreement (Refer para 4.7.2 for the clause).

4.13.4 The Authority had re-computed taxation amount based on its analysis of O&M expenses, RAB, etc. and the same was presented in the table below:

Table 59: Tax proposed by the Authority for true up of Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Aeronautical Revenue (refer Table 56) (A)	142.08	217.42	275.33	230.96	63.45	**929.23**	40.89	**970.13**
Shortfall/ under recovery proposed to be collected as on COD (refer Table 60) (B)							662.07	**662.07**
O&M expenses (refer Table 46) (C)	90.87	109.84	138.51	157.97	118.80	**615.98**	66.20	**682.18**
Depreciation (as per Income Tax Act, 1961) (D)	46.85	48.96	47.67	50.55	53.55	**247.57**	28.20	**275.77**
Profit /(Loss)(E =A+B-C-D)	**4.36**	**58.62**	**89.15**	**22.45**	**-108.90**	**65.68**	**608.57**	**674.25**
Carry forward of prior period loss (F)							-108.90	**-108.90**
Net profit after setting off prior period losses (G=E+F)	**4.36**	**58.62**	**89.15**	**22.45**	-	**174.58**	**499.67**	**674.25**
Tax Rates (H)	34.61%	34.61%	34.94%	25.17%	25.17%		25.17%	
Tax (I=G*H)	**1.51**	**20.29**	**31.15**	**5.65**	-	**58.60**	**125.77**	**184.36**

The Authority proposed to consider tax as per Table 59 for True up of the Second Control Period and Pre-COD period. Also, the Authority had adjusted the losses incurred by AAI (Rs. 108.90 crores as per Table 59) in the previous Financial Years against the Shortfall amount of Rs. 662.07 crores derived by the Authority as per Table 60 which was proposed to be collected by AAI from TKIAL.

Stakeholder's comments regarding True up of Taxation for the period from FY 2016-17 up to COD

4.13.5 No comments have been received from stakeholders regarding True up of Taxation for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Taxation for the period from FY 2016-17 up to COD

4.13.6 The Authority notes that there are no stakeholder's comments regarding True up of Taxation for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Taxation as per Table 59.

4.14 True up of Aggregate Revenue Requirement (ARR)

Authority's examination and proposal regarding true up of ARR for the Second Control Period and Pre-COD Period

4.14.1 Based on its analysis of the various building blocks, the Authority had determined the ARR and Shortfall (Under recovery) for True up of the Pre-COD period as presented in the table below:

Table 60: ARR proposed by the Authority for true up of AAI for Second Control Period and Pre-COD Period

(Rs. in crores)

Particulars	Ref	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Average RAB (refer Table 31)		404.63	443.96	441.60	462.13	486.51		493.75	

Particulars	Ref	FY17	FY18	FY19	FY20	FY21	SCP Total (A)	Pre-COD (B)	Total (A+B)
Fair Rate of Return (refer Table 34)		13.97%	13.97%	13.97%	13.97%	13.97%		7.50%	
Return on Average RAB	**A**	**56.54**	**62.03**	**61.70**	**64.57**	**67.98**	**312.82**	**37.05**	**349.87**
Depreciation (refer Table 30)	B	29.46	33.52	37.43	39.56	42.69	**182.65**	22.53	**205.19**
Operating Expenditure (refer Table 46)	C	90.87	109.84	138.51	157.97	118.80	**615.98**	66.20	**682.18**
Corporate Tax (refer Table 59)	D	1.51	20.29	31.15	5.65	-	**58.60**	125.77	**184.36**
Carry forward of shortfall of First Control Period*	E	158.83					**158.83**		**158.83**
ARR (Sum A : E)	**F**	**337.20**	**225.68**	**268.78**	**267.75**	**229.47**	**1,328.88**	**251.55**	**1,580.43**
Non-aeronautical revenue (NAR) (refer Table 52)	G	50.62	54.84	71.71	87.11	21.58	**285.86**	21.21	**307.07**
Less: 30% of NAR	H	15.19	16.45	21.51	26.13	6.47	**85.76**	6.36	**92.12**
Net ARR (F-H)	**I**	**322.02**	**209.23**	**247.27**	**241.61**	**222.99**	**1,243.12**	**245.18**	**1,488.31**
Revenue from Aeronautical Services (refer Table 56)	J	142.08	217.42	275.33	230.96	63.45	**929.23**	40.89	**970.13**
(Over recovery) / Under recovery (I-J)	**K**	**179.94**	**-8.19**	**-28.06**	**10.65**	**159.55**	**313.89**	**204.29**	**518.18**
Present Value (PV) factor	L	1.81	1.59	1.39	1.22	1.07		1.00	
PV of (Over recovery) / Under recovery as on 14th October 2021 (K*L)	**M**	**325.71**	**-13.00**	**-39.10**	**13.02**	**171.16**	**457.78**	**204.29**	**662.07**
Total (Over-recovery) / Under recovery till COD	**N**								**662.07**
PV factor @ 13.97% as on 31st March 2022	O								1.06
PV of (Over recovery) /Under recovery as on 31st March 2022 (N*O)	**P**								**703.40**
PV factor @ 12.21% as on 31st March 2023	Q								1.12
PV of (Over recovery) / Under recovery as on 31st March 2023 (P*Q)	**R**								**789.29**

**As per Decision 2.e of the Authority in Order No. 03/2017-18 for the Second Control Period*

4.14.2 The ARR proposed by the Authority was Rs. 1,488.31 crores (refer Table 60), as against Rs. 1,584.44 crores submitted by AAI. The variance was on account of the following:

i. Rationalization of Return on RAB considered by the Authority due to reclassification of assets and change in FRoR – Impact of Rs. 4.60 crores

ii. Reduction in Depreciation considered by the Authority due to reclassification of assets and revision in useful life of certain assets – Impact of Rs. 1.11 crores

iii. Rationalization of O&M expenses claimed by AAI, based on O&M Study report – Impact of Rs. 84.90 crores
iv. Non-consideration of working capital interest – Impact of Rs. 0.68 crores
v. Non-consideration of unamortized value of land and providing return – Impact of Rs. 0.33 crores
vi. Reduction in Corporate taxes – Impact of Rs. 9.95 crores
vii. Reduction in Non-Aeronautical Revenue – Rs. 18. 11 crores resulting in an increase in ARR by Rs. 5.43 crores

Stakeholder's comments regarding True up of ARR for the period from FY 2016-17 up to COD

4.14.3 No comments have been received from stakeholders regarding True up of ARR for the period from FY 2016-17 up to COD.

Authority's Analysis regarding True up of Taxation for the period from FY 2016-17 up to COD

4.14.4 The Authority notes that there are no stakeholder's comments regarding True up of Taxation for the period from FY 2016-17 up to COD. Hence, the Authority decides to consider True up of Taxation as per Table 59.

4.15 Adjusted Deemed Initial RAB

4.15.1 The Authority notes that AAI in its True-up submission had computed the Adjusted Deemed Initial RAB as on COD as Rs. 874.93 crores after adjusting an amount of Rs. 424 crores already paid by TKIAL. In this regard, Clause 28.11.4 of the CA states as follows:

Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):

a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or
b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.

4.15.2 Accordingly, the Authority computed the Adjusted Deemed Initial RAB as follows:

Table 61: Adjusted Deemed Initial RAB as computed by the Authority

(Rs. in crores)

Particulars	Formula	Refer	Amount
Deemed Initial RAB	A	Para 4.7.5	483.77
Estimated Deemed Initial RAB	B	Clause 28.11.3 (b) of CA	424.00
Difference	C=A-B		59.77
PV of Under-recovery in Second Control Period and Pre-COD Period as on COD	D	Table 60	662.07

Particulars	Formula	Refer	Amount
Adjusted Deemed Initial RAB as on COD	**E=C+D**		**721.84**

4.15.3 In accordance with the provisions of Clause 28.11.4 of the CA, AERA has computed the Adjusted Deemed Initial RAB as on COD i.e., Rs. 721.84 crores (shown in Table 61) and derived the future value of such Adjusted Deemed Initial RAB by applying the compounding factor of FRoR and assuming a future expected date of payment by the Concessionaire (TKIAL) to the Airports Authority of India as follows:

i. The Authority had assumed future expected date of payment of Adjusted Deemed Initial RAB as on 31st May 2024, based on the assumption that the Tariff Order for TRV, Thiruvananthapuram (wherein the Deemed Initial RAB is finally determined by the Regulator) is issued on or before 20th May 2024.

ii. The Authority had applied a compounding factor to determine future value of the Under- recovery as on COD by applying:

- FRoR @ 13.97% from COD up to 31st March 2022 and
- FRoR @ 12.21% from 1st April 2022 up to 31st May 2024 (based on the FRoR determined by AERA for the Third Control Period for TRV, Thiruvananthapuram, as discussed under Chapter 8 of this Tariff Order).

4.15.4 The Adjusted Deemed Initial RAB computed as on COD, 31st March 2022, 31st March 2023, 31st March 2024 and 31st May 2024 had been presented in the table below:

Table 62: Adjusted Deemed Initial RAB computed as on future date of payment

(Rs. in crores)

Particulars	As on COD	31st March 2022	31st March 2023	31st March 2024	31st May 2024
Adjusted Deemed Initial RAB	721.84	766.90	860.54	965.61	984.70

4.15.5 It is likely that the actual date of payment is different from 31st May 2024 as presented in the above table. In such scenario, following formula may be used for determining the Adjusted Deemed Initial RAB on a particular payment date:

$$\text{Adjusted Deemed Initial RAB}_t = A \times (1 + r) \wedge (t \div 365)$$

where,

- A = Adjusted Deemed Initial RAB computed as on 31st March 2024
- r = FRoR for Third Control Period, computed as 12.21% (refer Chapter 8).
- t = Number of days elapsed between 31st March 2024 and actual date of payment

4.15.6 The projection of Adjusted Deemed Initial RAB on a particular payment date is illustrated through the following example:

Table 63: Illustration for computation of Adjusted Deemed Initial RAB based on date of payment.

Particulars	Value
Assumed date of payment	10th June 2024
Adjusted Deemed Initial RAB as on 31st March 2024 (A) (Rs. in crores)	965.62
FRoR for TCP (R)	12.21%
Number of days between 1st April 2024 and 10th June 2024 (t)	71
Adjusted Deemed Initial RAB as on 10th June 2024 (Rs. in crores) [A × (1 + r) ^ (t ÷ 365)]	965.62 * (1 + 12.21%) ^ (71 ÷ 365) = 987.50

4.15.7 The Authority had proposed the Adjusted Deemed Initial RAB as explained above and requested the Stakeholders to provide their comments on the same.

4.15.8 The Authority proposed to consider under-recovery of Rs. 789.29 crores as of 31st March 2023 (as per Table 60) for True up of AAI for the Second Control Period and Pre-COD period and readjust the same in the ARR computation of TRV, Thiruvananthapuram for the Third Control Period.

Stakeholders' comments regarding Adjusted Deemed Initial RAB

4.15.9 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding Adjusted Deemed Initial RAB for the period from FY 2016-17 up to COD. The comments of the stakeholders are presented below.

4.15.10 FIA's comment regarding future value of under recovery is as follows:

"Without prejudice to the above:

1 *FIA recommends that no adjustment of RAB should be provided in favour of AAI for period after the COD i.e. 14th October 2021, post which the operational control of the Thiruvananthapuram Airport is transferred to TKIAL.*
2 *Further, FIA wish to draw AERA's attention to para 2.4.4 of the CP, that any delay in submitting the Multi Year Tariff Plan by the airport operator should be taken into account, as delay in tariff determination process will lead to increase in adjusted deemed initial RAB.*

With regard to application of compounding factor (FRoR) to determine the future value of under recovery. We request AERA to note our comments as mentioned in 4.8.11 and para (1) and (2) above"

Responses to Stakeholders' comments regarding Adjusted Deemed Initial RAB

AAI's response to Stakeholders' comment regarding Adjusted Deemed Initial RAB

4.15.11 AAI's response to FIA's comment on future value of under recovery is as follows:

As per Concession Agreement Sl no 28.11.3

(a) the concessionaire shall be liable to pay AAI an amount equivalent to the investment made by AAI in the Aeronautical Assets as on the COD and considered by the regulator as part of the RAB, subject to requisite reconciliation, true up and final determination by AERA of the of quantum of such investment.

TKIAL's response to Stakeholders' comment regarding Adjusted Deemed Initial RAB

4.15.12 TKIAL's response to FIA's comment on future value of under recovery is as follows:

There is no adjustment of RAB after the COD. Calculations done by the Authority in para 4.14.3 are in order to give effect to provisions of the Concession agreement which mandates the present value of the "Adjusted Deemed Initial RAB" to be paid by AO to AAI. Relevant clause of the Concession agreement is reproduced below:

"The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."

Authority's analysis on Stakeholders' comments regarding Adjusted Deemed Initial RAB

4.15.13 The Authority has noted the comments of FIA and the response of AAI and TKIAL on the future value of under recovery. The Authority is of the view that there is no adjustment of RAB after the COD. The present value of the "Adjusted Deemed Initial RAB" has been derived by the Authority in accordance with the provision of the Concession Agreement (Clause 28.11.4). The Authority decides to consider the same in the Tariff Order for the Third Control Period of TRV.

With respect to FIA's comments on the delay in submitting MYTP by the AO and its resultant increase in the Adjusted Deemed Initial RAB, the Authority has given its detailed views in para 4.15.1 and the same may be referred to.

Regarding FRoR, Authority's analysis as per para 4.8.15 may be referred to.

4.15.14 Based on the above, the Authority decides to consider the Deemed Initial RAB as per Table 61.

4.16 Authority's decisions regarding true up of Second Control Period (till COD)

Based on the material before it and its examination, the Authority decides the following with respect to True up of the Second Control Period and Pre-COD period for TRV, Thiruvananthapuram.

4.16.1 To consider the Passenger traffic and ATM as detailed in para 4.4.9 (Table 12) for true up of the Second Control Period and Pre-COD Period.

4.16.2 To consider capital additions and aeronautical allocation of assets as detailed in Table 25.

4.16.3 To recompute Depreciation considering the revised allocation of assets as detailed in para 4.6.6 (Table 30) for true up of AAI for the Second Control Period and Pre-COD Period.

4.16.4 To consider RAB for AAI as detailed in para 4.7.1 (Table 31) for true up of the Second Control Period and Pre-COD Period.

4.16.5 To consider Deemed Initial RAB for TRV as detailed in para 4.7.5 (Table 32).

4.16.6 To consider FRoR as detailed in para 4.8.16 for true up of the Second Control Period and Pre-COD Period.

4.16.7 To not consider return on the cost of land for true up of the Second Control Period and Pre-COD Period.

4.16.8 To consider O&M expenses and their allocation as suggested by the study on efficient O&M expenses for TRV (summary of the Study is provided in Annexure 3 and the study is attached as Appendix 2) and as detailed in Table 46 for true up of Second Control Period and Pre-COD Period

4.16.9 To consider Non-aeronautical Revenue as detailed in para 4.11.10 (Table 52) for true up of the Second Control Period and Pre-COD Period.

4.16.10 To consider Aeronautical Revenue as detailed in para 4.12.7 (Table 56) for true up of the Second Control Period and Pre-COD Period.

4.16.11 To consider Aeronautical Tax as detailed in para 4.13.4 (Table 59) for true up of the Second Control Period and Pre-COD Period.

4.16.12 To consider the present value of under-recovery of Rs. 789.29 crores (as on 31st March 2023) for true up of AAI for the Second Control Period and Pre-COD period as per Table 60 and readjust the same in the ARR for the Third Control Period.

5 TRUE UP OF TKIAL FOR THE POST COD PERIOD FROM COD TILL 31st MARCH 2022

5.1 Background

5.1.1 AAI entered into a Concession Agreement dated 19th January 2021, with TRV (Kerala) International Airport Limited (TKIAL, the 'Concessionaire') to operate, manage and develop TRV, Thiruvananthapuram for a period of 50 years from the COD, i.e., 14th October 2021.

5.1.2 TKIAL, on 15th April 2022, sought clarification from the Authority regarding the control period for TRV. The Authority vide its Public Notice No. 05/2022-23 dated 20th June 2022 decided the following:

i. *"To shift the Control Period for Trivandrum Airport from 01.04.2021-31.03.2026 to 01.04.2022-31.03.2027. The periodicity of the Control Period will be five years only.*
ii. *To consider the true up for 01.04.2021 to 31.03.2022 at the time of determination of tariff for the Third Control Period as per AERA policy."*

5.1.3 Pursuant to the above Concession Agreement and Public Notice, TKIAL has submitted True up workings for the period from COD up to 31st March 2022.

5.1.4 The true-up workings submitted by TKIAL cover the following building blocks:

i. Regulatory Asset Base
ii. Aeronautical Depreciation
iii. Fair Rate of Return
iv. Aeronautical Operation and Maintenance Expenses
v. Non-aeronautical Revenue
vi. Aeronautical Taxes

5.1.5 The Authority had examined TKIAL's true-up submission in detail and has performed the following analysis:

i. Recorded Airport Operator's submissions for True-up under different Regulatory building blocks.
ii. Provided the Authority's examination and proposals regarding True-up calculation of each regulatory block of TKIAL.

5.2 TKIAL's submission for true-up of the post-COD period from COD till 31st March 2022

5.2.1 TKIAL had made the following submission for the true-up of the post-COD period from COD till 31st March 2022.

Table 64: True-up submitted by TKIAL from COD till 31st March 2022

(Rs. in crores)

Particulars	Ref.	Amount
Opening RAB as on COD	A	486.26
Closing RAB as on 31st March 2022	B	442.02
Average RAB	C = (A+B) ÷ 2	464.14
FRoR return @14% on Average RAB*	D = C*14%	30.09
Operating expenses	E	67.38
Expenses pertaining to pre-COD period incurred to achieve successful transition of operation and management of Airport from AAI to PPP	F	9.02
Depreciation	G	48.71
Taxes	H	-

Particulars	Ref.	Amount
30% of Non – Aero revenues	I	4.45
ARR	**J = D+E+F+G+H-I**	**150.74**
Actual Aero Revenues earned	K	71.15
True-up	**L = J-K**	**79.59**
Present Value (PV) of True-up @14% as on 31st March 2022	**M**	**84.57**

**Return on Average RAB is calculated for 169 days*

5.3 Authority's examination of true-up submitted by TKIAL for the post-COD period at Consultation Stage

5.4 True up of Capital Expenditure (CAPEX)

5.4.1 The Authority proposed to consider the true-up submission made by AAI up to 13th October 2021 as the basis for determining the value of assets as on COD for TKIAL.

5.4.2 Based on the adjusted RAB of AAI for the Pre-COD period, the Authority had derived the adjusted RAB of TKIAL as on COD at Rs. 483.77 crores (refer Table 32).

5.4.3 The Authority had noted that according to FAR, TKIAL's capital additions in the post-COD period amounted to Rs. 19.51 crores. This includes an amount of Rs. 9.02 crores relating to the Airport Concession Rights and a notional lease asset (an adjustment under IND AS for the right of use asset – Building Leasehold) worth Rs. 6.16 crores. However, TKIAL had not considered these amounts as part of the Regulated Asset Base (RAB). The remaining Rs. 4.33 crores consist of assets capitalized by TKIAL post-COD as given in the table below.

Table 65: Projects included in RAB by TKIAL from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount
Computer Hardware	3.09
Office Equipment	1.04
Plant & Machinery	0.08
Furniture & Fixture	0.12
Total	**4.33**

Reclassification of assets of TKIAL

5.4.4 The Authority has conducted an independent study on the allocation of assets for the period from FY 2016-17 till FY 2021-22 and has used the outcome of the study to true up the RAB for the post-COD period, i.e., from COD till 31st March 2022, for TKIAL.

5.4.5 The Authority has considered the adjusted RAB of TKIAL as on COD (i.e., Rs. 483.77 crores), capital additions and corresponding depreciation based on the results of the Asset Allocation report (refer Annexure 2 for the Summary of the report and Appendix 1 for the detailed report on Study on Allocation of Assets).

5.4.6 The asset allocation study reviewed the various asset categories and developed a basis for the segregation of various assets into Aeronautical, Non-aeronautical and Common assets. Based on the same, the Authority had reclassified some portion of assets submitted by TKIAL for true-up of the period from COD till 31st March 2022 which has been detailed hereunder:

Table 66: Additional items included in the RAB by TKIAL from COD till 31st March 2022

(Rs. in crores)

Category	Asset Sub-Category / Description	Reason for Reclassification	Asset classification as per		Impact
			TKIAL	Study	
IT equipment	Global Navigation Satellite System (GNSS) System, IT infrastructure, network & security server & storage, workstations, Multiprotocol Label Switching (MPLS) links & connectivity	It is used for the terminal building as a whole.	Aeronautical	Common (TBLR)	-0.20
	Laptops, desktops, video controllers, tec.	It is used by the employees of TKIAL, thus classified as common and allocated based on EHCR	Aeronautical	Common (EHCR)	-0.02
	EPOS Implementation	Implementation of billing software which is used for retail shops within the airport.	Aeronautical	Non-Aeronautical	-0.10
Furniture & fixtures	Chairs, office table, sofa, cabinet, wastebin etc.	It is used by the employees of TKIAL, thus classified as common and allocated based on EHCR	Aeronautical	Common (EHCR)	-0.00
	Que management system	-	Aeronautical	Aeronautical	-
Office equipment	Safety related equipment & accessories, CCTV	-	Aeronautical	Aeronautical	-
	Display, projector, fingerprint enrollment unit, IP & voice over phone	It is used by the employees of TKIAL, thus classified as common and allocated based on Employee Head Count Ratio	Aeronautical	Common (EHCR)	-0.01
Plant and Machinery	Measuring wheel, speed gun, alcohol breath analyzer, handheld metal detector	-	Aeronautical	Aeronautical	-
	Bush, cutter, drive lever shaft	Used for both aero and non-aeronautic activities. Thus, classified as common	Aeronautical	Common (TBLR)	-0.00
Total Impact					**-0.33**

5.4.7 Based on the above adjustments the Authority had derived the aeronautical capital additions for post-COD period as Rs. 4 crores as against Rs. 4.33 crores submitted by TKIAL.

5.4.8 The Authority had also noted that in addition to the Capital Addition of Rs. 4.33 crores, TKIAL has also proposed financing allowance of Rs. 0.14 crores on the average WIP in FY 2021-22 (post-COD). The Authority proposed to exclude the financing allowance during computation of RAB for true-up of post-COD period due to reasons given in para 4.5.16 a) of this Tariff Order.

Stakeholder's comments on the True up of Capital Expenditure for the period from COD till 31st March 2022

5.4.9 There were no stakeholder comments with respect to true up of Capital Expenditure for the period from COD till 31st March 2022.

Authority analysis on Stakeholders' comments on the True up of Capital Expenditure for the period from COD till 31st March 2022

5.4.10 The Authority notes that there were no stakeholder comments received regarding Capital Expenditure for the period from COD till 31st March 2022. In this regard, the Authority decides to consider the Capital Expenditure consistent with its proposal made in this regard in the Consultation Paper No. 25/2023-24. The Capital Expenditure considered by the Authority for true up of the period from COD till 31st March 2022 is as given para 5.4.7.

5.5 True up of Depreciation

5.5.1 To true up submission, TKIAL has calculated depreciation for the period from COD up to 31st March 2022 on Opening RAB (Initial RAB) based on their determination of remaining useful life of assets (calculated from the date of capitalization of assets provided by AAI to TKIAL). For the capital additions made from COD till 31st March 2022, the assets have been depreciated based on the useful life prescribed under Order No. 35/ 2017-18 dated 12th January 2018 issued by the Authority except for Computer Hardware and Plant & Machinery which the Authority proposed to change as per Order No 35/2017-18 dated 12th January 2018.

5.5.2 The Authority had proposed to consider the remaining balance useful life of AAI assets as on COD i.e., 14th October 2021 for the Opening RAB and depreciate the same for the period from COD to 31st March 2022.

5.5.3 Depreciation was not computed on certain assets such as Right of Use assets (Capitalization of Lease costs) as the same is excluded from the RAB.

5.5.4 Accordingly, the depreciation of Rs. 48.71 crores on Aeronautical assets as submitted by TKIAL was revised by the Authority (post reclassification and other adjustments) to Rs. 29.83 crores, thereby resulting in a reduction in depreciation by Rs. 18.88 crores.

5.5.5 The Average RAB and Depreciation determined by the Authority for the period from COD till 31st March 2022, post reclassifications and other adjustments are as follows:

Table 67: Average RAB considered by the Authority for true up from COD till 31st March 2022

(Rs. in crores)

Particulars	Ref.	Amount
Opening RAB (A)	Table 32	483.77
Addition (B)	Para 5.4.7	4.00
Financing Allowance (C)	Para 5.4.8	-
Depreciation (D)	Para 5.5.4	29.83

Particulars	Ref.	Amount
Closing RAB (E = A + B + C – D)		**457.94**
Average RAB (F = (A + E) ÷ 2)		**470.86**

5.5.6 Based on its analysis, the Authority proposed to consider RAB and depreciation as per Table 67 for true-up of the period from COD till 31st March 2022.

Stakeholder's comments on the True up of Depreciation and RAB for the period from COD till 31st March 2022

5.5.7 There were no Stakeholder comments with respect to true up of Depreciation and RAB for the period from COD till 31st March 2022.

Authority analysis on Stakeholders' comments on the True up of Capital Expenditure for the period from COD till 31st March 2022

5.5.8 The Authority notes that there were no stakeholder comments received regarding Depreciation and RAB for the period from COD till 31st March. the Authority decides to consider the Depreciation and RAB consistent with its proposal made in this regard in the Consultation Paper No. 25/2023-24. The Depreciation and RAB considered by the Authority for true up of the period from COD till 31st March 2022 is as given Table 67.

5.6 True up of Fair Rate of Return (FRoR)

TKIAL's submission of true-up of Fair Rate of Return

5.6.1 TKIAL has submitted FRoR as 14.00% for true-up of the period from COD till 31st March 2022.

Authority's examination and proposal regarding true up of FRoR for the post-COD Period at the Consultation Stage

5.6.2 The Authority noted that TKIAL, in its MYTP, has assumed an FRoR of 14% for the period from COD till 31st March 2022. However, the Authority proposed to consider the FRoR for true up of the post COD period till 31st March 2022 as 13.97% in line with that proposed for true up of the Second Control Period and the Pre-COD Period for AAI taking into account that the Airport Operator had only operated the Airport for five months during the post COD Period. The Authority proposed to consider the FRoR for the Airport Operator in line with other PPP airports from the next Control Period.

5.6.3 TKIAL operated the Airport in FY 2021-22 for the period from COD till 31st March 2022. Therefore, TKIAL was eligible to claim a return on RAB only for the period from COD till 31st March 2022. Hence, for FY 2021-22, the Authority proposed to pro-rate the FRoR for the number of days during which TKIAL operated the Airport, i.e. 169 days. The pro-rated FRoR for FY 2021-22 has been computed as follows:

$$FRoR_{post\ COD} = FRoR \times \frac{n}{365}$$

where,

FRoR is the fair rate of return for the entire FY 2021-22,
FRoR post COD is the pro-rated FRoR for the period from COD till 31st March 2022, and
n is the number of days in operation in FY 2021-22.

5.6.4 Based on the above approach the pro-rated FRoR for FY 2021-22 was computed as follows:

Table 68: Pro-rated FRoR for FY 2021-22 proposed to be considered by the Authority for true up from COD till 31st March 2022

Particulars	Ref.	Value
FRoR for FY 2021-22	A	13.97%
Number of days of operation in FY 2021-22	B	169
Pro-rated FRoR for the period from COD till 31st March 2022	**C = A * B ÷ 365**	**6.47%**

5.6.5 The Authority proposed to consider FRoR as 6.47% for the true-up of the period from COD till 31st March 2022, as shown in Table 68.

Stakeholders' comments on the True up of FRoR for the period from COD till 31st March 2022

5.6.6 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 with respect to the True up of Fair Rate of Return (FRoR) for the period from COD till 31st March 2022. The comments of the stakeholders are presented below.

Other Stakeholders' comments on the True up of FRoR for the period from COD till 31st March 2022

5.6.7 FIA's comment regarding the Fair Rate of Return are as follows:

It is submitted that:

(a) Fair Rate of Return (FRoR) to airport operators should be provided only at reasonable rates as any high value of fixed/ assured return favours the service provider/airport operators, creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.

Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs, as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.

(b) FIA observes that Fair Rate of Return of 14% provided to Airport Authority of India ("AAI") is higher than comparison to the same being given to the present Airport Operator i.e. TKIAL@ 13.97% (Refer 4.8.7 of the CP). Without prejudice to (a) above, there appears no rationale to provide higher return to AAI in comparison to TKIAL and accordingly AERA may reduce the FRoR suitably.

TKIAL's response to Stakeholders' comments on True up of FRoR for the period from COD till 31st March 2022

5.6.8 *In respect to FRoR, we would like to clarify that Authority has allowed FRoR of 13.97% to AAI for true up purpose and also allowed FRoR of 13.97% to AO for true up of 5.5 months i.e. from COD to March-2022. For TCP, Authority has allowed FRoR of 12.21%. However, TKIAL is seeking FRoR of 14.76% based on cost of equity of 17.30% as determined by the independent study done for LIAL as per methodology prescribed in AERA Guidelines and cost of debt of 12% as per actuals. If Airport Operators are not given suitable returns on their investment, the development and upgradation of such infrastructure facilities will not be of the level as expected by the Governments, Aviation Industry and Users. Further it is to be noted that proportion of airport charges to total operational cost of Airlines is insignificant i.e. in range of 6-8% (based on the study of annual reports/financials available in public domain of listed Indian airlines such as Indigo, SpiceJet etc.). Thus, its sensitivity towards the profitability of the airlines is minuscule.*

Also, with respect to the comment by FIA on huge losses suffered by airlines, please refer the comments provided under point no. 1.19 (Refer para 10.4.4 of this Tariff Order).

As far as efficiency is concerned, Airport Operator has and will continue to sweat the assets and build in efficiency whenever possible.

Authority analysis on Stakeholders' comments on the True up of FRoR for the period from COD till 31st March 2022

5.6.9 The Authority has noted FIA's comments regarding Fair Rate of Return and TKIAL's response on the same. In this regards the Authority's view as per para 4.8.15 and para 8.5.1 may be referred to.

5.6.10 Based on the above factors, the Authority decides to consider the FRoR as per Table 68 for the true-up of the period from COD till 31st March 2022.

5.7 True up of Operation and Maintenance (O&M) expenses

TKIAL's submission for true-up of Operation and Maintenance expenses

5.7.1 TKIAL had submitted the aeronautical O&M expenses for true-up of the period from COD till 31st March 2022 based on actuals incurred during the period.

5.7.2 The component-wise break up of Aeronautical Operation and Maintenance expenses submitted by TKIAL for the period from COD till 31st March 2022 is as per the table below.

Table 69: Aeronautical O&M expenses submitted by TKIAL for the period from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount	% to Total
Manpower expenses - AAI employees	28.08	41.67%
Manpower expenses - Adani employees	4.20	6.23%
Utility expenses	5.60	8.31%
IT expenses	0.88	1.31%
Security expenses	3.76	5.58%
Corporate Support Service expenses	7.01	10.40%
Administrative Expenses - Collection Charges on UDF	0.11	0.16%
Administrative Expenses - Others	2.93	4.35%
Insurance	0.76	1.13%
R&M	5.96	8.85%
Other operating expenses	4.46	6.62%
Bank and finance charges	0.37	0.55%
Working capital loan interest	1.59	2.36%
Independent Engineer's Fees	1.67	2.48%
Total	**67.38**	**100%**

Authority's examination and proposal for Operating Expenses for the post-COD at the Consultation Stage:

5.7.3 The Authority has commissioned an independent study through the Consultant appointed by AERA on efficient Operation and Maintenance expenses for TRV for the Second Control Period and FY 2021-22 (Pre and Post COD of AAI and TKIAL respectively) (summary of the study is given in Annexure 3 and the Study

is attached as Appendix 2) and has used the outcome of the said study to true up the O&M expenses for the period from COD till 31st March 2022 for TKIAL.

5.7.4 As per TKIAL's MYTP submission, it was noted that no specific ratio was used for the allocation of the O&M expenses. Instead, TKIAL had considered all expenses as 100% without categorizing the expenses into aeronautical and non-aeronautical expenses.

5.7.5 The study commissioned has undertaken evaluation of each expense head on a case-by-case basis. Based on the same, appropriate re-classification and re-allocation of the expenses were undertaken (refer to Study on Opex attached as Appendix 2).

5.7.6 Based on outcomes of the Study on Opex for the Second Control Period and Pre-COD period, the Authority had made the following observations regarding TKIAL's submission of O&M expenses under various heads for the Second Control Period and Pre-COD period in the following sequence:

i. Assessment of Allocation Ratios
ii. Assessment of O&M expenses and their allocation

Assessment of Allocation Ratios

Terminal Building Ratio (TBLR)

5.7.7 It was observed that TKIAL had classified the entire area of the terminal building as Aeronautical. Upon enquiry, TKIAL stated that this was done in accordance with the AERA Act. It was also noted that there has been no increase in the area of the terminal building from the date of Commercial Operations (COD) until 31st March 2022.

5.7.8 TKIAL had classified the entire area of the terminal building as aeronautical but had not provided proper justification for the same. Considering that there has been no expansion or increase in the area of the terminal building, the Authority proposed to consider the ratio 90%:10% (Aeronautical: Non-aeronautical) as decided in Order No. 03/2017-18 dated 2nd June 2017 (refer para 4.9.6 for detail) for the expenses incurred by TKIAL in Post COD period and for the Third Control Period, which is in line with the recommendation of the IMG norms and in line with the ratio considered by AERA for other similar airports.

Gross Block Ratio (GBR)

5.7.9 To determine the allocation of expenses that apply to the entire airport area, the Authority proposed to utilize the Gross Block ratio for allocation into Aero, Non-Aero components. This ratio was calculated by dividing the aeronautical gross block by the total gross block. Based on the outcome of the independent study on the allocation of assets, the ratio of aeronautical assets to total assets was determined as 99.38% for the post COD period till 31st March 2022.

Employee Head Count Ratio (EHCR)

5.7.10 It was observed that TKIAL has categorized all employees, irrespective of their department, as aeronautical employees. However, the services rendered by these employees were both aeronautical and non-aeronautical services in nature.

5.7.11 Based on the details and clarifications provided by TKIAL, the Study had examined employee allocation of TKIAL and made certain adjustments and reclassifications based on which the revised EHCR was as given below.

Table 70: Revised Employee Head Count Ratio for the period from COD till 31st March 2022

Particulars	Aeronautical (%)	Non-Aeronautical (%)
AAI employees	98.56%	1.44%
TKIAL employees	91.67%	8.33%
Total employees	98.19%	1.81%

5.7.12 Based on the above analysis of ratios, the Authority proposed to consider the following revised ratios for allocation of expenses of TRV for the post-COD Period.

Table 71: Allocation Ratios proposed by the Authority for the period from COD till 31st March 2022

Particulars	Ratio
Employee Head Count Ratio - AAI employees	98.56%:1.44%
Employee Head Count Ratio - TKIAL employees	91.67%:8.33%
Employee Head Count Ratio - Total employees	98.19%:1.81%
Terminal Building Ratio	90.00%:10.00%
Gross Block Ratio	99.38%:0.62%

Assessment of O&M expenses and their allocation

5.7.13 Upon review and analysis of the O&M expenses submitted by TKIAL for the post-COD Period, the Authority noted the following:

- **Manpower Expenses – AAI Employees:** The Authority noted that TKIAL has considered the Manpower expenses as 100% Aeronautical. However, the Authority on examination of the relevant clauses of the Concession Agreement, had considered the employee expenses of AAI employees up to the 'Deemed Deputation Period' as Common, since the employee expenses of AAI pertain to both Aeronautical and Non-aeronautical activities. Accordingly, the Authority proposed to reallocate the employee expenses of AAI in the ratio of Employee Head Count of AAI employees [98.56%:1.44%] (refer Table 71 of the Study on Opex).

  Impact: The reallocation results in a reduction of aeronautical manpower expenses by Rs. 0.40 crores for the period from COD till 31st March 2022.

- **Manpower Expenses – TKIAL:** The Authority noted that the TKIAL had considered all 25 of its employees as being 100% Aeronautical. On a detailed examination, it was understood that out of 25 employees, only 23 employees were involved in aeronautical activities, the remaining 2 were involved in non-aeronautical activities. Accordingly, the Authority proposed to reallocate the Manpower expenses in the revised Employee Head Count ratio [91.67%:8.33%] derived by the Authority (refer Table 71 of the Study on Opex).
  Impact: The reallocation resulted in a reduction of Manpower expenses by Rs. 0.35 crores for the period from COD till 31st March 2022.

- **Utility Expenses:** Utility expenses had been considered by TKIAL as 100% Aeronautical. Considering that the power and fuel costs were net of recoveries from Concessionaires, the Authority proposed to consider the same as 100% Aeronautical. The Authority also noted that the water charge amounting to Rs. 0.08 crores were included in the administrative expenses by TKIAL. The Authority proposed to consider the same under utility expense and to reallocate the water charge based on the Gross Block ratio [99.38%:0.62%] (refer Table 68 of the Study on Opex).

Impact: The above recategorization and reallocation resulted in an increase in Utility expenses by Rs. 0.08 crores for the period from COD till 31st March 2022.

- **Security Expenses**: Security expenses include contractual manpower deployed for Kerbside management, traffic marshalling, traffic management, landside security, patrolling, Billing & accounting for National Aviation Security Fee Trust (NASFT), Co-ordination with CISF/Policy, Emergency Response etc. and security admin expenses include R&M expenses of security equipment and Annual Maintenance Contracts (AMCs) of Mechanical Equipment, Bosch Closed Circuit Television (CCTV), XBIS, etc. TKIAL has considered the Security expenses as being 100% Aeronautical. However, the Authority notes that expenses amounting to Rs. 2.04 crores related to the repairs and maintenance of security equipment are included in Security Expenses and hence proposed to recategorize the same to "Repairs and Maintenance" expenses (refer para 4.4.15 of the Study on Opex). The Authority also proposed to reallocate the Security expenses in the Gross Block Ratio [99.38%:0.62%] (refer Table 68 of the Study on Opex).

  Impact: The recategorization and reallocation of the Security expenses had resulted in a decrease of Rs. 2.05 crores for the period from COD till 31st Mar 2022.

- **Corporate Support Service (CSS) Expenses**: The Corporate Support Service expenses have been considered by TKIAL as 100% Aeronautical. However, the Authority noted that the major component of these costs consists of Salaries and administrative costs that are recovered by AEL & AAHL through appropriate allocation methods. It is noted that the in-house legal team cost of Rs. 0.04 crore is included in the Corporate Cost allocation for Post COD Period. However, the employee expenses towards the in-house legal team of TKIAL have already been allowed under employee expense and therefore, providing additional expenses towards the legal department at the corporate level would result in redundancy. The Authority, therefore, proposed to exclude the in-house legal team cost and to reallocate the resulting CSS expenses in the ratio of TKIAL Employee Headcount ratio [91.67%:8.33%] as determined by the Authority.

  Impact: The adjustment to and reallocation of CSS expense results in a decrease of Rs. 0.62 crores for the period from COD till 31st Mar 2022 (refer Table 82 of the Study on Opex).

- **Administrative & General (A&G) Expenses**: The Authority observed that the administrative expenses include professional and consultancy charges, travelling and conveyance, printing & stationery and other misc. expenses, water charges, audit fees, IT expenses, insurance and bank and finance charges, and these expenses were considered as 100% Aeronautical. The Authority proposed to reallocate the administrative expenses on the basis of Gross Block ratio [99.38%:0.62%] / Employee Head Count Ratio (AAI & TKIAL) [98.19%:1:81%] depending upon the nature of expenses.

  Impact: The impact of the reallocation results in a decrease in the administrative expenses of Rs. 0.12 crores for the period from COD till 31st March 2022 (refer Table 84 of the Study on Opex).

- **Repairs & Maintenance Expenses**: The Authority observed that repair & maintenance includes the maintenance of various assets, including Constant Current Regulators, Airfield Lighting System & Power Supply System, Electrical & Mechanical Installations of Terminal Buildings, Central Air Conditioning System of Terminal Buildings, Baggage Conveyors, Water Coolers/Water Purifiers, Water Treatment Plant, AC Plant, Civil Works at Terminal Buildings/Ancillary Buildings, Civil Works at CISF Barracks/Admin Building, Painting of Runway, and Apron Marking among others and that the expenses

were considered as 100% Aeronautical. However, the Authority proposed to consider certain maintenance expenses such as Constant Current Regulators, Airfield lighting system & Power supply system, Painting of runway and Apron marking, Security machines i.e., XBIS / ETD, Baggage Conveyors, etc. as Aeronautical and the remaining expenses be reallocated on the basis of Gross Block Ratio [99.38%:0.62%] / Terminal Building Ratio [90.00%:10.00%] depending upon the nature of expenses. The Authority also proposed to consider the R&M expenses related to security equipment amounting to Rs. 2.04 crores under the "Repairs and Maintenance" (R&M) expenses (refer para 4.4.33 of the Study on Opex).

Impact: The impact of the recategorization and reallocation has resulted in an increase in Repairs and Maintenance expenses by Rs. 1.93 crores for the period from COD till 31st March 2022 (refer Table 86 of the Study on Opex).

- **Other Operating Expenses**: The Authority noted that the other Operating expenses include housekeeping, deployment of medical staff, outsourced manpower for trolley and data entry operations, machines on rent hired for airside operations etc. and that TKIAL had considered all expenses as 100% Aeronautical. However, the Authority proposed to reallocate the same in the Terminal Building ratio [90%:10%]/EHCR [98.19%:1.81%]/Aeronautical [100%] based on the nature of the expenses.
  Impact: The reallocation resulted in a reduction of Other Operating expenses by Rs. 0.41 crores for the period from COD till 31st March 2022 (refer Table 88 of the Study on Opex).

- **Collection Charges on UDF:** It is observed that the collection charges totaling Rs. 0.11 crores include the amount incurred towards payment to airlines for collection of UDF from the passengers. The collection charges have more or less remained consistent when compared to the period prior to COD. Thus, the collection charge on UDF of Rs. 0.11 crores incurred by TKIAL appears to be reasonable.

- **Independent Engineer Fees**: It was observed that TKIAL had included a cost of Rs. 1.67 crores in respect of fees payment to the Independent Engineer as part of the O&M expenses. It is to be noted that the independent engineer is appointed by AAI for a period of 3 years for a fee of Rs. 11.35 crores starting from 22nd October 2021. As per Clause 24 of the Concession Agreement, an Independent Engineer had to be appointed by AAI and remuneration shall be paid by AAI which in turn shall be reimbursed by TKIAL to AAI. Further, as per Clause 24.3.1 of the Concession Agreement, this cost has to be considered as a passthrough by the Regulator. Based on a comprehensive review of the relevant clauses in the Concession Agreement, it is noted that the remuneration of the Independent Engineer must be treated as a pass-through expense by AERA. Consequently, the study considered the fee of Rs. 1.67 crores as an O&M expense for the Post COD period.

5.7.14 Further, the Authority observed that TKIAL has considered interest on working capital and finance charges as a separate line item at the time of true up of ARR. The Authority noted that TKIAL has calculated working capital interest based on the actual revenue and payment of expenses. According to their calculations, the need for working capital interest amounting to Rs. 1.59 crores arose during the post-COD period.

The Authority observed that the expenses related to the post-COD period have been actualized, and there was no evidence of working capital interest being incurred in the books of TRV. As a result, including the working capital interest in the true-up calculation was unreasonable. Therefore, the Authority proposed to exclude the working capital interest from the true-up process.

The Authority also notes that TKIAL had submitted Finance charges to the extent of Rs. 0.37 crores based on actuals and had considered the same as 100% aeronautical for the post-COD period. The Authority

proposed to accept this amount of Rs. 0.37 crores but allocate the same into Aeronautical and Non-Aeronautical based on the Gross Block ratio (refer Table 71) for the period.

5.7.15 The Authority noted that TKIAL has submitted pre-COD expenses amounting to Rs. 9.02 crores for true-up of the post-COD period. This expense included Rs. 1.43 crores related to manpower cost including corporate cost allocation.

The Authority took cognizance of the fact that AAI deputed its staff and management personnel to the Airport during the transition period, including prior to the COD to ensure that the relevant knowledge and experience of the operation and management of TRV is transferred to TKIAL. Therefore, the deputation of such staff is relevant towards the objective of smooth transition of the airport from AAI to TKIAL, and fulfilment of the terms of the CA.

Furthermore, the Authority also noted that, as per Clause 15.1.2 of the Concession Agreement, the Concessionaire was mandated to achieve COD within 180 days from the date of the Concession Agreement.

Based on the above factors, the Authority noted that AAI deputed its staff and management personnel to the Airport during the transition period, including prior to the COD and the cost of such personnel was paid by the Airport Operator. Additionally, Adani Group also deputed its own manpower from other group entities. The Authority had accordingly decided to consider salary expenses pertaining to such Adani Group entities for the period of six months prior to COD, i.e., from 14th April 2021 to 13th October 2021, for the purpose of tariff determination.

Based on the above considerations, the total costs pertaining to manpower cost prior to COD, as proposed for the true-up period was as follows:

Table 72: Pre-COD expenses proposed by the Authority for the Third Control Period

(Rs. in crores)

Particulars	Nature of Expenses	Period	Total	% Allowable	Proposed Pre-COD expenses
Project Cost for setup for Airport Business - Allocation by parent companies	Corporate Cost Allocation	May'21 to Oct'21	-*	0%	-
Pre-COD Payroll Cost	On roll employee cost	Aug'21 to Sep'21	0.50	100%	0.50
Total			**0.50**		**0.50**

**TKIAL has not provided any details for the period May 2021 to October 2021*

The Authority proposed to consider only this manpower cost for true-up based on the following analysis.

- The Authority, after making a detailed study on the provisions of the Concession Agreement, decided that there was no provision in the Concession Agreement to include in the true up, the remaining costs incurred by TKIAL prior to COD.
- The Authority proposed that the bid expenses incurred prior to the date of Letter of Award of TKIAL, and expenses incurred between the date of Concession Agreement and COD (other than as specifically considered above), as submitted by TKIAL were not to be considered for tariff determination.

5.7.16 The impact on the Aeronautical O&M expenses of TKIAL on account of the proposed recategorization, reallocation and other adjustments of expenses was as follows:

Table 73: Impact of proposed adjustments to TKIAL's Aeronautical O&M expenses

(Rs. in crores)

Expense Category	Expense Sub-Category / Description	Expenses classification		Impact
		TKIAL	Study	
Manpower expenses	Payroll expenditure – AAI employees	Aeronautical (100%)	EHCR (98.56% : 1.44%)	0.40
	Payroll expenditure – TKIAL employees	Aeronautical (100%)	EHCR (91.67% : 8.33%)	0.35
A&G Expenses	Professional & Consultancy Fees	Aeronautical (100%)	Gross Block Ratio (99.38% : 0.62%)	0.01
	Travelling & Conveyance	Aeronautical (100%)	EHCR (98.19% : 1.81%)	0.002
	Printing, Stationery & Other Misc. Exp	Aeronautical (100%)	EHCR (98.19% : 1.81%)	0.01
	Water Charges	Aeronautical (100%)	Considered in Utilities	0.08
	Audit Fees	Aeronautical (100%)	Gross Block Ratio (99.38% : 0.62%)	0.00
	IT expenses	Aeronautical (100%)	Gross Block Ratio (99.38% : 0.62%)	0.01
	Insurance	Aeronautical (100%)	Gross Block Ratio (99.38% : 0.62%)	0.005
	Bank Charges	Aeronautical (100%)	Gross Block Ratio (99.38% : 0.62%)	0.002
R&M Expenses	Consumption of Stores & Spares-Domestic	Aeronautical (100%)	Terminal Building Ratio (90% : 10%)	0.07
	Consumption of Operating Supplies-Domestic	Aeronautical (100%)	Terminal Building Ratio (90% : 10%)	0.004
	Repairs & Maintenance-Buildings	Aeronautical (100%)	Aeronautical (100%), Terminal Building Ratio (90% : 10%) & Gross Block Ratio (99.38% : 0.62%)	0.01
	Repairs & Maintenance-Plant & Machinery	Aeronautical (100%)	Aeronautical (100%) & Terminal Building Ratio (90% : 10%)	-2.03
	Electric works	Aeronautical (100%)	Aeronautical (100%) & Terminal Building Ratio (90% : 10%)	0.02
	Repairs & Maintenance – Others	Aeronautical (100%)	Aeronautical (100%) & Terminal Building Ratio (90% : 10%)	0.001
CSS Expenses	Corporate Cost Allocation	Aeronautical (100%)	EHCR (91.67% : 8.33%)	0.62
Utility Expenses	Utility expenses (power & Fuel)	Aeronautical (100%)	Terminal Building Ratio (90% : 10%)	-
	Water Charges	Aeronautical (100%)	Gross Block Ratio (99.38% : 0.62%)	-0.08
Security Expenses	Security Agency charges	Aeronautical (100%)	Gross Block Ratio (99.38% : 0.62%)	0.01
	Security Equipment	Aeronautical (100%)		2.04
Other outflow expenses	Factory & Office Expenses	Aeronautical (100%)	EHCR (98.19% : 1.81%)	0.004

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Expense Category	Expense Sub-Category / Description	Expenses classification		Impact
		TKIAL	Study	
	Contractual Manpower-Operations	Aeronautical (100%)	Terminal Building Ratio (90% : 10%)	0.10
	Equipment Rentals-Operations	Aeronautical (100%)	Aeronautical (100%)	-
	House Keeping Expenses	Aeronautical (100%)	Terminal Building Ratio (90% : 10%)	0.28
	Vehicle Hiring Charges	Aeronautical (100%)	Terminal Building Ratio (90% : 10%)	0.02
Independent Engineer Fee		Aeronautical (100%)	Aeronautical (100%)	-
Total				**1.93**

5.7.17 Based on the above analysis, the Authority had derived the O&M expenses that it proposed to consider for True up for TKIAL from COD till 31st March 2022 and the same was as detailed below:

Table 74: Adjusted Aeronautical O&M expenses proposed to be considered by the Authority for True up from COD till 31st March 2022 at Consultation Stage

(Rs. in crores)

Heads	Sub Heads	Post COD
Employee Benefit Expenses	Manpower expenses - AAI employees	27.68
	Manpower expenses - Adani employees	3.85
Utility & Outsourcing Expenses	Utility expenses	5.68
	Security expenses	1.71
CSS Expenses	Corporate Cost Allocation	6.39
A&G Expenses	Independent Engineer Fee	1.67
	Administrative Expenses – Others	4.81
R&M Expenses	R&M	7.89
Other Outflows	Collection Charges on UDF	0.11
	Others	4.05
Finance Charges	Finance Charges	0.37
Pre-COD Expenses	Pre-COD Expenses	0.50
Total		**64.71**

The Authority proposed to consider O&M expenses of Rs. 64.71 crores for true-up of the period from COD till 31st March 2022, as shown in Table 74.

Stakeholder's comments on the True up of Operation and Maintenance Expenses for the period from COD till 31st March 2022

5.7.18 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 with respect to the True up of Operations and Maintenance Expenses for the period from COD till 31st March 2022. The comments of the stakeholders are presented below.

TKIAL's comments on the True up of Operation and Maintenance Expenses for the period from COD till 31st March 2022

5.7.19 TKIAL's comment regarding allocation of Operating and Maintenance Expenses are as follows:

With respect to allocation of O&M Expenses

Under the Shared-Till (or Hybrid Till) model as proposed in National Civil Aviation Policy, 2016, 30% of Non-Aeronautical Revenues are accounted for cross subsidizing the ARR. There is no mention of allocation of RAB, allocation of Operation and Maintenance etc. Therefore, there is no need to apply the allocation ratio whereby capital and operating expenditure is reduced, which acts as a dual burden for the Airport Operator. Also, the AERA Guidelines do not provide for applying the allocation ratio.

Relevant extract of National Civil Aviation Policy, 2016 is reproduced below: "To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges.

For ease of reference, the relevant clause regarding the 'Shared Till' approach from the Concession Agreement is reproduced hereunder:

"28.3.2. The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval."

Further as per AERA Order No. 14/2016-17 issued on 23rd January 2017, the Authority has adopted the Hybrid Till whereas 30% of non-aeronautical revenues are used to cross-subsidize aeronautical charges. The order only provides for cross subsidization of 30% from non-aeronautical revenues. The relevant extract of the order is as:

The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory Authority of India Act, 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that:

(i) The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidise aeronautical charges. Accordingly, to that extant the airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory till, shall remain the same. (emphasized)

The Authority, however, in addition to the cross subsidy of 30% of Non-AERO revenue, has reduced the RAB and O&M expenses by allocating the same to AERO & Non-AERO which is neither provided in the NCAP nor provided in the AERA guidelines.

Therefore, we request AERA to kindly revise all the calculations provided in the consultation paper without allocating building blocks into Aeronautical and Non-Aeronautical, which are not required either in AERA Guidelines or in NCAP.

5.7.20 TKIAL's comment regarding Corporate Cost allocation are as follows:

Regarding the Authority's proposal to exclude cost of legal employees from Corporate Support Services cost, as Authority has allowed corporate cost allocation for other departments like Operations, Finance, etc. it is logical that corporate cost allocation for legal department should also be allowed.

AERA has mentioned in the CP, example of distinct roles and responsibilities of other functions like Finance, IT etc. at Airport Company and at Corporate Level. Likewise Legal department also has different roles and responsibilities at Airport company and Corporate Level.

Roles and Responsibilities at Corporate Level

- *Providing business and legal perspective and advice on a wide range of strategic, tactical, and operational issues to all Airports teams*
- *Determination of legal interests and options and counsel to top leadership on legal matters*
- *Coordinating and giving directions with external counsels*
- *Participating in the formulation of general management policy as a member of the executive management team*
- *Developing and leading internal audit and corporate compliance programs*

Roles and Responsibilities at Airport Level

- *Transaction support, including in relation to contracting and compliance.*
- *Drafting and vetting of RFP/RFQs,*
- *Applicability and compliances of local laws applicable to the Airport and maintaining proper corporate interactions with the relevant local, state and federal governmental bodies, legislatures.*

We would like to take reference from Consultation Paper No. 15/2020-21 for Delhi Airport where Corporate Cost Allocation without any deduction of legal corporate cost is allowed by AERA in tariff order. It is to be noted that DIAL has Legal team employed at Airport Company also and there is no redundancy between the Corporate legal team and Airport Legal team. The extract from DIAL Consultation Paper No. 15/2020-21 is provided as follows:

13.6.1 GMR AIRPORTS LIMITED

Table 80Cost Objected allocated from GAL to DIAL

S.NO	DEPARTMENT COST CHARGED	COST TYPE	BASIS OF APPORTIONMENT
1	GCM Office	Fully Chargeable	Weighted Average Ratio of Assets*
2	BCM Office	Fully Chargeable	Weighted Average Ratio of Assets
3	CEO Office	Fully Chargeable	Weighted Average Ratio of Assets
4	Stakeholder Management	Fully Chargeable	Weighted Average Ratio of Assets

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S.NO	DEPARTMENT COST CHARGED	COST TYPE	BASIS OF APPORTIONMENT
5	Commercial and BD	Semi- Chargeable*	Weighted Average Ratio of Assets
6	Legal	Fully Chargeable	Weighted Average Ratio of Assets
7	Sector HR	Semi- Chargeable*	Weighted Average Ratio of Assets
8	Sector IT	Semi- Chargeable*	Weighted Average Ratio of Assets
9	Strategic Planning Group	Fully Chargeable	Weighted Average Ratio of Assets
10	Finance and Accounts	Semi- Chargeable*	Weighted Average Ratio of Assets
11	Regulatory	Fully Chargeable	Weighted Average Ratio of Assets

Table 42 Manpower Count for DIAL during Second Control Period

S. No	Department	Functions	FY15	FY16	FY17	FY18
1	Operations (DIAL)	Airport Operations	465	437	471	570
2	BCM/CEO Office	Senior Management	12	12	32	60
3	Commercial (Aeronautical & Non-Aeronautical)	Support Functions	88	82	81	89
4	Corporate Communication	Support Functions	12	11	10	14
5	Corporate Relations	Support Functions	24	21	20	21
6	SPG/Business Integration & Planning	Support Functions	20	20	20	20
7	Ethics &Intelligence & GMRVF	Support Functions	26	27	33	37
8	Finance & Accounts	Support Functions	62	69	73	107
9	Human Resources & FMS	Support Functions	34	35	31	73
10	Guest Relations	Support Functions	25	24	23	21
11	IT	Support Functions	19	12	7	6
12	Legal	Support Functions	15	13	13	21
13	MAG	Support Functions	6	5	7	16
14	Project & Engineering	Airport Operations	27	23	21	18
16	Quality, Service & Delivery	Airport Operations	15	14	11	13
17	Baggage Screeners	Airport Operations	438	422	316	319
18	Security	Airport Operations	85	87	91	106
19	Trolley retriever	Airport Operations	215	204	220	226
Total Manpower (Excluding CPD)			1,588	1,518	1,480	1,737

It is relevant to note that these services are not being provided by a third party and are the employees of TKIAL`s parent company.

Based on the above facts, we request the Authority to allow the corporate cost allocation, the amount which has been actually incurred and paid, during the period from COD till 31st March 2022 without any downward adjustment for legal department cost."

5.7.21 TKIAL's comment regarding computation of interest on working capital are as follows:

TKIAL has tied up with AAHL for arranging funds through Inter Corporate Deposits for short term as well as long term requirements. The Inter Corporate Deposit are used for various purposes including but not limited to regular working capital requirement.

In respect to the Authority's comment that there is no evidence of working capital interest being incurred, we would like to submit that –

The interest cost incurred is included in the Interest Expense on Inter Corporate Deposit (refer schedule 27 of the financial statement).

As per the Inter Corporate Deposit agreement, the loan amount from AAHL shall be utilized solely for purposes of activities in relation to the Airport. The overall Inter Corporate Deposit amount received is fungible, and it is not possible to separately bifurcate the amount for respective usage. Hence, on a best estimation basis a calculation of interest is done in the financial model shared along with MYTP.

The methodology and calculation of interest on working capital can vary based on opinions from different experts, however there is no denial of the fact that TKIAL has utilized the funds for various purposes in relation to Airport including but not limited to working capital requirement. Therefore, we request the Authority to kindly allow interest on working capital as TKIAL has actually incurred costs.

5.7.22 TKIAL's comment regarding actual expenditure incurred post issue of LOA till COD are as follows:

1. *It is to be noted that the overall claim of the TKIAL included salaries, professional consultancies, and other administrative expenses. However, the Authority has only considered the salaries and has not provided any reason for disallowing the professional consultancies and other administrative expenses.*
2. *We would like to place on records that: -*

- *Adani Enterprises Limited (AEL) was announced the successful bidder for Thiruvananthapuram Airport in Feb-2019. As the Concession agreement was a part of the Bid, AEL was aware of its obligations and responsibilities under the Concession Agreement and activities that were required to be done to achieve the successful Commercial Operations Date (COD). This process was akin to Operational Readiness and Airport Transfer (ORAT) activity which is done when green field facility is commissioned at the Airport. When an old asset is taken over by a new owner with a responsibility to maintain superior service standards which were not supported by the existing infrastructure and bottlenecks, it is akin to a greenfield asset from the operations perspective.*

  The Authority in case of Bengaluru International Airport Limited (BIAL) has approved cost of Rs. 46 Crs for ORAT during tariff determination of third control period (refer page no. 252 of Order No. 11/2021-22 for BIAL Third Control Period).

- *We had earlier submitted to the Authority that various clauses in the Concession agreement mandated certain activities/obligations to be performed by the Airport Operator prior to COD so that the transition from AAI to AO is smooth. These activities covered many areas like operational readiness, familiarization & training, Trial programs, Airport facility assessment, Capability building & human resource management, observation period, financial closure etc. Being an operating Airport, these were important from the perspective of Airport users and passengers as well. It appears from the CP that the same has not been taken cognizance of by the Authority. Hence, we are reproducing the relevant provisions of the CA for your ready reference: -*

Extract of relevant clauses from the Concession Agreement:

Clause 16.5 Observation Period prior to COD: - There was a requirement to have 60 days of observation period before COD whereby Concessionaire's team was to work along with AAI's team to understand the Airport operations. In order to have a dedicated Airport team to be ready for participation in the Observation period Concessionaire is required to hire personnel well before the time.

Further As per Clause 5.8 of the CA, Concessionaire is obligated to have trained personnel employed all the time. Before taking over the Airport, the AO is required to hire people who are trained to take care of safe operations of the Airport.

***As per Clause 4.1.3 of the CA**, as a condition precedent; Concessionaire needs to fulfill the following activities:*

Particular	***Details***
Submission of PBG within 120 days of signing of CA.	*Submission of PBG requires engagement with various Banks, lenders and financial institutions. This also requires a dedicated finance team to work with various financial institutions.*
Procure all the applicable permits	*All the necessary applicable permits need to be obtained which encompass all the functions of the Airport: -* *Operational like CTO, Fire NOCs, Clearance of BoD* *Financial – GST / PAN / TAN* *Engineering & Maintenance – Travelators, Weights & Measures, Single Line, HR Compliances – Shops & Establishment / ESI / PSF / CLRA* *Security – Clearance of Aviation Security Program* *In order to process and obtain the necessary applicable permits adequate manpower had to be onboarded well before the COD so that necessary applications are made timely, and approvals are obtained.*
List of construction works to be undertaken in the first seven concession years	*In order to provide a list of construction works, Master planning needed to be undertaken which required engagement of master planner, designer, architects, town planners etc.* *Further under clause 5.12 of the CA Obligations relating to aesthetic quality of the Airport it is stated that "The Concessionaire shall engage professional architects and town planners of repute for ensuring that the design of the Airport meets the aforesaid aesthetic standards"*
Execution of the escrow agreement as per Schedule M	*This requires engagement with banks, lenders, financial institutions to perform the necessary documentation.*

***Clause 6.4.5 Works in Progress:** - Concessionaire is obligated to pay CWIP amounts to AAI. "The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works, and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress."*

In order to assess the works in progress both physical and financial, necessary teams were engaged from master planning, designing, asset health check, vendor management and financial experts.

Clause 10.2 Lease, Access, and Right of Way: *- Concessionaire is allowed to take necessary surveys, investigations etc. of the property prior to COD to assess various risks associated with the site.*

This activity required the engagement of various experts and agencies.

Clause 10.3 Procurement of the Site: *- Both AAI and Concessionaire need to undertake joint inspection of site, inventory of buildings, structures, roads works etc.*

This required dedicated finance, operations and engineering & maintenance teams in place to do the joint inspection and asset health check.

Clause 15.1 / 26.1 Commercial Operation Date / Financial Close: *- In order to achieve COD, financial close is a mandatory requirement.*

To make financial projections necessary studies were required to be undertaken like traffic study, revenue potential study, capex planning based on master planning, estimation of capex, operating cost estimation, engagement of financial consultant, financial modelling etc. This required the engagement of consultants and also an in-house corporate finance team.

Clause 18.17 Maintenance Programme *:- On or before COD, Concessionaire needs to submit detailed Maintenance Programme which shall include: (a) preventive maintenance schedule; (b) arrangements and procedures for carrying out urgent repairs; (c) criteria to be adopted for deciding maintenance needs; (d) intervals and procedures for carrying out inspection of all elements of the Airport; (e) intervals at which the Concessionaire shall carry out periodic maintenance; (f) arrangements and procedures for carrying out safety related measures; and (g) intervals for major maintenance works and the scope thereof.*

In order to prepare the Maintenance Programme a dedicated Engineer's team involvement was required. Further this required investigation and detailed health study of the existing assets. The detailed study was conducted by engagement of both in-house team and expert consultants.

Clause 28.1 Collection of Fees by the Concessionaire: *- On and from COD and till the Transfer Date, the Concessionaire has the sole and exclusive right to demand, collect and appropriate Fees from the Users for the provision of the Aeronautical Services and Non-Aeronautical Services, including the airlines and passengers, in accordance with the provisions of the Regulatory Framework.*

In order to collect the fees from COD onwards, the necessary IT infrastructure was required to be set up which included SAP, AODB, AOCC, Billing Systems, and Passenger Data Collection System. In addition, it required Engagement of Finance team, assessment of existing IT Infrastructure, engagement of IT experts and experts who understood the regulatory framework.

Clause 28.8 Display of Aeronautical Charges: *- Website was required to be ready and necessary aeronautical charges needed to be provided on the website. This required the creation of websites, domains, engaging IT experts, domain experts, experts from regulatory framework etc.*

Clause 30.3 Insurances: *- No later than 30 (thirty) days prior to commencement of the Concession Period, the Concessionaire shall by notice furnish to the Authority, in reasonable detail, information in respect of the insurances that it proposes to take.*

This required engagement of insurance agents, risk measurement, assessment of asset value, risk mitigation plan etc.

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Various other requirements under the CA which entailed onboarding of personnel/consultants: -

1. *Operational SOPs*
2. *Clause 23 - Readiness of Performance Measurement Plan*
3. *Schedule H - to obtain ACI Membership*
4. *Schedule 1 - Submission of Aerodrome Emergency Plan prior to COD*
5. *18.15.4 Establishing Airport Safety Management Unit (ASMU)*
6. *Formation of various committees - JCC for CNS ATM, MoU, Capex, Right of Way*
7. *Aeronautical Information Services*
8. *Apron Management Unit*

Further, we had provided the details of various professional consultancies and expenses incurred as part of Pre-COD expenses as below:

Particulars	***Amt (Rs. Cr)***	***Remarks and Comments***
Category 1: Expenses till letter of award (1st Sep'20)	***1.72***	
Project cost for setup for Airport Business (Expenses upto Aug'20) – Allocation by parent companies	*1.72*	
Category 2: Expenses from letter of award to COD	***7.30***	
Project cost for setup for Airport Business (Munich Airport Service) - Allocation by parent companies	*1.87*	*This was consultancy provided for organization set up, master plan review, Staff Capacity Building & Training Need Analysis, Transition Management.*
Project cost for setup for Airport Business - Allocation by parent companies	*0.93*	*Allocation by parent companies for providing group resources. The similar cost was approved in Ahmedabad, Lucknow and Mangaluru Airport*
Pre-COD Payroll Cost (salary cost incurred by TKIAL)	*0.50*	*Allowed by the Authority*
Woori Bank – BG Commission & Facility Charges	*0.90*	*These are charges paid to Bank for arranging Performance Bank Guarantee which is to be provided to AAI at least 2 months before the COD as required under CA*
Consultancy for Master Planning – M/s AECOM	*0.38*	*The master plan was required to be made as mandated under the CA.*
IT Assessment & Transition – M/s Wipro	*0.32*	*The consultant was engaged to assess the AAI existing IT infrastructure and what are the gaps.*
Consultancy for Traffic Study – M/s Mott Macdonald	*0.25*	*The report was used to make master plan which is mandatory requirement under CA*
IT Assets – Licenses – Comparex India & Ashtech	*0.24*	*Cost incurred on various IT software, services etc. used by employees deputed to achieve the COD.*
Cargo Terminal Design Brief – Realog	*0.09*	*The study conducted to understand the most optimum cargo design for the airport.*
Franking Charges, ROC Filing and Others	*0.08*	*Various charges paid on execution of concession agreement, financing documents etc.*

Particulars	***Amt (Rs. Cr)***	***Remarks and Comments***
Consultancy for verification of CWIP from AAI – M/s Ernst & Young	*0.08*	*The report is used to verify the CWIP works transferred by AAI to TKIAL as mandated under clause 4.6.5 of the CA.*
Consultancy by CAPA	*1.09*	
MERCER Rewards and workplace policies re-alignment	*0.05*	*The report was used to analyse AAI HR policies which was to be used to integrate with Adani group of policy for seamless transition of manpower from AAI to PPP.*
IT Assets – MPLS link & connectivity	*0.05*	*Cost incurred on various IT software, services etc. used by employees deputed to achieve the COD.*
Misc. Exp (including Beautification of terminals, one-time expenses for handover, Printing-Stationery etc.)	*0.47*	*Miscellaneous Expenses incurred as a run-up to achieve COD.*
Total	***9.02***	

As can be seen in the above table, payment for professional consultancy during Pre-COD period included payment for various services including Master Plan review, IT assessment, Traffic Study, Design brief, Verification of CWIP from AAI, Rewards and workplace policies from HR perspective, to name a few. All these services were essential to achieve the successful transition of the airport from AAI to AO. Further, the pre-COD expenses also included the bank charges and commission paid to Woori Bank for Issuance of Performance Bank Guarantee as required under CA.

From the foregoing submissions, the Authority would appreciate that without having proper manpower and professional support, it would not have been possible to achieve transition of airport from AAI to AO as mandated under the CA. These activities were required to be performed prior to COD. Hence, the expenditure incurred by the AO to achieve successful COD are essential, genuine, and legitimate. Hence, allowing salary expenses for a part period only ignoring the other legitimate expenses on professional fees etc. is not logical.

In view of the above, we request the Authority to at least take into account the actual expenditure incurred post issue of LOA by AAI till COD i.e. Rs. 7.30 crores against Rs.9.02 crores claimed.

Other Stakeholders' comments on the True up of Operation and Maintenance Expenses for the period from COD till 31st March 2022

5.7.23 No comment has been provided by any other Stakeholder on true up of Operation and Maintenance expenses for the period from COD till 31st March 2022.

Authority analysis on Stakeholders' comments on the True up of Operation and Maintenance Expenses for the period from COD till 31st March 2022

5.7.24 The Authority examined the comment of TKIAL regarding allocation of Capital Expenditure, Depreciation, Operating Expenditure etc. between Aeronautical and Non-aeronautical services.

The allocation of building blocks into Aeronautical and Non-Aeronautical as a practice is being done uniformly at all airports. The tariff methodology adopted by the Authority segregates O&M expenses in to Aeronautical, Non-Aeronautical and Common considering the nature and purpose of the services for which these expenses are incurred. However, in the absence of any specific information regarding segregation of

expenses, due clarifications were sought from TKIAL regarding calculation of various allocation ratios such as terminal area.

TKIAL has maintained that as per the AERA guidelines, airside assets are to be considered as Aeronautical and the Terminal Building is considered as Aeronautical as per the AERA Act. However, if TKIAL desires, they may adopt Single Till methodology wherein all assets and operating expenses are considered as Aeronautical.

5.7.25 The Authority reviewed the comments of TKIAL with respect to the allocated cost towards in-house legal team under corporate support service cost. As mentioned in the Independent Study on O&M expenses for TRV (Refer para 4.4.24 of the Study), the Authority has already allowed the employee expenses towards the inhouse legal team of TKIAL and therefore, is of the view that providing additional expenses towards legal department at the Corporate Level would result in redundancy. Hence, the Authority sees no reason to change its views at Consultation stage (refer para 5.7.13 of this Tariff Order).

5.7.26 The Authority noted TKIAL's submission regarding interest on Working Capital. The Authority notes from the workings submitted in the MYTP that TKIAL has computed a part of the interest cost as being towards Working Capital.

The Authority has reviewed the Financial Statement for FY 2021-22 and FY 2022-23 and the actual financial information for FY 2023-24 provided by TKIAL. The Authority notes that the Interest Expense as per the Financial Statements also includes the interest accrued on account of the working capital loan. Accordingly, the Authority decides to consider the interest on working capital based on actuals for the true-up period from COD till 31st March 2022 and also FY 2022-23 and FY 2023-24. For the remaining three (3) tariff years of the Third Control Period, the Authority has calculated the interest at the maximum cost of debt (9%) on the working capital requirement recomputed based on the revised revenue and expense.

5.7.27 The Authority has examined the comments raised by the TKIAL regarding the inclusion of pre-COD expenses for the purpose of tariff determination and has provided its views as given hereunder:

- The Authority has studied the provisions of the Concession Agreement and based on those; the decisions have been taken on merit in this Tariff Order.
- There is no provision in the Concession Agreement to consider these costs incurred by TKIAL prior to COD. It would not be appropriate to draw a comparison with Operational Readiness and Airport Transfer (ORAT) activity which is a widely accepted practice for operationalizing greenfield airports and for which specific provisions and scope of inclusion is defined in the respective airport's concession agreement.
- The Authority took cognizance of the fact that the purpose of AAI deputing its Senior Personnel prior to COD and their continuation at the airport for the period of 3 months after COD is primarily to ensure that the relevant knowledge and experience of the operation and management of Thiruvananthapuram International Airport is transferred to the TKIAL. Therefore, the deputation of such staff is relevant towards the objective of smooth transition of the airport from AAI to TKIAL, and fulfilment of the terms of the CA.
- Furthermore, the Authority also notes that as per Clause 15.1.2 of the Concession Agreement, the Concessionaire is mandated to achieve COD within 180 days from the date of the Concession Agreement.

- The Authority noted during the Consultation stage that AAI had deputed its staff and management personnel to the Airport during the transition period, including prior to the COD. The cost of such personnel was paid by the Airport Operator. Additionally, Adani Group also had to depute its own manpower from other group entities. The Authority notes that the project cost for the setup of Airport Business of Rs. 0.93 crores relate to the corporate cost allocated to the Airport for the period of six months prior to COD, i.e. from 14th April 2021 to 13th October 2021. The Authority observes that AEL on overall basis, extends support and guidance to various Group Companies and AAHL provides expertise and specialist domain knowledge to the Airport Companies, which are essential for the sustainable operations of the business. The major composition of the costs of these services includes salaries and administrative costs that are recovered by AEL and AAHL through an appropriate allocation method. Further, this process is consistent with the approach followed by other PPP airports for allocation of the corporate costs to the Airports. Based on the above factors, the Authority has considered this expense as a part of pre-COD expenses, for the purpose of tariff determination.
- Also, as stated in the Consultation Paper, the Authority has considered an on-roll employee cost of Rs. 0.50 crores incurred by TKIAL as the salary expenses were incurred during the observation period of 60 days (August 2021 to September 2021) as per Clause 16.5 of the Concession Agreement, wherein the new Concessionaire's team had to work along with AAI's team to understand the Airport operations. Therefore, the aforementioned costs have been considered by the Authority for determining the pre-COD expenses.
- Further Authority notes that Rs. 0.90 crores relate to BG commission and Facility Charges paid to the Bank for arranging Performance Bank Guarantee which was to be provided to AAI at least two (2) months before the COD as required under CA. Therefore, the aforementioned costs have been considered by the Authority in the tariff determination process.

The Authority notes that AAI has been successfully running Thiruvananthapuram International Airport for over 40 years in compliance with the requirements of BCAS and DGCA. TRV is a brownfield airport which is already in operation and cannot be considered akin to a greenfield airport. The various activities mentioned by TKIAL are part of routine regular activities performed by the Airport Operator and are small in nature and all the relevant SOPs are already in place.

The manpower deployed by AAI in the airport earlier has efficiently taken care of the activities mentioned by TKIAL. Hence the Authority is not convinced that there is a need for additional Manpower primarily on account of the activities mentioned by TKIAL.

Based on the consideration of the above factors, the Authority decides to allow Rs. 2.33 crores of Pre-COD expenses as part of the aeronautical O&M expenses for true up of the post-COD period from COD till 31st March 2022.

5.7.28 Considering the above-mentioned decision regarding inclusion of salary expenses and finance cost related to BG pertaining to Pre-COD expenses (refer para 5.7.27), the Authority has recomputed the operational expenses to be reckoned for true up of the period from COD till 31st March 2022 (post-COD) as given below.

Table 75: Aeronautical O&M expenses decided to be considered by the Authority for True up from COD till 31st March 2022

(Rs. in crores)

Heads	Sub Heads	Post COD
Employee Benefit Expenses	Manpower expenses - AAI employees	27.68

Heads	Sub Heads	Post COD
	Manpower expenses - Adani employees	3.85
Utility & Outsourcing Expenses	Utility expenses	5.68
	Security expenses	1.71
CSS Expenses	Corporate Cost Allocation	6.39
A&G Expenses	Independent Engineer Fee	1.67
	Administrative Expenses – Others	4.81
R&M Expenses	R&M	7.89
Other Outflows	Collection Charges on UDF	0.11
	Others	4.05
Finance Charges	Finance Charges	0.37
	Working Capital Interest	1.58
Pre-COD Expenses	Pre-COD Expenses	2.33
Total		**68.12**

5.7.29 The Authority noted that the O&M expenses proposed by it during the consultation stage was Rs. 64.71 crores (refer Table 74) and the figure considered post consultation stage is Rs. 68.12 crores. The difference of Rs. 3.41 crores are due to the inclusion of pre-COD expenses and actual interest on working capital.

5.8 True up of Non-Aeronautical Revenue

5.8.1 TKIAL has submitted the following components of NAR for the period from COD till 31st March 2022.

Table 76: NAR submitted by TKIAL for True up from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount
Car parking	0.13
Building rent	2.66
Other Income	5.38
Master Concessionaire	6.67
Total NAR	**14.84**

5.8.2 The Authority noted that TKIAL has concessioned the non-aeronautical activities to Adani Airport Holdings Limited (AAHL) for a period of 25 years effective from December 2021. In consideration for the concession, AAHL is expected to pay TKIAL, higher of Minimum Guarantee of Rs. 20 crores or Revenue Share on the gross revenue for the year.

5.8.3 TKIAL, in an email dated 4th August 2023, had shared the actual NAR and the details of transactions recorded in the Book of Accounts for the period from COD till 31st March 2022. The Authority noted that the actual NAR for the period was Rs. 14.65 crores as against Rs. 14.84 crores in the MYTP submission and therefore the Authority proposed to consider the same for the post-COD period.

5.8.4 The Authority, on verification of the NAR submitted with the Book of Accounts entries of TKIAL, noted that Rs. 0.19 crores relate to Notional Income on Security Deposit which is an IND AS adjustment entry and Rs. 1.22 crores relate to revenue earned from agencies involved in aeronautical activities as given below.

Table 77: Breakup of revenue earned from agencies involved in aeronautical activities for the period from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount
Air Arabia PJSC	0.01
Air Asia	-
Air India Express Ltd	-

Particulars	Amount
Air India Ltd	0.11
AIX Connect Pvt Ltd	-
Alliance Air Aviation Ltd	-
Emirates	0.05
Etihad Airways	0.01
Go Airlines India Ltd	-
Gulf Air	0.01
Interglobe Aviation Ltd	0.09
Island Aviation Services Ltd	0.01
Kuwait Airways Company	0.02
Malindo Airways	-
Oman Air SAOC	0.02
Qatar Airways	0.02
Spice Jet Ltd	0.02
Sri Lankan Airlines Ltd	0.01
Tata Sia Airlines Ltd	0.02
Others including Cargo, Ground Handling and Fuel Service Providers	0.83
Total	**1.22**

5.8.5 The Authority noted that space rentals from agencies providing aeronautical services should be treated as aeronautical revenue. The Authority, therefore, proposed to exclude both the Notional Income on Security Deposit and Space Rentals from agencies providing aeronautical services from the NAR for the post-COD period.

5.8.6 The Authority noted that TKIAL has received Rs. 6.67 crores as revenue share from the Master Concessionaire and proposed to consider the same for the period from COD till 31st March 2022.

5.8.7 Based on the above, the adjustments to the actual Non-Aeronautical Revenue for the period from COD till 31st March 2022 was as given below:

Table 78: Adjustment to Revenue from Non-Aeronautical Services considered by the Authority for True up from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount
Actual Non-Aeronautical Revenue as submitted by TKIAL (A)	14.65
Adjustment:	
Revenue from agencies providing aeronautical services including space rentals from airlines (B)	1.22
Notional Income on Security Deposit (C)	0.19
Non-Aeronautical Revenue as per the Authority (A-B-C)	**13.24**

5.8.8 The revised NAR for the post-COD period as proposed by the Authority is as given in table below.

Table 79: NAR proposed by the Authority for True up from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount
Car parking	0.13
Building rent	1.53
Other Income	4.91
Master Concessionaire	6.67
Total NAR	**13.24**

Stakeholder's comments on the True up of Non-Aeronautical Revenue for the period from COD till 31st March 2022

5.8.9 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 with respect to the True up of Non-Aeronautical for the period from COD till 31st March 2022. The comments of the stakeholders are presented below.

TKIAL's comments on the True up of Non-Aeronautical Revenue for the period from COD till 31st March 2022

5.8.10 TKIAL has submitted the following regarding the consideration of space rental income from airlines as Aeronautical Revenue.

1. *In respect to the consideration of space rental income from airlines, we would like to submit that The AERA Act, 2008 and the AERA Guidelines do not categorize airline space rental as aeronautical revenue. As per AERA Act (a) "aeronautical service" means any service provided*

   (i) for navigation, surveillance and supportive communication thereto for air traffic management.
   (ii) for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport;
   (iii) for ground safety services at an airport;
   (iv) for ground handling services relating to aircraft, passengers and cargo at an airport; (v) for the cargo facility at an airport;
   (v) for supplying fuel to the aircraft at an airport; and
   (vi) for a stake-holder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority;

2. *We would also like to draw reference to the definition of Revenues from Nonaeronautical sources read with Clause 4.23 of the International Civil Aviation Organization ("ICAO") Doc 9562 as below:*

"Revenues from non-aeronautical sources: Any revenues received by an airport in consideration for the various commercial arrangements it makes in relation to the granting of concessions, the rental or leasing of premises and land, and freezone operations, even though such arrangements may in fact apply to activities that may themselves be considered to be of an aeronautical character (for example, concessions granted to oil companies to supply aviation fuel and lubricants and the rental of terminal building space or premises to aircraft operators). Also intended to be included are the gross revenues, less any sales tax or other taxes, earned by shops or services operated by the airport itself."

4.23 Rentals. Rentals payable by commercial enterprises and other entities for the use of airport-owned building space, land or equipment. Such rentals should include those payable by aircraft operators for airport-owned premises and facilities (e.g. check-in counters, sales counters and administrative offices) other than those already covered under "air traffic operations"

In view of the above, it is clear that the space rental income is not an Aeronautical Service as per AERA Act, and also it is specified as Non-Aeronautical Service as per ICAO. Hence, we request the Authority to kindly consider revenues from space rentals as Non-Aeronautical.

Other Stakeholders' comments on the True up of Non-Aeronautical Revenue for the period from COD till 31st March 2022

5.8.11 No comment has been provided by any other Stakeholder on true up of Non-Aeronautical Revenue for the period from COD till 31st March 2022

Authority analysis on Stakeholders' comments on the True up of Non-Aeronautical Revenue for the period from COD till 31st March 2022

5.8.12 The Authority examined the comment by TKIAL on space rental income form airlines and notes the following.

The space rental from airline is taken as Aeronautical Revenue even in PPP airports such as BIAL & HIAL and has been followed uniformly by the Authority.

5.8.13 Hence, based on the reasoning listed at the Consultation Stage (refer Para5.8.4), the Authority decides to consider the Non-Aeronautical Revenue as per Table 79 for the true-up of the period from COD till 31st March 2022.

5.9 True up of Aeronautical Revenue

5.9.1 TKIAL through its MYTP submission had submitted Aeronautical Revenue of Rs. 70.67 crores for the period from COD till 31st March 2022. Subsequently, TKIAL had shared vide email dated 4th August 2023 the actual Aeronautical Revenue for the period from COD till 31st March 2022 as Rs. 71.15 crores as shown in the table below.

Table 80: Actual Aeronautical Revenue submitted by TKIAL for the period from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount
Landing revenue	12.92
Parking & housing revenue	0.36
Ground handling revenue	3.24
Passenger UDF	53.03
CUTE and BRS revenue	1.13
Land Lease Revenue	0.48
Total Aero revenue	**71.15**

5.9.2 The Authority proposed to consider TKIAL's submission of Aeronautical revenue for the post-COD period as given in Table 80. The Authority also proposed to include the Aeronautical revenue of Rs. 1.22 crores that was submitted as part of the NAR by TKIAL but was not included as part of NAR proposed by the Authority (refer para 5.8.4).

5.9.3 The Authority proposed to consider revised Aeronautical Revenue for the period from COD till 31st March 2022 as per table given below.

Table 81: Aeronautical Revenue as proposed by the Authority for True-up from COD till 31st March 2022

(Rs. in crores)

Particulars	Amount
Landing revenue	12.92
Parking & housing revenue	0.36

Particulars	Amount
Ground handling revenue	3.24
Passenger UDF	53.03
CUTE and BRS revenue	1.13
Land Lease Revenue*	1.70
Total Aero revenue	**72.37**

**Includes Rs. 1.22 crores (space rentals from airlines) reclassified from non-aeronautical revenue to aeronautical revenue.*

Stakeholder's comments on the True up of Aeronautical Revenue for the period from COD till 31st March 2022

5.9.4 No Stakeholder comments were received with respect to true up of Aeronautical Revenue for the period from COD till 31st March 2022.

Authority analysis on Stakeholders' comments on the True up of Aeronautical Revenue for the period from COD till 31st March 2022

5.9.5 No Stakeholder comments were received regarding Aeronautical Revenue for the period from COD till 31st March. In this regard, the Authority has decided to consider the Aeronautical Revenue consistent with its proposal made in this regard in the Consultation Paper No. 25/2023-24. The Aeronautical Revenue considered by the Authority for true up of the period from COD till 31st March 2022 is as given in Table 81.

5.10 True up of Taxation

5.10.1 TKIAL had submitted 'Nil' tax for the period from COD till 31st March 2022. The Authority noted that the actual Aeronautical revenue earned by TKIAL for the above approximate 6-month period is less than the Operating expenses and Depreciation incurred by TKIAL, thereby resulting in losses and hence 'Nil' Aeronautical Taxation. The same is presented in the table below.

Table 82: Taxation proposed to be considered by the Authority for true up from COD till 31st March 2022 at Consultation stage

(Rs. in crores)

Particulars	Ref.	Amount
Aero Revenues (refer Table 81)	A	72.37
Aero O&M Expenses (refer Table 74)	B	64.71
Interest Expense	C	11.31
Depreciation as per IT Act	D	29.83
Aero Profit Before Tax	**E=A-(B+C+D)**	**-33.48**
Previous loss adjustment	F	-
Taxable Profit	**G=Max. of 0 or (E-F)**	-
Tax rate (%)	H	25.17%
Aeronautical Tax	**I=G*H**	-
Opening Losses	J	-
Current period (loss)/profit	K=E	-33.48
Closing Losses	L=J+K	-33.48

Stakeholder's comments on the True up of Taxation for the period from COD till 31st March 2022

5.10.2 There were no Stakeholder comments with respect to true up of tax for the period from COD till 31st March 2022.

Authority analysis on Stakeholders' comments on the True up of Taxation for the period from COD till 31st March 2022

5.10.3 No Stakeholder comments were received regarding tax for the period from COD till 31st March. In this regard, the Authority had decided to consider the tax consistent with its proposal made in this regard in the Consultation Paper No. 25/2023-24. The tax considered by the Authority for true up of the period from COD till 31st March 2022 was as given below.

Table 83: Taxation decided to be considered by the Authority for true up from COD till 31st March 2022

(Rs. in crores)

Particulars	Ref.	Amount
Aero Revenues (refer Table 81)	A	72.37
Aero O&M Expenses (refer Table 75)	B	68.12
Interest Expense	C	11.31
Depreciation as per IT Act	D	29.83
Aero Profit Before Tax	**E=A-(B+C+D)**	**-36.89**
Previous loss adjustment	F	-
Taxable Profit	**G=Max. of 0 or (E-F)**	-
Tax rate (%)	H	25.17%
Aeronautical Tax	**I=G*H**	-
Opening Losses	J	-
Current period (loss)/profit	K=E	-36.89
Closing Losses	L=J+K	-36.89

5.11 True up of Aggregate Revenue Requirement (ARR)

5.11.1 Based on its analysis of the various building blocks, the Authority had determined the ARR and Shortfall (Under recovery) for True up of the Pre-COD period and the same is presented in the table below:

Table 84: ARR proposed to be considered by the Authority for true up from COD till 31st March 2022 at Consultation Stage

(Rs. in crores)

Particulars	Ref.	Amount
Average RAB (A)	Table 67	470.86
FRoR (B)	Table 68	6.47%
Return on Avg. RAB (C = A*B)		**30.46**
Operating expenses* (D)	Table 74	64.71
Depreciation (E)	Para 5.5.4	29.83
Tax (F)	Table 82	-
ARR (G = Sum[C:F])		**125.00**
NAR (H)	Table 79	13.24
30% of NAR (I = 30%*H)		3.97
Net ARR as on 31st March 2022 (J = G – I)		**121.03**
Actual Aeronautical Revenue (K)	Table 81	72.37
(Over)/Under Recovery as on 31st March 2022 (L = J – K)		**48.66**
Compounding Rate (M)		12.21%

Particulars	Ref.	Amount
Compounding Factor (N = [1 + M] ^ t)		1.12
PV of Under Recovery as on 31st March 2023 (O = L*N)		**54.60**

**Operating expenses consist of Rs. 63.84 crores of Aeronautical Operating expenses incurred for the period from COD till 31st March 2022, Rs. 0.50 crores of pre-COD expenses (refer para 5.7.15) and Rs. 0.37 crores of Aeronautical Finance Charges (refer para 5.7.14)*

5.11.2 The Authority proposed to consider the under-recovery of Rs. 54.60 crores for True-up of TKIAL for the period from COD up to 31st March 2022 and consider the same in the ARR computation of TRV, Thiruvananthapuram for the Third Control Period.

5.11.3 The ARR proposed by the Authority was Rs. 121.03 crores as against Rs. 150.74 crores submitted by TKIAL. The variance was on account of the following:

- Increase in the Return on RAB derived by the Authority due to re-classification of assets and change in FRoR – Impact of Rs. 0.38 crores
- Reduction in Depreciation derived by the Authority due to re-classification of assets and revision in useful life as applicable – Impact of Rs. 18.88 crores
- Rationalization of O&M expenses claimed by TKIAL based on O&M Study report – Impact of Rs. 11.69 crores.
- Increase in ARR due to reduction of Non-Aeronautical Revenue – Rs. 0.48 crores

Stakeholder's comments on the True up of Aggregate Revenue Requirement for the period from COD till 31st March 2022

5.11.4 There were no stakeholder comments with respect to true up of ARR for the period from COD till 31st March 2022.

Authority analysis on Stakeholders' comments on the True up of Aggregate Revenue Requirement for the period from COD till 31st March 2022

5.11.5 The Authority, after careful analysis and examination of the Stakeholders' comments across various building blocks pertaining to true up of the period from COD till 31st March 2022, recomputed the true up of ARR.

5.11.6 The adjustments that were made over and above the true up considered at the time of issuance of Consultation Paper No. 25/2023-24 are as below:

- Consideration of pre-COD expenses of Rs. 1.83 crores (in addition to Rs. 0.50 crores considered at the CP Stage) under O&M expenses (refer para 5.7.27)

5.11.7 Based on the above, the revised ARR considered by the Authority for true up of the period from COD till 31st March 2022 is as given below.

Table 85: ARR decided to be considered by the Authority for true up from COD till 31st March 2022

(Rs. in crores)

Particulars	Ref.	Amount
Average RAB (A)	Table 67	470.86
FRoR (B)	Table 68	6.47%
Return on Avg. RAB (C = A*B)		**30.46**
Operating expenses* (D)	Table 75	68.12
Depreciation (E)	Para 5.5.4	29.83
Tax (F)	Table 83	-
ARR (G = Sum[C:F])		**128.42**
NAR (H)	Table 79	13.24

Particulars	Ref.	Amount
30% of NAR (I = 30%*H)		3.97
Net ARR as on 31st March 2022 (J = G – I)		**124.44**
Actual Aeronautical Revenue (K)	Table 81	72.37
(Over)/Under Recovery as on 31st March 2022 (L = J – K)		**52.08**
Compounding Rate (M)		12.21%
Compounding Factor (N = [1 + M] ^ t)		1.12
PV of Under Recovery as on 31st March 2023 (O = L*N)		**58.43**

**Operating expenses consist of Rs. 63.84 crores of Aeronautical Operating expenses incurred for the period from COD till 31st March 2022, Rs. 2.33 crores of pre-COD expenses (refer para 5.7.27) and Rs. 0.37 crores of Aeronautical Finance Charges (refer para 5.7.14)*

5.12 Authority's decisions regarding true up of TKIAL for the period from COD till 31st March 2022 (post-COD)

Based on the material before it and its examination, the Authority decides the following with respect to True up of the period from COD till 31st March 2022 for TRV, Thiruvananthapuram:

5.12.1 To consider RAB and depreciation for the period from COD till 31st March 2022 as per Table 67.

5.12.2 To consider FRoR for the period from COD till 31st March 2022 as per Table 68.

5.12.3 To consider O&M expenses for the period from COD till 31st March 2022 as per Table 75.

5.12.4 To consider Non-Aeronautical Revenue for the period from COD till 31st March 2022 as per Table 79.

5.12.5 To consider Aeronautical Revenue for the period from COD till 31st March 2022 as per Table 81.

5.12.6 To consider Aeronautical Tax for the period from COD till 31st March 2022 as per Table 83.

5.12.7 To consider under recovery of Rs. 58.43 crores for True-up of TKIAL as per Table 85 for the period from COD till 31st March 2022 and readjust the same in the ARR for the Third Control Period.

भा.वि.आ.वि.प्रा.
AERA

EVALUATION OF MYTP FOR THE THIRD CONTROL PERIOD

सत्यमेव जयते
भा.वि.आ.वि.प्रा.
AERA

6 TRAFFIC FOR THE THIRD CONTROL PERIOD

The historical passenger traffic, ATM and cargo traffic at Thiruvananthapuram International Airport are given in the table below.

Table 86: Historical passenger traffic, ATM and cargo traffic at TRV

Year	Passengers (Nos.)			ATM (Nos.)			Cargo (MT)		
	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total
FY 10	637,808	1,695,912	2,333,720	10,166	15,185	25,351	1,442	31,708	33,150
FY 11	684,061	1,842,824	2,526,885	8,213	16,656	24,869	1,540	37,795	39,335
FY 12	978,847	1,835,952	2,814,799	11,708	15,531	27,239	1,449	46,753	48,202
FY 13	988,552	1,850,469	2,839,021	10,642	14,161	24,803	1,490	37,963	39,453
FY 14	985,525	1,948,549	2,934,074	9,631	14,150	23,781	1,794	27,283	29,077
FY 15	1,080,993	2,093,025	3,174,018	8,916	14,803	23,719	1,166	28,731	29,897
FY 16	1,196,245	2,274,543	3,470,788	9,692	16,309	26,001	957	34,613	35,570
FY 17	1,571,767	2,309,742	3,881,509	12,473	16,644	29,117	1,508	26,942	28,450
FY 18	1,916,127	2,477,342	4,393,469	14,680	19,058	33,738	1,195	27,520	28,715
FY 19	1,904,908	2,529,551	4,434,459	14,452	18,641	33,093	1,506	23,661	25,167
FY 20	1,709,229	2,209,964	3,919,193	14,030	14,812	28,842	2,023	23,488	25,511
FY 21	476,559	458,876	935,435	5,111	4,202	9,313	1,048	13,751	14,799
FY 22	699,447	956,059	1,655,506	7,010	8,346	15,356	1,706	14,873	16,579

Note – TRV has achieved the highest passenger volume in FY 2018-19 while the highest ATM traffic was in FY 2017-18. The maximum cargo volumes managed at TRV airport were in FY 2011-12.

6.1 TKIAL's submissions regarding Traffic for the Third Control Period

6.1.1 TKIAL submission of passenger traffic, ATM and cargo traffic along with their expected annual growth rates assumed in its MYTP for Third Control Period are as given in the table below:

Table 87: TKIAL's submission of traffic at TRV for the Third Control Period

Year	Passenger			ATM			Cargo		
	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total
Traffic									
FY 23	1,544,108	1,912,523	3,456,631	12,275	12,967	25,242	1,686	20,474	22,160
FY 24	1,973,016	2,468,437	4,441,453	15,430	16,278	31,708	2,142	25,654	27,796
FY 25	2,252,173	2,878,675	5,130,848	17,570	18,934	36,504	2,568	30,323	32,891
FY 26	2,446,514	3,169,234	5,615,748	19,039	20,784	39,823	2,923	33,828	36,751
FY 27	2,647,049	3,388,367	6,035,416	20,551	22,134	42,685	3,307	36,635	39,942
Total	**10,862,860**	**13,817,236**	**24,680,095**	**84,865**	**91,097**	**1,75,962**	**12,626**	**146,914**	**159,540**
Growth rates									
FY 23*	120.76%	100.04%	108.80%	75.11%	55.37%	64.38%	-1.17%	37.66%	33.66%
FY 24	27.78%	29.07%	28.49%	25.70%	25.53%	25.62%	27.05%	25.30%	25.43%
FY 25	14.15%	16.62%	15.52%	13.87%	16.32%	15.13%	19.89%	18.20%	18.33%
FY 26	8.63%	10.09%	9.45%	8.36%	9.77%	9.09%	13.82%	11.56%	11.74%
FY 27	8.20%	6.91%	7.47%	7.94%	6.50%	7.19%	13.14%	8.30%	8.68%

**Growth rates are computed based on FY 2021-22 traffic*

6.1.2 TKIAL had also submitted that it expected to process certain cargo volumes out of the total volume at its own cargo facility. The following table summarizes the total cargo volumes proposed to be handled by TKIAL out of the total cargo traffic at TRV during TCP.

Table 88: Cargo volumes to be handled by TKIAL out of the total cargo traffic during the Third Control Period

Particulars (in MT)	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Domestic	1,000	2,000	2,000	2,046	2,315	**9,361**
International	-	4,500	6,000	23,680	25,645	**59,824**
Total by TKIAL (A)	**1,000**	**6,500**	**8,000**	**25,726**	**27,959**	**69,185**
Total cargo traffic at TRV (B)	22,160	27,796	32,891	36,751	39,942	**1,59,540**
TKIAL Market Share (A/B)	**4.51%**	**23.38%**	**24.32%**	**70.00%**	**70.00%**	

6.1.3 TKIAL had engaged an independent agency – M/s Mott MacDonald for assessing passenger traffic, ATM, and cargo traffic for TRV. Based on its analysis, M/s Mott MacDonald issued a report on 3rd September 2021 wherein it provided low, base, and high case for projected traffic for the Third Control Period. The broad assumptions for the three cases as per the report are as follows:

*"The **Base** case adopts realistic but conservative assumptions on the progress of the pandemic, roll-out of COVID-19 vaccines, relaxation of travel restrictions, recovery of passengers' willingness to travel, and recessionary impacts of the crisis on the Indian and key source markets.*

*The **Low** case reflects more prolonged measures to control the pandemic (such as a further wave of infections or a greater time to roll out the COVID-19 vaccines more widely), which results in slower relaxing of travel restrictions, a slower passenger recovery, and a greater recessionary impact in the Indian and key source markets. The Low case also incorporates a scenario in which SpiceJet (which has struggled for profitability in recent years) fails during April 2022.*

*The **High** case incorporates more optimistic, albeit still realistic, assumptions (such as COVID-19 vaccines being widely available by mid-2021, swift relaxation of travel restrictions in the Indian and key source markets, and rapid restoration in passengers' confidence to travel)."*

6.1.4 The traffic projections submitted by TKIAL in Table 87 above are adopted from Mott MacDonald's 'base case' scenario.

6.1.5 The Passenger traffic and ATM projected above have been adjusted by TKIAL to account for billable passenger traffic (excluding certain categories of passengers such as infants for whom UDF charges are not leviable) and billable domestic ATMs (other than ATMs pertaining to less than 80-seater capacity flights that are exempt from landing charges, which includes flights operating under Regional Connectivity scheme (RCS) scheme initiated by the GoI). The exempt ATMs considered by TKIAL ranges from 8% to 13% of the total domestic ATMs and the exempt passenger traffic was considered at 3% of the total passenger traffic, as given in the table below.

Table 89: Exempted Domestic ATM and Passenger Traffic submitted by TKIAL for the Third Control Period

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27
Exempt Domestic ATM submitted by TKIAL as a % of total Domestic ATM	13.00%	11.00%	10.00%	9.00%	8.00%
Exempt Passengers (Domestic and International) submitted by TKIAL as a % of total passengers	3.00%	3.00%	3.00%	3.00%	3.00%

6.1.6 The adjusted Passenger traffic, ATM and cargo submitted by TKIAL were as follows:

Table 90: Adjusted traffic at TRV submitted by TKIAL for the Third Control Period

Year	Passenger			ATM			Cargo		
	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total
Traffic									
FY 23	14,97,785	18,55,147	33,52,932	10,679	12,967	23,646	1,686	20,474	22,160
FY 24	19,13,826	23,94,384	43,08,209	13,733	16,278	30,011	2,142	25,654	27,796
FY 25	21,84,608	27,92,315	49,76,922	15,813	18,934	34,747	2,568	30,323	32,891
FY 26	23,73,119	30,74,157	54,47,276	17,325	20,784	38,109	2,923	33,828	36,751
FY 27	25,67,637	32,86,716	58,54,353	18,907	22,134	41,041	3,307	36,635	39,942
Total	**1,05,36,974**	**1,34,02,719**	**2,39,39,692**	**76,457**	**91,097**	**1,67,554**	**12,626**	**1,46,914**	**1,59,540**
Growth rates									
FY 23*	114.14%	94.04%	102.53%	52.34%	55.37%	53.99%	-1.17%	37.66%	33.66%
FY 24	27.78%	29.07%	28.49%	28.59%	25.53%	26.92%	27.05%	25.30%	25.43%
FY 25	14.15%	16.62%	15.52%	15.15%	16.32%	15.78%	19.89%	18.20%	18.33%
FY 26	8.63%	10.09%	9.45%	9.56%	9.77%	9.68%	13.82%	11.56%	11.74%
FY 27	8.20%	6.91%	7.47%	9.13%	6.50%	7.69%	13.14%	8.30%	8.68%

**Growth rates are computed based on FY 2021-22 traffic*

6.2 Authority's examination regarding TKIAL's submission of Traffic for the Third Control Period at Consultation Stage

6.2.1 The Authority noted that Mott MacDonald, appointed as a consultant by TKIAL, had forecasted the passenger traffic at TRV based on the combination of the two approaches detailed below:

- Short-term 'bottom-up' approach wherein the historical traffic, the epidemiological situations, COVID scenarios, load factor and flight frequency development were analyzed to arrive at the short-term forecast of traffic at TRV.
- An econometric forecast using a traditional econometric model wherein regression analysis was used to establish the relationship between passenger traffic and GDP. The model was developed based on analysis of AAI traffic data, short-term forecasts, etc.

6.2.2 The ATM was forecasted based on the average seats per movement growth (considering the current and potential fleet mix at the airport, domestic and international separately) and load factor growth assumptions.

6.2.3 The cargo traffic had been forecasted based on analysis of average cargo tonnage per aircraft movement for domestic and international separately over time.

6.2.4 The Authority noted that TKIAL has assumed the 'base scenario' estimates of traffic forecasts submitted by Mott MacDonald for projecting Passenger traffic, ATM and Cargo traffic (both domestic and international).

6.2.5 The Authority noted that TKIAL has considered only billable ATM, after excluding ATM traffic that is exempted from landing charges. However, the Authority was of the view that RCS scheme is promoted by the GOI with the objective of making regional air connectivity affordable by supporting airline operators through concessions offered by the Central Government, State Government and the Airport Operators. As this scheme is promoted to encourage small aircraft, the flights operating under this scheme were not eligible to be claimed as exemption. The Authority noted that out of the total exempted traffic submitted by TKIAL for FY 2022-23 (12.2% of the total domestic ATMs), 1.0% constitutes flights operating under the RCS Scheme and the balance pertain to non-RCS flights. Hence, the Authority had considered the billable ATM

traffic after excluding the ATMs that pertain to less than 80-seater capacity non-RCS flights that are exempted from landing charges.

6.2.6 The Authority also noted that TKIAL has, vide its reply to queries dated 6th November 2023, informed that the RCS flights operated by InterGlobe Aviation Limited (Indigo) has ceased from 30th May 2022 and that there are no flights operating under RCS Scheme beyond this date from TRV.

6.2.7 The Authority, after rationalization, had derived the exempted traffic as approximately 11% for FY 2022-23 and had considered the same for determining the billable domestic ATM for FY 2022-23. For FY 2023-24, the Authority proposed to consider the same exempt traffic as determined for FY 2022-23 while for the remaining tariff years, the Authority proposed to consider the exempt traffic submitted by TKIAL.

6.2.8 Similarly, Government of India had allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/2019 read with AIC 20/2019. This has not been provided by AERA as pass through in recent orders.

6.2.9 Based on the above factors, the exempt traffic considered by the Authority for determining billable domestic ATM (after excluding ATMs that pertain to less than 80-seater capacity flights which fall under non-RCS category) and billable passenger traffic for the Third Control Period for TRV was as follows:

Table 91: Exempt traffic considered by the Authority for determining billable traffic at TRV airport for the Third Control Period

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27
Exempt Domestic ATM proposed by Authority as a % of total Domestic ATM	11.26%	11.00%	10.00%	9.00%	8.00%

** Actual data has been considered for FY 2022-23*

6.2.10 As part of its examination of traffic forecast submitted by the TKIAL, the Authority had calculated Compounded Annual Growth Rate (CAGR) for Passenger traffic, ATM and Cargo traffic from FY 2009-10 to FY 2019-20 (10-year CAGR), FY 2009-10 to FY 2018-19 (9-year CAGR), FY 2014-15 to FY 2019-20 (5-year CAGR) and FY 2016-17 to FY 2019-20 (3-year CAGR).

6.2.11 The table below provides the details of the CAGR for Passenger traffic, ATM and Cargo. The 10-year, 5-year and 3-year CAGRs had been computed for the respective periods up to FY 2019- 20, as FY 2020-21 and FY 2021-22 traffic were affected by the COVID-19 pandemic and therefore may not provide an appropriate basis for arriving at the CAGR. The computation of 9-year CAGR was based on the period FY 2009-10 to FY 2018-19, in order to remove certain extraneous events of FY 2019-20 as detailed in para 6.2.13 below.

Table 92: CAGR for Passenger traffic, ATM and Cargo

Particulars	10-year CAGR (FY10-FY20)	9-year CAGR (FY10-FY19)	5-year CAGR (FY15-FY20)	3-year CAGR (FY17-FY20)
Passengers:				
Domestic	10.36%	12.93%	9.60%	2.83%
International	2.68%	4.54%	1.09%	-1.46%
Total	5.32%	7.39%	4.31%	0.32%
ATM:				
Domestic	3.27%	3.99%	9.49%	4.00%
International	-0.25%	2.30%	0.01%	-3.81%
Total	1.30%	3.01%	3.99%	-0.32%
Cargo:				

Particulars	10-year CAGR (FY10-FY20)	9-year CAGR (FY10-FY19)	5-year CAGR (FY15-FY20)	3-year CAGR (FY17-FY20)
Domestic	3.44%	0.48%	11.65%	10.29%
International	-2.96%	-3.20%	-3.95%	-4.47%
Total	-2.59%	-3.01%	-3.12%	-3.57%

6.2.12 The Authority noted that there is a variation in traffic and volatility in past trends, causing CAGR for these periods and not to be suitable for estimation of future traffic.

6.2.13 The Authority noted that there has been a decrease in the Passenger and ATM traffic particularly in the FY 2019-20, which is a pre-COVID year, mainly due to the closure of operations by Jet Airways with no replacement for those vacant slots together with the impact of COVID-19 pandemic towards the end of the FY 2019-20.

6.2.14 It was observed that for FY 2020-21, when compared to FY 2019-20, there was a reduction of 72.12% and 79.24% in domestic passenger traffic and international passenger traffic respectively, 63.57% and 71.63% respectively in domestic ATM and international ATM, and 48.20% and 41.46% respectively in domestic Cargo and international Cargo. This was due to the adverse impact of COVID-19 pandemic on the domestic and international aircraft movements.

Computation of traffic forecasts by the Authority, considering the impact of COVID-19 pandemic

6.2.15 The traffic forecasts were computed by the Authority, after taking into account the analysis by the following agencies regarding the impact of COVID-19 pandemic on the Aviation sector, apart from the study report provided by Mott MacDonald for TKIAL.

6.2.16 **Airports Council International (ACI)** - ACI in its latest report available had projected the following air passenger traffic outlook:

- *Prior to the COVID-19 pandemic, the global passenger volume was estimated to reach 10.5 billion passengers in 2023. However, the current projection of global passenger volume in 2023 is approximately 8.6 billion passengers, which is 94.2% of the 2019 level.*
- *The year 2024 is expected to be a milestone for global passenger traffic recovery as it reaches 9.4 billion passengers, surpassing the year 2019 that welcomed 9.2 billion passengers (102.5% of the 2019 level). Compared to the pre-COVID forecast that predicted 10.9 billion passengers in 2024, the effects of the pandemic represent a potential loss of 13.9%.*
- *While the Asia-Pacific region is expected to have a substantial jump in passenger traffic in the first half of 2023 along with the ongoing opening of the Chinese market, its recovery is predicted to slow down significantly in the second half of the year due to challenges in overseas tourism and looming economic concerns. By the end of the year, the region is expected to reach 2.9 billion passengers, or 87.3% of the 2019 level. With the uncertainty from both upside and downside factors, the region is expected to reach approximately 3.4 billion passengers, or 99.5% of the 2019 level, in 2024.*

6.2.17 **International Air Transport Association (IATA)** - IATA in its latest market analysis report had reported the following:

- *Industry-wide revenue passenger-kilometers (RPKs) increased 29.7% year-on-year (YoY) in November and closed the gap to 2019 levels to within 1%.*

- *Available seat-kilometers (ASKs) rose by 28.6% YoY, recovering to 98.2% of pre-pandemic capacity. Global passenger load factor increased over the year and compared to 2019, now standing at 81.8%.*
- *Domestic RPKs grew 6.7% over pre-pandemic levels with an annual growth rate of 34.8%. International RPKs 94.5% of pre-pandemic levels and increased 26.4% YoY.*
- *Air passenger traffic, measured in revenue passenger-kilometers (RPKs), continued to grow in November with a 29.7% increase over the year. Global RPKs are now just 0.9% lower than pre-pandemic levels. In seasonally adjusted terms, growth continued although at a slightly slower pace compared to the previous months with 0.6% month-on-month (MoM) growth.*

Conclusion on traffic forecasts based on the above assumptions

6.2.18 Considering the extraordinary adverse impact of COVID-19 pandemic on domestic and international air travel, the Authority had taken into consideration the forecasted data published by ACI and IATA cited in para 6.2.16 and 6.2.17 above for arriving at the revised traffic projections.

6.2.19 The Authority had reviewed the actual Passenger traffic, ATM and Cargo traffic data for FY 2022-23 (from AAI website) and had considered the same for estimating traffic for the remaining years of the Third Control Period:

Table 93: Actual Passenger, ATM and Cargo traffic for the period FY 2022-23

Particulars (in No's)	Domestic	International	Total
Actual Traffic data from April 2022 to March 2023			
PAX	1,679,385	1,798,682	3,478,067
ATM	12,270	12,324	24,594
Cargo	1,800	14,922	16,722

6.2.20 The Authority had also compared the actual traffic achieved during YTD December 2023 (i.e., April 2023 to December 2023) with that of the corresponding period in FY 2019-20 (i.e., pre-COVID period) and noted that the actual Passenger traffic and ATM of YTD December 2023 had surpassed the pre-COVID levels of FY 2019-20, while that for Cargo was at 67% of traffic in the corresponding period in FY 2019-20. The details of the same are given below.

Table 94: Comparison of Passenger traffic, ATM and Cargo traffic at TRV in FY 2023-24 with FY 2019-20

Traffic (in No's)	Apr'19 – Dec'19			Apr'23 – Dec'23			As a % of FY 20		
	Domestic	Int'l	Total	Domestic	Int'l	Total	Domestic	Int'l	Total
Passenger	12,93,347	17,58,028	**30,51,375**	17,23,291	15,07,612	**32,30,903**	133%	86%	106%
ATM	10,358	11,613	**21,971**	12,445	9,795	**22,240**	120%	84%	101%
Cargo	1,621	18,749	**20,370**	1,901	11,794	**13,695**	117%	63%	67%

6.2.21 Considering the positive outlook of the GDP growth predicted by the GoI and relatively better revival of the domestic aviation market, the Authority was of the view that domestic passenger traffic and ATM will revert to pre-COVID levels (of FY 2019-20) by FY 2023-24.

6.2.22 Further, the Authority noted that as per the predictions done by the above agencies (as cited in para 6.2.16 and 6.2.17 above), international passenger traffic and ATM will reach pre-COVID levels (of FY 2019-20) by FY 2024-25. However, the Authority noted that, the actual international traffic had already reached 86% of comparable period of FY 2019-20 by December 2023. Therefore, the Authority was of the view that the

international passenger traffic will reach pre-COVID levels in FY 2023-24 itself which is the view of TKIAL as seen from the traffic estimates submitted by it.

6.2.23 Considering the positive outlook provided by the Expert Agencies and the encouraging trend in the traffic numbers reported in the first nine (9) months of FY 2023-24, the Authority proposed to consider the passenger traffic and ATM proposed by the TKIAL for the remaining tariff years viz., FY 2023-24 to FY 2026-27.

6.2.24 In respect of Cargo traffic, the Authority noted that TRV has achieved only 67% of pre-COVID level in YTD December 2023 with the domestic cargo traffic achieving 117% of the pre-COVID level. Further, considering the positive trend in the combined Cargo traffic for the first nine months of FY 2023-24 as against the same period in FY 2022-23, the Authority proposed to consider the Cargo traffic projections submitted by the TKIAL for the remaining four tariff years of the Third Control Period.

6.2.25 The Authority also noted that, as per the MYTP submission, TKIAL was expected to begin the international cargo operation from 1st April 2023. However, in the reply to queries dated 8th November 2023, TKIAL had informed that the international cargo operation was expected to begin in Quarter 4 of FY 2023-24. Considering the revised start date, the Authority proposed to prorate the international cargo volume handled by TKIAL in FY 2023-24. The Authority also proposed to consider volume for FY 2024-25 as submitted by TKIAL and the market share of 70% as submitted by TKIAL for estimating the cargo to be handled in FY 2025-26 and FY 2026-27.

6.2.26 Based on the above analysis, the growth rates and the corresponding traffic for Passengers, ATM and Cargo as considered by the Authority for the Third Control Period were as given in the table below.

Table 95: Traffic proposed to be considered by the Authority for the Third Control Period

Particulars	FY 23*	FY 24	FY 25	FY 26	FY 27	Total
Domestic Passengers						
Domestic PAX submitted by TKIAL	15,44,108	19,73,016	22,52,173	24,46,514	26,47,049	**1,08,62,860**
Domestic PAX proposed by the Authority (A)	16,79,385	19,73,016	22,52,173	24,46,514	26,47,049	**1,09,98,137**
TKIAL's submission as a % of FY 2019-20 traffic	90%	115%	132%	143%	155%	
Proposed traffic as per Authority as a % of FY 2019-20 traffic	98%	115%	132%	143%	155%	
International Passengers						
International PAX submitted by TKIAL	19,12,523	24,68,437	28,78,675	31,69,234	33,88,367	**1,38,17,236**
International PAX proposed by the Authority (D)	17,98,682	24,68,437	28,78,675	31,69,234	33,88,367	**1,37,03,395**
TKIAL's submission as a % of FY 2019-20 traffic	87%	112%	130%	143%	153%	
Proposed traffic as per Authority as a % of FY 2019-20 traffic	81%	112%	130%	143%	153%	
Total passengers						
Total PAX as per TKIAL's submission	34,56,631	44,41,453	51,30,848	56,15,748	60,35,416	**2,46,80,095**
Total (Domestic and International) proposed by the Authority	34,78,067	44,41,453	51,30,848	56,15,748	60,35,416	**2,47,01,531**

Particulars	FY 23*	FY 24	FY 25	FY 26	FY 27	Total
Proposed total traffic as per TKIAL's submission as a % of FY 2019-20 traffic	88%	113%	131%	143%	154%	
Proposed total traffic as per Authority as a % of FY 2019-20 traffic	89%	113%	131%	143%	154%	
Domestic ATM (in No's)						
Domestic ATM submitted by TKIAL	12,275	15,430	17,570	19,039	20,551	**84,865**
Domestic ATM proposed by the Authority (H)	12,270	15,430	17,570	19,039	20,551	**84,860**
TKIAL's submission as a % of FY 2019-20 ATM	87%	110%	125%	136%	146%	
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	87%	110%	125%	136%	146%	
Domestic exempted ATM (in %)						
Submitted by TKIAL	13.00%	11.00%	10.00%	9.00%	8.00%	
As per the Authority (I)	11.26%	11.00%	10.00%	9.00%	8.00%	
Domestic Billable ATM (in No's)						
Submitted by TKIAL	10,679	13,733	15,813	17,325	18,907	**76,457**
As per the Authority (J=H*(1-I))	10,888	13,733	15,813	17,325	18,907	**76,666**
International ATM (in No's)						
International ATM submitted by TKIAL	12,967	16,278	18,934	20,784	22,134	**91,097**
International ATM proposed by the Authority (K)	12,324	16,278	18,934	20,784	22,134	**90,454**
TKIAL's submission as a % of FY 2019-20 ATM	88%	110%	128%	140%	149%	
Proposed ATM traffic as per Authority as a % of FY 2019-20 ATM	83%	110%	128%	140%	149%	
Total ATM (in No's)						
Total ATM (Domestic and International) as per TKIAL's submission	25,242	31,708	36,504	39,823	42,685	**1,75,962**
Total ATM (Domestic and International) proposed by the Authority	24,594	31,708	36,504	39,823	42,685	**1,75,314**
TKIAL's submission as a % of FY 2019-20 total ATM	88%	110%	127%	138%	148%	
Proposed total ATM as per Authority as a % of FY 2019-20 ATM	85%	110%	127%	138%	148%	
Total Billable ATM (in No's)						
Submitted by TKIAL	23,646	30,011	34,747	38,109	41,041	**1,67,554**
As per Authority (L=J+K)	23,212	30,011	34,747	38,109	41,041	**1,67,120**
Domestic Cargo (in MT)						
Domestic Cargo submitted by TKIAL	1,686	2,142	2,568	2,923	3,307	**12,626**
Domestic Cargo proposed by the Authority	1,800	2,142	2,568	2,923	3,307	**12,740**

Particulars	FY 23*	FY 24	FY 25	FY 26	FY 27	Total
TKIAL's submission as a % of FY 2019-20 total Cargo	83%	106%	127%	144%	163%	
Proposed Cargo traffic as per Authority as a % of FY 2019-20 ATM	89%	106%	127%	144%	163%	
International Cargo (in MT)						
International Cargo submitted by TKIAL	20,474	25,654	30,323	33,828	36,635	**1,46,914**
International Cargo proposed by the Authority	14,922	25,654	30,323	33,828	36,635	**1,41,362**
TKIAL's submission as a % of FY 2019-20 Cargo	87%	109%	129%	144%	156%	
Proposed Cargo traffic as per Authority as a % of FY 2019-20 Cargo	64%	109%	129%	144%	156%	
Total Cargo (in MT)						
Total Cargo submitted by TKIAL	22,160	27,796	32,891	36,751	39,942	**1,59,540**
Total Cargo proposed by the Authority	16,722	27,796	32,891	36,751	39,942	**1,54,102**
TKIAL's submission as a % of FY 2019-20 total Cargo	87%	109%	129%	144%	157%	
Proposed Cargo traffic as per Authority as a % of FY 2019-20 Cargo	66%	109%	129%	144%	157%	
TKIAL's share of Cargo Traffic						
As per TKIAL						
Domestic cargo	1,000	2,000	2,000	2,046	2,315	**9,361**
International cargo	-	4,500	6,000	23,680	25,645	**59,824**
Total cargo	1,000	6,500	8,000	25,726	27,959	**69,185**
TKIAL Market Share	*4.51%*	*23.38%*	*24.32%*	*70.00%***	*70.00%*	
As per the Authority						
Domestic	1,382	2,000	2,000	2,046	2,315	**9,743**
International	-	750	6,000	23,680	25,645	**56,074**
Total	**1,382**	**2,750**	**8,000**	**25,726**	**27,959**	**65,817**

** Note – The traffic of FY 2022-23 was based on the actuals as available in AAI's website*

*** based on TKIAL's estimation*

6.3 Stakeholders' comments regarding Traffic for the Third Control Period

TKIAL's comment on the Traffic for the Third Control Period

6.3.1 TKIAL's comment on exemption for RCS flight is as follows:

With respect to RCS flights, we would like to submit that there are no RCS flights currently operating from TRV. In case any RCS flights gets scheduled at TRV in TCP, we humbly request the Authority to consider those flights as exempt as these flight will not be charged any landing charges by TKIAL as per notification from Government of India.

In respect to exempted passengers, we would like to draw the attention of Authority on the Tariff order for Bangalore Airport for Third Control Period order no. 11/2021-22 dated para 4.5.9 onwards.

Transfer passengers at Bangalore Airport

4.5.9 The Authority noted BIAL's submission related to transit/ transfer passengers at Bengaluru airport. The Authority noted from the Second Control Period order for BIAL that the transit/transfer passengers transiting upto 24 hours are exempted from levy of UDF. The relevant extract is produced below:

"Transit/transfer passengers (this exemption may be granted to all the passengers transiting upto 24 hours "A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

4.5.10 The Authority noted that BIAL has revised its projections of the share of the transit/ transfer passenger in the total passenger based on the actual transit/ transfer passenger share of FY21. The same are produced below:

Table 67: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's MYTP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	13%	13%	13%	13%	13%
International Pax	5%	5%	5%	5%	5%

Table 68: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's ATP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	25.75%	17.45%	17.45%	17.45%	17.45%
International Pax	16.07%	11.11%	11.11%	11.11%	11.11%

4.5.11 The Authority examined the submissions made by BIAL related to the transit passengers in its ATP. The Authority is of the view that the increase in the transit passengers during FY21 is on account of the COVID-19 pandemic and thus, it is a short term trend and not likely to sustain in the future. Further, the Authority will be truing up the aeronautical revenues for the TCP based on actuals which will take into the actual transit passengers at BIAL. Therefore, the Authority decides that the share of transit passengers proposed by BIAL as part of its MYTP seem reasonable for the Third Control Period.

4.6 **Authority's decisions regarding traffic projections for the Third Control Period**

Based on the material before it and based on its analysis, the Authority has decided the following with regards to traffic projections for the Third Control Period:

4.6.1 To consider the passenger traffic, ATM traffic and cargo traffic as per Table 65 respectively, which shall be trued up based on actuals.

4.6.2 To consider the share of transit passengers as per Table 67 for the Third Control Period.

In the Bangalore Tariff order, AERA has accepted the contention that transit passengers are exempted from UDF, and the percentage share of transit passenger assume by Bangalore seems reasonable.

In AERA Order No. 46/2015-16, in respect of Metro Development Fees approval determination of Metro Connectivity Project for Mumbai Airport, AERA has suitably adjusted the billable passengers after deducting the exempted Passengers. The relevant extract from Order is provided as follows: -

Decision 5.b - To estimate the future billable passengers for both domestic and international passengers, as considered in Table 5.

Table 5: Estimated Billable Embarking Passengers for FY 2015-16 to FY 2023-24

Particulars (in millions)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Total domestic passengers (A)	27.15	29.25	31.51	33.95	36.57	36.57	36.57	36.57	36.57
Total international passengers (B)	12.20	13.03	13.91	14.86	15.86	15.86	15.86	15.86	15.86

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Embarking Domestic Passengers (C) = (50% of A)	13.58	14.63	15.76	16.98	18.29	18.29	18.29	18.29	18.29
Embarking International Passengers (D) = (50% of B)	6.10	6.52	6.96	7.43	7.93	7.93	7.93	7.93	7.93
Billable domestic passengers (E) = (80% of C)	10.86	11.70	12.60	13.58	14.63	14.63	14.63	14.63	14.63
Billable international passengers (F) = (88% of D)	4.88	5.21	5.57	5.94	6.35	6.35	6.35	6.35	6.35

As can be seen from above, the Authority has been consistently recognizing the exempted traffic and its impact in collection.

It is to be noted that AO has made adjustment in ATMs and Passengers to calculate only the billable traffic. The adjustment is necessitated to project the correct Aeronautical revenues.

We, therefore, request Authority to consider deduction of exempted Passenger traffic of 3%, as per latest trends, while determining billable traffic for projection of aeronautical revenues. Accordingly, TKIAL has prepared its ATP after considering only billable traffic. If we do not reduce the traffic which is not billable, the same will result in a known under-recovery since inception as projected ARR will not match with correct projected revenue.

Other Stakeholders' comment on the Traffic for the Third Control Period

6.3.2 FIA's comment on Exempted Non-RCS flight is as follows:

It is hereby submitted, that FIA is not in agreement with the proposal of AERA to consider the billable ATM traffic after excluding the ATMs that pertain to less than 80-seater capacity for non-RCS flights that are exempted from landing charges as the same is without any basis.

It may be noted that it will not be a true indicator of the traffic projections at the Thiruvananthapuram airport and any deductions from billable traffic will adversely impact the computation of non-aeronautical revenue. FIA request AERA to reconsider the same, in line with the AERA's consistent approach with all Major Airports.

In view of the above, FIA proposes that the exempted billable ATM/passenger traffic as proposed by AERA in their tariff card should not be accepted.

6.3.3 FIA's comment on Independent Study on traffic is as follows:

While FIA appreciates that AERA has considered the traffic report issued, ACI and IATA (refer para 6.2.18 of this Tariff Order). *FIA requests AERA to kindly conduct their own independent study, which may also include demand drivers that may not have been part of report issued by ACI and IATA, as deemed fit, including factors such as the traffic that would be generated due to the forthcoming general elections.*

We would also like to draw the attention of the Authority, that the trends in the recent post pandemic times may not be a reasonable benchmark, whether be it of passengers or traffic, as economic factors such as inflation or market demand / prices may not continue in the same rate or trend in the future, since the recent post pandemic trends are due to unusual factors such as the COVID-19, revenge tourism, Geo-political causes, recent financial meltdown of banks in the USA, etc. The Authority may kindly take the same into consideration (and appoint independent consultants to evaluate the same if deemed fit) while finalizing the projected ATM and passengers.

6.3.4 DIAL's comments regarding exempt passengers for billing purposes is as follows:

Exempt passengers for billing purposes: As per notification of MoCA Certain categories of passengers are exempted from UDF and other airport charges which Airport Operators are required to follow. AERA should consider the impact of these exempt passenger while framing the tariff card, else it will lead to known shortfall in the recovery.

6.4 TKIAL's responses to Stakeholders' comments regarding Traffic for the Third Control Period

6.4.1 TKIAL's response to FIA's comments regarding exempted non-RCS flight is as follows:

It is submitted that as per current and likely future mix of ATMs, out of the total exempted traffic submitted by the Airport Operator (8 to 13% of the total domestic ATMs) which pertains to non-RCS flights (i.e. less than 80-seater aircrafts which are exempted from landing charges as per GoI/MoCA guidelines).

Similarly, there are certain categories of passengers who are exempt from payment of UDF charges. It is to be noted that AO has made the adjustment in ATMs/Passengers to calculate only the billable ATMs/Passengers as the same is necessitated to project the correct aeronautical revenues.

The Authority has reduced the ATMs, however has not reduced the passengers. We would like to highlight that this approach of the Authority, of not reducing RCS ATMs and exempted Passengers, is not in line with expected principle of regulatory framework which ensures timely and complete recovery of approved ARR by matching the expected revenue with ARR. If the exempted revenues are not taken into account by the Authority, the same will result in lower recovery from landing charges and UDF and consequently lead to mismatch of ARR and revenue from day one. This would lead to questioning of calculation by Authority.

Kindly refer to the detailed response in para 6.3.1 in the stakeholders' comments submitted by TKIAL.

6.4.2 TKIAL's response to FIA's comment requesting to conduct an independent study on traffic is as follows:

The independent consultant has used various variables, permutations, combinations and generally accepted principles while performing regression analysis for deriving long term traffic scenarios. Further, the fact that actual traffic of FY 23-24 has recovered back to Pre-COVID traffic and the same closely corresponds to the traffic projection for FY23-24 provides a better indication that assumptions of traffic projections are closer to reality.

6.5 Authority's analysis of Stakeholders' comments regarding Traffic for the Third Control Period

6.5.1 The Authority has analyzed TKIAL's and DIAL's comments on exempted passengers and flights. The Authority notes that the Airport Operator had submitted that it has considered billable ATM, after excluding ATM traffic which is exempted from landing charges. TKIAL had submitted that out of the total domestic ATMs, 12.2% would be of the exempted category of which 1% constitutes flights that were operating under the RCS Scheme and the balance pertains to non-RCS flights (For example less than 80 seater aircraft etc.). The Airport operator has further submitted that currently there are no RCS flights being operated. Based on this, the Authority has considered adjustment for the less than 80-seater aircraft etc. which are exempt from being charged Landing charges in computing the billable ATMs.

The Authority has not considered Exempt Passengers in Tariff orders issued in the recent past. Further, Authority notes that at the time of tariff determination for the next control period, the actual aeronautical revenue, which is based on the actual billable traffic, will automatically take care of the concerns expressed by the stakeholders with respect to exempt passengers.

6.5.2 The Authority has examined FIA's comment that total traffic should be considered without making any adjustments for exempt passengers. The Authority notes that it would not be fair to project aeronautical revenue based on total traffic at the airport as it would not reflect the true revenue potential of the airport. Further, the Authority would like to clarify that the consideration of billable traffic is only for the computation of aeronautical revenue and not for the projection of non-aeronautical revenue. The Authority had finalized its projections of NAR based on the total traffic at the airport.

6.5.3 The Authority notes FIA's comments on conducting an independent study to include demand drivers, which may not be covered in the report issued by the agencies ACI and IATA. In this regard, the Authority has examined the response of the TKIAL and is also of the opinion that one-time events such as the forthcoming general elections may not be a correct representation of the traffic projections carried out for the Third Control Period.

The Authority is also of the view that the requirement for an independent study on traffic projections depends upon the size, scale and complexity of operations at the Airport.

Also, the Authority notes that TKIAL has commissioned an Independent Study on Traffic which was conducted by Mott Macdonald based on which the traffic estimates were included in the MYTP as submitted by the TKIAL. The Authority has reviewed the results of the study conducted by TKIAL. Further, M/s PKF Sridhar & Santhanam LLP, independent consultants appointed by AERA, have also evaluated the traffic projections submitted by TKIAL. The Authority has also taken cognizance of the actual traffic for the period and updated the traffic estimates for FY 2022-23. Further, the traffic estimates will be trued up at the time of determination of Aeronautical Charges for the next control period.

6.5.4 Based on the above factors, the Authority decides to consider the Traffic as per Table 95 as proposed in the Consultation Stage, for the Third Control Period.

6.6 Authority's decisions regarding Traffic for the Third Control Period

Based on the available facts and analysis thereupon, the Authority decides the following with regard to traffic forecast for the Third Control Period

6.6.1 To consider the Passenger traffic, ATM and Cargo traffic for the Third Control Period for TRV as per Table 95.

6.6.2 To true up the traffic volume (Passengers, ATM and Cargo) based on actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

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AERA
भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण Airports Economic Regulatory Authority of India सत्यमेव जयते

7 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE THIRD CONTROL PERIOD

7.1 Background

7.1.1 RAB is an essential element in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital outlays involved. At the same time, to safeguard the interests of the airport users, it must be ensured that the capital additions are efficient, their needs justified, and the return on investment is provided solely on the assets related to the core operations (i.e., Aeronautical services) of the airport.

7.1.2 The Authority notes that Schedule B to the Concession Agreement (CA) details the development of the airport which includes construction and procurement of various assets such as:

- Environmental Sustainability projects relating to water, energy, materials/resources, waste management, indoor environment quality etc.
- Runways, Taxiways, Aprons, Aircraft parking bays, Air Traffic control tower, Cargo facilities, Parking, Flight kitchens, Maintenance, Repair and Overhaul (MRO) facilities, Warehousing facilities, Airline offices, administrative offices and associated facilities.
- Construction and procurement of Terminal Building and facilities and
- Construction of required approach roads.

7.1.3 The relevant clauses of Schedule B of the CA have been given in Annexure 5 of Chapter 17 of this Tariff Order.

7.1.4 In this background, the Authority observes that TKIAL has planned to develop TRV Airport to increase the annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities as per the demand projections.

The Authority also notes that TKIAL is mandated to develop a new integrated terminal building in a phased manner which should be sustainable and economical, as defined under Schedule B of Annex I of the CA (refer to Annexure 5 of Chapter 17 of this Tariff Order). Further, as per Clause 23.7.1 of the CA – *"The Concessionaire shall participate in the user survey of ASQ undertaken by ACI or any substitute thereof, conducted every quarter and ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within five (5) years from the COD and maintain the same throughout the rest of the Concession Period."*

7.1.5 The Independent Consultant appointed by the Authority has performed an in-depth analysis of the submissions made by TKIAL regarding Aeronautical Capital Additions, Depreciation and RAB. In this respect, the Independent Consultant has performed the following functions:

(i) Sought and verified various technical and study reports provided by TKIAL, Drawings and Plans, BOQs, cost estimates and break-up, detailed justification and explanation, Demand vs. Requirement statement, Copies of Letter of Intent (LOI), Letter of Award (LOA), Purchase Orders and Work Orders, etc. as applicable, provided by the TKIAL, and

(ii) Sought documentary evidence and verified the process of approval of CAPEX projects including competitive bidding process for award of various work orders, where applicable, to the contractors for such projects.

7.1.6 Based on the review of documents as stated above, the Authority has rationalized the CAPEX projects, submitted by TKIAL by shifting the capitalization date of some of the projects within the Third Control Period and deferring certain others to the next Control Period based on the essentiality and necessity for Airport operations.

7.1.7 In the background of the facts stated above, the Authority had examined the capital expenditure proposed by TKIAL, considering the historical traffic trends and future traffic estimates such that only essential, reasonable and efficient CAPEX is considered as part of RAB for the Third Control Period with a view to encourage the investment and maintain a balanced approach between the sustainable operations of the TKIAL and the interest of the airport users. Further, the Authority takes cognizance of the fact that, if any excessive CAPEX is allowed in this Control Period, it would be against the regulatory framework, as tariff would have no link to the services/ facilities created at the Airport and the resultant high aeronautical charges would be unfair to the end-users.

7.1.8 Towards this objective, the Authority has examined in detail the Aeronautical Capital Expenditure, Depreciation and RAB submitted by the TKIAL and has presented its views in the following order:

(i) Capital expenditure for the Third Control Period
(ii) Aeronautical allocation of capital expenditure for the Third Control Period
(iii) Aeronautical depreciation for the Third Control Period
(iv) Regulatory Asset Base for the Third Control Period

7.1.9 While analyzing the MYTP regarding capitalization of Aeronautical Expenditure for the Third Control Period, the Authority has considered the actual traffic, growth in traffic and actual Peak Hour Passenger (PHP) as submitted by TKIAL. In this background, the Authority has sought and examined the TKIAL's submission based on the following details/criteria:

- Nature of the expenditure
- Necessity/requirement of the expenditure
- Business plan and Master plan for all projects
- Number of PAX on hourly basis, both at present and projected, for the Third Control Period
- Terminal Capacity both at present and projected for the Third Control Period
- Other short-term and long-term plans of the TKIAL
- Sustainability of the airport operations
- Passenger considerations
- Safety and security of the airport
- Process of approval and sanction for various work orders/purchase orders

7.1.10 Based on the above, the Authority has rationalized the capital expenditure for all the projects and accordingly proposed capital additions for the Third Control Period. However, if the project is mandated by regulatory requirements or are incurred for improving operational efficiency, the Authority will true up the costs on actual incurrence basis, subject to evaluation of reasonableness and efficiency at the time of determination of tariff for the next Control Period.

7.1.11 The Authority, through its Independent Consultant, interacted with the Technical team of TKIAL on the aspects of airport planning, traffic estimation, designing and its short, mid and long term impact on Airport Economics as provided in the Concession Agreement, observed that prima facie, it appeared that TKIAL does not have the domain specific expertise to carry out detailed evaluation of the infrastructure requirements based on which the Capital Expenditure Projects may be assessed and planned at the airport, in the overall interest of all the stakeholders of the airport. The Airport Operator needs to work on the aspect of capacity in this regard as has been highlighted in earlier tariff orders.

In view of these facts, the Authority noted that the Capital Expenditure estimates submitted by TKIAL are not reasonable / their need is not justifiable. Therefore, the Authority had considered various applicable factors such as current capacity, traffic estimates, normative cost benchmarks, need assessment etc. together with the need for modular development of facilities as mandated by the Concession Agreement and has rationalized the Capital Expenditure proposed as detailed below.

7.2 TKIAL's submission of Capital Expenditure (CAPEX) proposed for the Third Control Period

7.2.1 TKIAL had submitted Aeronautical Capital Expenditure of Rs. 4,026.52 crores (inclusive of Financing Allowance, preliminaries, pre-operative costs, indexation, contingencies etc.) in its MYTP for the Third Control period as given below:

Table 96: Asset category wise Capital additions submitted by the Airport Operator for TCP as part of the MYTP

(Rs. in crores)

Particulars	FY23	FY24	FY25	FY26	FY27	Total
Terminal Building	0.23	23.26	940.01	-	1,347.09	**2,310.60**
Runway, Taxiway and Apron	3.57	128.14	33.98	-	174.24	**339.92**
Boundary wall	-	-	7.99	-	45.32	**53.31**
IT equipment	3.93	47.82	6.25	6.83	7.65	**72.48**
Security equipment	1.38	2.17	-	-	-	**3.55**
Plant and Machinery	25.6	40.46	40.92	20.03	2.75	**129.76**
Other Buildings	6.45	21.76	4.52	460.35	8.47	**501.54**
Furniture & fixtures	0.72	2.80	2.51	3.00	3.17	**12.20**
Vehicles	6.51	4.37	2.90	1.09	0.31	**15.17**
Total Airport (A)	**48.38**	**270.79**	**1,039.08**	**491.29**	**1,589.00**	**3,438.54**
Cargo Complex (B)	-	-	-	100.90	-	**100.90**
Cargo Equipment (C)	9.44	-	-	-	-	**9.44**
Fuel Infrastructure & Hydrant System (D)	-	37.25	-	440.39	-	**477.65**
Grand Total (A + B + C + D)	**57.82**	**308.05**	**1,039.08**	**1,032.58**	**1,589.00**	**4,026.52**

Note – Project wise details are available in Table 97.

7.2.2 Basis of capital expenditure considered in preparing the estimation as submitted by TKIAL was as follows:

i) **Block Cost Estimate** – Block Cost estimation for works as included in each category of CAPEX are based on DSR / MoRTH / Market rate including taxes, duties, levies etc. as applicable.

ii) **Indexation** @ 5% per annum has been considered (as per RBI forecaster survey Dec 2022) based on the cash flow projections being made in the respective years of the Control Period.

iii) **Soft Costs** of approx. 16% covering contingencies, preoperative Cost, design cost, PMC and preliminary expenses.

iv) **Financing Allowance** – Financing Allowance is calculated on the proposed capital expenditure based on construction phasing and capitalization of assets. The amount is calculated considering the cost of debt of 12%.

7.2.3 TKIAL had submitted multiple environmental and sustaining related projects under different heads. TKIAL had confirmed vide email dated 9th September 2023 that there were no duplication of items between these projects and that these are individually distinct items.

7.3 Authority's examination of Capital Expenditure (CAPEX) for the Third Control Period at Consultation Stage

7.3.1 The Authority had analyzed TKIAL's submissions regarding Capital Expenditure for the Third Control Period as submitted in the MYTP. The Authority had grouped the proposed capital expenditure for the Third Control Period into various categories for evaluation along with the respective base cost as detailed below. The indexation increase based on the amount spent in different years, soft cost and Financing Allowance/IDC are given separately as a total for all the proposed capital expenditure at the end of the table below.

Table 97: Project wise details of Capital Expenditure submitted by TKIAL for Third Control Period

(Rs. in crores)

Ref. No.	Project Detail	Base Cost*	FY of capitalization
A	**Terminal Building**		
A.1	Upgradation of Existing Terminal Building (T-I)	18.70	2024
A.2	Construction of New Domestic Terminal Building (T-I)	878.87	2027
A.3	Upgradation & Expansion of Terminal Building (T-II)	679.51	2025
	Sub-Total (A)	**1,577.08**	
B	**Runway, Taxiway and Apron**		
B.1	Airside/Landside Drain Network (3.5m W x 2 m D)	116.97	2027
B.2	Development of RESA for RWY 32	0.52	2025
B.3	Grading of runway, taxiway strips and other critical areas in operational area.	16.50	2024
B.4	GSE Staging - (Rigid Pavement)	2.31	2025
B.5	Sustaining / Minor Capex Works	7.36	2023, 2024
B.6	Expansion of Terminal T-II apron (Area includes HOS, Transition pavements, demolition & new pavements)	81.75	2024
	Sub-Total (B)	**225.41**	
C	**Runway Recarpeting**		
C.1	Runway and taxiway micro/ re surfacing and associated works	78.43	2025
	Sub-Total (C)	**78.43**	
D	**GA Terminal Building, Apron & Taxiway**		
D.1	Construction of Code C Taxiway for GA Apron (Activity includes demolition items)	11.62	2025
D.2	Construction of General Aviation (GA) Apron (Area includes HOS, Transition pavements, demolition & new pavements)	11.11	2025
D.3	GA Terminal	7.63	2025
	Sub-Total (D)	**30.36**	
E	**CNS/ATM**		
E.1	Airside Improvement Works	6.94	2024, 2025
E.2	ATC Tower and Technical Block	283.49	2026
	Sub-Total (E)	**290.43**	
F	**Cargo Complex & Equipment**		
F.1	Interim ICC and DCC equipment	7.89	2023

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Ref. No.	Project Detail	Base Cost*	FY of capitalization
F.2	International Cargo Centre (ICC)	73.19	2026
	Sub-Total (F)	**81.08**	
G	**Fuel Infrastructure & Hydrant System**		
G.1	IOCL & BPCL Asset procurement	10.00	2024
G.2	Dead stock of Product	5.00	2024
G.3	Equipment cost	14.50	2024
G.4	Fuel hydrant line	167.57	2026
G.5	Fuel storage farm	138.55	2026
	Sub-Total (G)	**335.62**	
H	**Boundary Wall**		
H.1	Airport Boundary Wall	4.52	2027
H.2	New Airside Perimeter after shifting boundary	6.05	2025
H.3	Perimeter Intrusion Detection System (PIDS)	25.92	2027
	Sub-Total (H)	**36.49**	
I	**Other Buildings**		
I.1	New Airside Security Gate -1,2,3	2.13	2025, 2026, 2027
I.2	Security equipment for Gates	1.52	2027
I.3	Upgradation of Airside gates- Crash Gates, Morcha construction at gate 6, 10, 11	2.32	2027
I.4	Airport Administration Building	45.57	2026
I.5	Sustaining / Minor Capex Works	18.40	2023, 2024, 2025, 2027
	Sub-Total (I)	**69.93**	
J	**IT**		
J.1	Strategic Projects	45.10	2023, 2024, 2025, 2026, 2027
J.2	Sustaining / Minor Capex Works	12.95	2023, 2024, 2025, 2026, 2027
	Sub-Total (J)	**58.05**	
K	**Environment Related Projects**		
K.1	Airside Fuel/ EV Charging Station (30KW charging points 3 nos; 2 fuel dispensing units and associated facilities)	2.08	2025
K.2	Airport Owned Electric Vehicles Procurement	6.16	2023, 2024, 2025
K.3	Other Environment Related	8.50	2023, 2024, 2026
K.4	DG Retro fitting	3.08	2023, 2024, 2025, 2026
K.5	Triturator	3.34	2025
K.6	Solid Waste Management - Landside	0.44	2023
K.7	Solid Waste Management Plant at T-II	0.55	2024
	Sub-Total (K)	**24.15**	
L	**Sustaining / Minor Capex Works**		
L.1	Oil Water Separators (OWS)	11.46	2025
L.2	1 Runway Rubber Removal Machine	6.82	2023
L.3	Fire Fighting Equipment and facilities	42.71	2023, 2024, 2025, 2026, 2027

Ref. No.	Project Detail	Base Cost*	FY of capitalization
L.4	Trolleys	7.67	2023, 2024, 2025, 2026, 2027
L.5	Other Works	37.83	2023, 2024, 2025, 2026, 2027
	Sub-Total (L)	**106.49**	
M	**Grand Total (Sum(A:L))**	**2,913.53**	
N	**Add:** Indexation (@5%)	351.97	
O	**Add:** Soft Cost (@16%)	522.48	
P	**Add:** FA/IDC (@12% Cost of Debt)	340.34	
Q	**Less:** Runway Recarpeting Considered as Operating Expenditure	101.80	
R	**Capex Considered for RAB by TKIAL (Sum(M:P) - Q)**	**4,026.52**	

**The base cost for each project line item excludes respective indexation, soft cost and FA/IDC which are given separately from N to P*

7.3.2 As per the AERA Guidelines 2011 (Terms and Conditions for Determination of Tariffs for Airport Operators) dated 28th February 2011, the Authority shall determine the Opening and Closing RAB in each Tariff Year of the Control Period on the basis of the forecasted RAB. In this context, the Authority has examined the submission of TKIAL regarding forecasted capital expenditure in the following paragraphs.

7.3.3 The Authority noted that TKIAL has conducted Airport Users Consultative Committee (AUCC) meeting on 23rd January 2023 with all the stakeholders and discussed about the Capital Expenditure proposed to be undertaken during the Third Control Period effective from FY 2022-23 to FY 2026-27. The meeting was attended by various aviation stakeholders including International Air Transport Associations (IATA), Federation of Indian Airlines (FIA), Federation of Indian Chambers of Commerce and Industry (FICCI), Indigo, SpiceJet, Emirates and AAI. As per the minutes of the meeting, the Authority observed that TKIAL had broadly discussed the following with the stakeholders:

(i) History of TRV, its catchment area, attractiveness, existing and potential facilities at the airport.

(ii) Traffic trends (historical & future)

(iii) Presentation on the projects planned by the TKIAL during the Third Control Period with reference to the existing challenges at TRV pertaining to its location, topography, availability of land, etc. and with specific emphasis on key issues relating to all areas, i.e., landside, terminal and airside.

(iv) Key objectives of the Master plan for the Airport in the background of the Concession Agreement covering 50 years of the Concession period along with the projects that will be undertaken during Phase 1 (7 years as required under the Concession Agreement) and 5 years in the Third Control Period (1st April 2022 to 31st March 2027).

7.3.4 Certain observations made by some of the stakeholders are as below:

(i) FICCI suggested increasing the connectivity between airports in Kerala using smaller aircrafts and increasing the connectivity between Kochi to TRV, from one flight per day to two-three flights per day.

(ii) IATA recommended TKIAL to ensure that prior to additional capital expenditure proposals for upgradation, expansion and new construction, the existing airport infrastructure is exhausted to ensure optimal use of the airport facilities in a timely manner.

(iii) FIA suggested that only necessary capital items related to safety and security should be considered in the Third Control Period for the smooth and safe conduct of airport operations.

7.3.5 The Authority noted from the Minutes of the AUCC meeting that stakeholders have emphasized to carry out only the necessary and essential projects during the Third Control Period, after fully utilizing the existing infrastructure. The Authority also noted that certain observations were made by some of the stakeholders relating to the aspects of normative costing, cost estimates projected for the capex projects, traffic forecast, etc.

7.3.6 The Authority noted that CWIP of Rs. 0.73 crores were transferred by AAI to TKIAL on COD. As per the FARs shared on 10th January 2024, Rs. 0.22 crores were capitalized in FY 2022-23 and Rs. 0.05 crores were capitalized till September 2023.

7.3.7 The Authority had examined the capital expenditure projects submitted by TKIAL and had rationalized it based on present and future designated capacity of the Airport to handle the forecasted traffic, observations on progress made during the Airport visit by the Independent Consultants and with the perspective of keeping the tariff at a reasonable level.

7.3.8 The Authority observed that TKIAL has submitted various Minor Projects/Works under different heads consisting of numerous sub-projects/procurements planned to be carried out over the Third Control Period. The Authority noted that for certain Minor Projects, TKIAL had provided POs and BOQs for only a portion of the cost. For the remaining amounts, which consist of multiple line items, cost estimates have not been submitted by TKIAL to justify the proposed costs. The Authority noted that these are budgets for various procurements and minor works over the Third Control Period. Therefore, detailed estimates and POs may not be available at this stage. In the absence of such details, it is not possible to assess the reasonableness of these expenses. Thus, the Authority proposed to rationalize the capital expenditure for some of the projects/ capital items at this stage. In the event that such projects are necessary and critical to airport operations, TKIAL may incur the remaining amounts and the same would be taken into due consideration on actual incurrence basis subject to evaluation of efficiency and reasonableness, by the Authority, at the time of determination of tariffs for the Fourth Control Period (refer Annexure 4 for the list of such projects not considered as addition to RAB in the current control period).

The Authority has also examined the individual line items under each Project and classified them based on the nature of the project into aeronautical, non-aeronautical and common. The common assets were further bifurcated using the Terminal Area Ratio or Employee Head Count Ratio. Accordingly, only the aeronautical portion of the cost has been considered as part of aeronautical capital expenditure. The Authority has detailed its examination of the respective Minor Projects under the relevant heads.

7.3.9 The Authority examined the cost estimate submitted by TKIAL and noted that they are generally based on CPWD / PAR rates (exceptions noted to this have been detailed in the respective sections). The Authority also noted that TKIAL has considered 10% additional cost towards working in operational areas, in certain BOQ line items. However, the Authority was of the view that the provision made by TKIAL towards additional cost for working in operational area was quite high and therefore proposed to consider the allowance for extra cost over applicable rates for working in operational areas to the maximum allowable level, i.e. 5% as per the public works guidelines (generally where NOTAM is issued), in the BOQ items where TKIAL has claimed 10% additional cost.

7.3.10 The Authority's examination of the projects proposed by TKIAL (refer Table 97) is given project-wise in the following paragraphs. The values of costs given herein denote the base cost for the item. Evaluation of other costs added to the base cost are detailed subsequently:

A. Terminal Building (Rs. 1,577.08 crores)

7.3.11 The Authority noted that TKIAL had proposed the following activities relating to the Terminal Buildings:

- Upgradation of the Existing Terminal Building (T-I) (Rs. 18.70 crores)
- Construction of New Domestic Terminal Building (T-I) (Rs. 878.87 crores)
- Upgradation and Expansion of existing Terminal Building (T-II) (Rs. 679.51 crores)

7.3.12 The Authority noted that the above three activities were interrelated. Detailed analysis in this regard is presented below.

A.1 Upgradation of Existing Terminal Building T-I (Rs. 18.70 crores)

TKIAL's submission

7.3.13 TKIAL had submitted as follows:

Existing TI (located at southern side) is a 38-year-old infrastructure commissioned in 1985, spread across an area of approximately 15,800 sqm, with peak hour capacity of 800 (arrival and departure). TKIAL proposes the refurbishment of T-I to accommodate the current and near future passenger traffic till FY 2024-25. Henceforth, all passenger traffic will be redirected to Terminal Building (T-II) for integrated domestic and international operations. The proposed refurbishments include the following:

Table 98: Details of Refurbishment of Terminal I proposed by TKIAL

Processor	Existing	Required	Proposed Modification
Terminal Entry (Departure)	4	5/1 (Economy/ Premium)	Currently, two entry gates (with two check points each), make a total of 4 entry points. The demand for FY 2023- 24 is 6, therefore, an additional entry gate is required.
Self Service Kiosks (CUSS)	3	9	Add 6 CUSS units on the Curbside
Security Screening XBIS	2	6	Add 4 additional XBIS with minimal modification and a DFMD per XBIS
Security Screening DFMD	4	6	Provide 2 additional DFMD units with frisking booth and podium
Elevators, Escalators & Travelators	1	2	Add 1 escalator and 1 additional elevator
X Ray Screening Machines			
- Pre-check in	2	4	Replace existing machines with dual view
- Handbag screening	2	3	Replace existing machines with dual view
- Standby	1	1	Replace existing machine with dual view machine
CCTV Cameras	116	142	Add 26 additional CCTV cameras
Facelift Works			Change interior, renovate toilets, replace damaged floor and ceiling tiles, add more lights, change glass facade and airside canopy, modify entrance canopy

7.3.14 The break-up of the estimated cost submitted by TKIAL is given below:

Table 99: Cost towards T-I upgradation submitted by TKIAL

(Rs. in crores)

Description of Activities	Terminal Building	Kerbside	Total
Preliminary Works	0.44	0.33	0.77
General Items	0.37	0.22	0.59
Civil and Structural Works	0.09	4.00*	4.09
Architectural Works	1.20	0.51	1.71
Interior Works	4.04**	-	4.04
Heating Ventilation and Airconditioning (HVAC)	0.29	-	0.29
Fire Protection System	0.01	0.01	0.02
Fire Alarm System	0.00	-	-
Electrical Works	0.46	0.09	0.55
Plumbing and Sanitary Fixtures (PHE)	0.26	0.14	0.40
CCTV	0.11	0.06	0.17
Access Control and Display System	0.30	0.10	0.40
Lifts and Escalators	0.22	-	0.22
Demolition Works	0.39	-	0.39
Miscellaneous Works	-	0.61	0.61
Security Screening Equipment & Related Works	1.62	-	1.62
Total Cost excl. GST	**9.80**	**6.05**	**15.85**
GST -18%	1.76	1.09	2.85
Total Cost incl. GST	**11.56**	**7.14**	**18.70**

**Civil and Structural works at Kerbside includes structural steel works and tensile structured canopy*

*** Interior works at Terminal includes Trigon ceiling, horizontal baffle ceiling, granite cladding, Z beam cladding etc.*

Authority's examination regarding Upgradation of Existing Terminal Building T-I

7.3.15 The Authority had reviewed the basis of estimates of these costs which have been prepared by TKIAL based on Market rate estimations. The Authority noted that, in addition to the interior repairs/ refurbishment works, the costs include estimates towards Security equipment and towards demolition and re-building of canopy. The Authority noted that the cost for Security Equipment was estimated at an overall basis of Rs. 1.62 crores which needs to be detailed at the time of tendering.

7.3.16 The Authority noted that TKIAL is currently undertaking the upgradation of the domestic terminal T-I with a view to enhance passenger satisfaction and improve service quality for both passengers and airlines. During the Airport visit on 2nd December 2023, the Authority, through its Independent Consultants, noted that the project is currently under implementation.

7.3.17 As noted in the Airport visit by the Independent Consultant, the work was currently in progress and not completed. Hence, the Authority proposed to consider the capitalization relating to Terminal-I upgradation as part of additions to RAB in FY 2024-25 instead of FY 2023-24.

7.3.18 The Authority notes that while certain upgradations to Terminal-I are being undertaken by TKIAL currently, this building is proposed to be demolished in the coming years (Refer para 7.3.23). The Authority noted that the activities being carried out are for certain immediate requirements to enhance service quality and hence the Authority proposed to consider the same. The Authority directed TKIAL to ensure that:

- TKIAL should only carry out activities that are essential and necessary for airport operations.

- TKIAL should ensure the re-use of all the existing equipment/fittings etc. in the other Terminal spaces on demolition of the current Terminal.

A.2 Construction of New Domestic Terminal (T-I) (Rs. 878.87 crores)

TKIAL's submission

7.3.19 TKIAL had submitted that the existing Terminal Building (T-I) had completed its useful life which will be demolished in FY 2024-25 and a new Domestic Terminal (T-I) with a built-up area of 56,000 sqm will be constructed in the existing place of T-I by FY 2026-27. The rationale for the area requirement of 56,000 sqm considered by TKIAL was based on the assessment of total Terminal area requirement as submitted below.

7.3.20 TKIAL had conducted a study on Traffic assessment through M/s Mott Macdonald. Based on the study, along with daily distribution flight simulation, TKIAL had projected the following peak hour capacity and terminal area requirement:

Table 100: Peak hour capacity and terminal area requirement submitted by TKIAL

Particulars	Unit	FY23	FY24	FY25	FY26	FY27
PHP estimate as per traffic study	Nos	2,139	2,631	2,952	3,147	3,318
Area requirement considering 35 sqm per passenger	Sqm	74,865	92,085	103,320	110,145	116,130
Area Availability/ planned for TCP						
Terminal I	Sqm	15,800	15,800			
New Terminal I	Sqm					56,000
Terminal II (including expansion)	Sqm	43,500	43,500	63,000	63,000	63,000
Total Area supply	Sqm	59,300	59,300	63,000	63,000	119,000

Note – TKIAL has proposed expansion of 19,500 sqm for T-II to be available in FY25. Refer analysis detailed in Para 7.3.37 on Terminal II expansion.

7.3.21 Considering the requirement of 1,16,130 sqm in FY 2026-27 to cater to the required peak hour capacity, TKIAL had proposed a new domestic terminal having size of 56,000 sqm on the same place as existing old T-I such that the combined area for T-II and the new Domestic terminal will help to create necessary capacity to meet the demand requirements.

7.3.22 Based on the sizing details given above, cost estimate for construction of new Terminal T-I submitted by TKIAL was as given below:

Table 101: Cost estimate for Construction of new Domestic Terminal Building (T-I) submitted by TKIAL

(Rs. in crores)

Particulars	UoM	Rate	Quantity	Amount
Demolition Works				
Demolition of Flexible Pavement	Sqm	570	3,569	0.20
Demolition of Rigid Pavement	Sqm	3,290	39,530	13.01
Demolition of Existing Structure	Sqm	3,900	20,274	7.91
New Pavement				
Landside Access Road	Sqm	9,900	6,508	6.44
Transportation Management	Sqm	6,100	9,360	5.71
Terminal Structure				
New Structure	Sqm	151,000	56,000	845.60
Total of T-I				**878.87**

Authority's Examination regarding Construction of New Domestic Terminal (T-I)

Evaluation of need for new Terminal building (T-I)

7.3.23 The Authority had sought evaluation report from TKIAL on the structural stability of T-I. TKIAL, vide email dated 5th September 2023, submitted a condition assessment study conducted by a Third Party in August 2023. This study included study of structural systems, visual inspection of the structures for any visible distress/damage, conducting various tests etc. The study has been enclosed in Appendix 3.

7.3.24 From the above report, the Authority noted that the existing Terminal-I has structural challenges which needs to be considered when planning for the augmentation of the infrastructure of the Airport.

Sizing of the Terminal

7.3.25 Considering an average of 25 sqm per passenger, the requirement for Terminal-I in FY 2026-27, based on the total PHP considered by TKIAL is only 82,950 sqm (3,318 passengers * 25 sqm per passenger). The Authority was conscious that the Terminal capacity should be planned considering a longer period of planning horizon. The Authority noted that even with a 5% growth in PHP for the next 5 years, the area requirement worked out to ~ 1,06,000 sqm (4,234 passengers * 25 sqm per passenger).

7.3.26 The Authority noted that TKIAL has computed the terminal building area requirement based on the Peak Hour Passenger estimates. In order to ensure optimal sizing of Terminal Building area and also to ensure that the asset created are used fully, the Authority directs TKIAL to explore all factors including appropriate slot management techniques, use of technology in operations (for example Self Baggage drop facilities etc.) to ensure optimal planning of different operational areas considering applicable IMG norms and other guidelines.

Timing of commissioning of new Terminal Building T-I

7.3.27 The Authority noted that following sequence of activities have to be performed by TKIAL with respect to new Terminal Building T-I commissioning:

- Improvements planned for the existing Terminal-I building have to be completed (The Authority noted that this will be capitalized in FY 2024-25)
- Upgradation and Expansion related activities relating to Terminal-II are required to be carried out and commissioned. The Authority, during Airport visit on 2nd December 2023 by its Independent Consultants, noted that only preparatory works (Marking for preparing "as-built drawings" etc.) preceding the actual upgradation/ expansion activities were being undertaken. Hence, these activities of upgradation and expansions were expected to commence in January 2024 / February 2024 and complete by August 2025 (considering a timeline of 20 months in line with the initial time estimate of May 2023 as submitted by TKIAL), and not by FY 2024-25 as submitted by TKIAL in its MYTP.
- Post completion of Terminal-II upgrade, the passenger flow from Terminal-I was required to be shifted to Terminal-II and stabilized.
- Terminal-I re-development was expected to be carried out post upgradation and expansion of Terminal-II sometime after August 2025. New Terminal-I construction activity was expected to commence around January 2026. Considering a reasonable timeline of 2 years (as considered by TKIAL also in their submission i.e. From March 25 to Feb 27), Terminal-I was expected to be completed by December 2027 (FY 2027-28).

7.3.28 Based on the above, the Authority proposed not to consider the capitalization of New Terminal-I at this stage, as part of additions to RAB for the Third Control Period, as it was expected to be commissioned in the Fourth Control Period. If the new Terminal-I building was commissioned and put to use in the third control period, the same will be considered based on incurrence, at the time of true up, subject to evaluation of efficiency and reasonableness.

Cost estimates

7.3.29 The Authority noted that TKIAL has submitted a cost estimate of Rs. 1,51,000 per sqm for new Terminal-I together with certain costs relating to demolition and reconstruction of pavements. The Authority reiterates that TKIAL should ensure that the costs spent are reasonable and efficient and the selection of contractor should be in accordance with the relevance clauses of the Concession Agreement to ensure efficiency and reasonableness of the Capital Expenditure projects carried out.

7.3.30 To summarize, with respect to the capital expenditure proposal for the new Terminal-I building, the Authority noted that TKIAL should plan the area sizing for T-I, considering the traffic requirement and projections together with considering a modular construction, phase wise expansion of key functions such as baggage claim halls and processing areas, as detailed in Schedule B of Annex 1 of the Concession agreement and considering guidelines prescribed in IMG norms. The extract of Concession Agreement is reproduced below:

"The organization of the spaces and structural design of the terminal should be modular thereby allowing flexibility and ease of expansion. The terminal processor should allow for phase-wise development of key functions such as baggage claim halls and processing areas."

A.3 Upgradation & Expansion of Terminal Building (T-II) (Rs. 679.51 crores)

TKIAL's submission

7.3.31 Based on the overall Peak Hour passenger evaluation and the overall Terminal Capacity needed, together with the fact that a new Terminal-I building will be constructed, TKIAL had proposed to carry out certain upgradation and expansion to its existing Terminal-II building, which is in use since 2011. Details of works proposed to be executed in Terminal-II were as follows:

- Expanding the side of the terminal and provision of additional Baggage handling spaces (19,500 sq. m)
- Optimizing space within the terminal building to provide for additional passenger flows, together with additional 16 check-in counters and 10 self-bag drop facilities, upgraded Baggage Handling System to level 5, relocation of emigration area, introduction of a new terminal entry point with fast-track options, and an expanded immigration area with 21 counters.

7.3.32 TKIAL had submitted that the above modifications aim to optimize and expand T-II to meet traffic requirements until the new terminal T-I is commissioned.

7.3.33 Details of upgradation to Baggage Handling system proposed by TKIAL was as follows:

Table 102: Details of upgradation to Baggage Handling system (BHS) proposed by TKIAL

Item Description	Existing	Proposed
Departure (outbound)		
Baggage Handling Capacity	System congestion and dieback is experienced beyond 400 bags per hour	3,000 Bags per Hour

Item Description	Existing	Proposed
	per check in line (1,200 bags/hr combined capacity)	
Redundancy		
Check-in	Limited, reversible conveyor between zone 1 & 2. No redundancy for zone 3	Complete flexibility in island setup with additional redundancy via 180-degree curves
Level-I X-ray lines	No redundancy	100% redundancy with load sharing and fallback capabilities
Level-3,4 feeder lines	No redundancy	Dual feeder lines to Level-3, 4 and new standalone X-ray machine.
Sortation area	NA	100% redundancy with common sortation
Check-in counters	38 Nos	55 Nos
SBD	Nil	10 Nos
Makeup positions	38 (3 carousels)	54 (4 carousels + 8 accumulation chutes)
Security decision time	20s (Level 2 screening)	90s (BCAS complaint Level 2A/2B screening)
Arrival (inbound)		
Single feed lines with inline X-ray machines	4 reclaim carousels	2 additional reclaims

7.3.34 TKIAL had submitted that the capacity will be insufficient in the interim to manage the requirements, till new Terminal-I is commissioned which will be managed with coordinated slot management and planning activities etc.

7.3.35 Cost estimation submitted by TKIAL for the upgradation and expansion was summarized as below:

Table 103: Cost details submitted by TKIAL for Terminal II upgradation and expansion

(Rs. in crores)

Particulars	UoM	Rate	Quantities	Amount
New Structure	Sqm	1,51,000	13,000	196.30
Expansion for Baggage Makeup Area	Sqm	70,000	6,500	45.50
Terminal Modification (Table 104 and Table 105)	Sqm	1,00,624	43,500	437.71
Total of T-II				**679.51**

7.3.36 Break-up of costs relating to Terminal Modification as submitted by TKIAL were as below:

Table 104: Cost estimate of Terminal Modification (Terminal-II) as submitted by TKIAL

(Rs. in crores)

S. No	Description of activities	Amount
1	Preliminary works	3.89
2	General items	2.59
3	Civil and structural	7.15
4	Architectural works	39.86
5	MEP works	
5.1	HVAC	0.74
5.2	Fire protection system	0.42
5.3	Fire alarm system	0.11
5.4	Electrical works	1.92
5.5	Plumbing	1.31
5.6	CCTV	10.27
5.7	Access control and display system	0.81

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S. No	Description of activities	Amount
5.8	Network and Lan system	0.31
5.9	Lifts	0.52
6	Demolition works	2.01
7	Security equipment	10.00
8	Interior works	90.00
9	BHS works	125.60
10	Other general & allied capital works for terminal	47.21
	Total cost excluding GST	**344.71**
	GST -18%	62.05
	Total cost including GST	**406.76**

Table 105: Cost estimate of Terminal TII modification (Landside and Forecourt) as submitted by TKIAL

(Rs. in crores)

S. No	Description of activities	Landside	Forecourt	Total
1	Preliminary works	0.93	0.16	**1.08**
2	General items	0.62	0.10	**0.72**
3	Civil and structural works	9.34	0.31	**9.64**
4	Architectural works	0.00	1.34	**1.34**
5	Road works	2.73	0.00	**2.73**
6	Pathways	0.16	0.00	**0.16**
7	Traffic signage and road appurtenances	0.29	0.00	**0.29**
8	Landscaping works	0.03	0.00	**0.03**
9	MEP works			
9.1	Fire protection system	0.72	0.01	**0.73**
9.2	Electrical works	0.71	0.14	**0.85**
9.3	External storm water pipe / plumbing works with sanitary fixtures	0.42	0.25	**0.67**
9.4	Irrigation system	0.05	0.09	**0.14**
9.5	CCTV	0.17	0.07	**0.24**
9.6	Network and display system	0.07	0.32	**0.39**
9.7	Boom barrier system	0.19	0.00	**0.19**
9.8	EV charging station	0.34	0.00	**0.34**
10	Miscellaneous works	0.14	0.00	**0.14**
11	Demolition works	0.08	0.10	**0.17**
12	Landscape development at landside with irrigation and aesthetic elements (landscape aesthetic elements green wall, moss wall)	5.76	0.00	**5.76**
13	Construction of toilet at landside area of T-II	0.60	0.00	**0.60**
	Total cost excluding GST	23.35	2.88	**26.23**
	GST -18%	4.20	0.52	**4.72**
	Total cost including GST	**27.55**	**3.40**	**30.95**

TKIAL has submitted detailed BOQ estimates for the computation of the costs detailed above.

Authority's Examination regarding Upgradation & Expansion of Terminal Building (T-II)

Need for expansion and upgradation of Terminal Building T-II

7.3.37 The Authority had carefully reviewed the submissions made by TKIAL with respect to the need for upgrading and expansion of facilities at Terminal-II. The Authority noted that upgradation and expansion activity was

required, in view of the increase in passenger traffic as well as the need to rebuild Terminal-I. In this regard, the Authority noted as follows:

i) During the Airport visit on 2nd December 2023, the Authority noted through its Independent Consultant that the initial marking and analysis activities to prepare an "As built" drawing were being carried out. TKIAL team informed the consultants that once this is completed and the drawings of the Terminal Building are prepared, those drawings will be used as a basis for the detailed planning of activities relating to the upgradation and expansion of terminal. TKIAL also informed that the appointment of consultants for executing the Terminal -II upgradation was underway.

ii) The existing Terminal-II was found to be well operational and as confirmed by TKIAL, needed minor repairs and modifications together with activities required to re-orient the flow and the need for a makeover of the Baggage handling system.

iii) The Authority noted that the current capacity of the Terminal Building was sufficient to handle the peak hour passenger load including managing the occasional peaks at other hours, both for arrivals and departures. The Authority noted that effective slot allocation strategies will play a crucial role in managing peak demands.

7.3.38 The Authority directed Airport Operator to ensure that the expansion and upgradation activity be performed in a seamless manner, ensuring that only the essential activities are carried out in the upgradation process avoiding all capex that can be avoided/deferred.

Evaluation of cost estimates

7.3.39 The Authority examined the cost estimate submitted by TKIAL and noted that they are generally based on CPWD / PAR rates (exceptions to this noted have been detailed in the respective sections). The Authority also noted that TKIAL had considered 10% additional cost towards working in operational areas, in certain BOQ line items. However, the Authority was of the view that the provision made by TKIAL towards additional cost for working in operational area was quite high and therefore proposed to consider the allowance for extra cost over applicable rates for working in operational areas to the maximum allowable level, i.e. 5% as per the public works guidelines (generally where NOTAM is issued), in the BOQ items where TKIAL has claimed 10% additional cost.

7.3.40 The Authority noted that the rate estimates for Terminal-II Expansion & Upgradation and Upgradation of Terminal-I were prepared by TKIAL considering the market estimates and not as per DSR 2021 rates. Also, the Authority noted that the rate considered for the same item for Terminal-II was double of what had been considered for Terminal-I in certain cases as detailed below.

Table 106: Comparison of Rate estimates for Terminal-II Expansion and Upgradation of Terminal-I

S. No.	Description of Activities	Unit	Rate (Rs.)	
			T-I	T-II
3	**Civil and Structural Works**			
3.1	Soling	Cum	1,600	3,200
3.2	Backfilling	Cum	224	448
3.3	Disposal Of Unserviceable Material	Cum	427	854
3.4	Plain Cement Concrete	Cum	4,874	9,748
3.5	Reinforced Cement Concrete Works	Cum	5,583	11,166
3.6	Formwork	Sqm	600	1,200

S. No.	Description of Activities	Unit	Rate (Rs.)	
			T-I	T-II
3.7	Reinforced Works	Sqm	84	168
3.8	Structural Steel Works	Kgs	129	258
3.9	Roofing/ Canopy Works	Sqm	1,011	2,022
3.10	Waterproofing Works	Sqm	437	874

7.3.41 Authority's examination of various components of the cost estimates were given below:

1. New Structure – 13,000 sqm: TKIAL had proposed a cost of Rs. 1,51,000 per sqm for the new structure which the Authority proposed to evaluate as follows:

   a. The Normative cost approved by the Authority vide its Order No. 07 / 2016-17 dated 6th June 2016 for Terminal Buildings is ₹ 65,000/- per sqm. The cost of following items of specification have been considered for analysis of the prescribed rate per sqm - cost of terminal building, air conditioning, fire-fighting system, water supply, sanitary, substation equipment for power supply including stand by system, passenger facilities viz FIDS, Furniture, Signages and Security surveillance, airlines related services viz Check-in, CUTE, CUSS and Baggage Reconciliation System, In-line X ray screening, Standalone screening, BHS for arrival and departure, Escalators, Elevators, Travelators and Passenger Boarding Bridges (PBB) are included. However, the cost of Elevated and other roads connected with the Terminal Building are not part of the Normative rate and have been considered separately. The cost of other items required for the Terminal Building, but which are not covered in the aforementioned list, will be derived separately and added to the overall cost of the project.

   b. In this respect, the Authority noted that it has considered a normative cost of Rs. 1,00,000 per sqm for FY 2020-21 based on the superior specifications, processes and the architectural features of modern Terminal Buildings. Further, the Authority noted that, as the work on Terminal Building projected by TKIAL would be carried out over the Third Control Period, it would be reasonable and justifiable to derive the project cost based on inflation-adjusted normative cost up to FY 2026-27 (using WPI inflation index) to address the time value of money.

   c. The Authority had derived the inflation adjusted normative rates for Terminal Building for the current Control Period by considering the rate of inflation as follows:

      - FY 2021-22 –The Authority observed that FY 2021-22 was an exceptional year due to COVID-19 pandemic, wherein the inflation rate was 12.97%. However, during the period FY 2016-17 to FY 2020-21, the rate of inflation was in the range of 1.31% to 4.26%. Considering this extraordinary situation, the Authority noted the inflation rate of FY 2021- 22 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated 18th April 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority had considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%. The Authority had considered this average rate of inflation for FY 2021-22, in order to smoothen out the volatility in commodity price caused by COVID-19 pandemic and the supply side disruptions.

      - FY 2022-23 – 9.42% (considered as per the data published by the Office of the Economic Advisor, Department for Promotion of Industry and Internal Trade) and

- FY 2023-24 to FY 2026-27 – 0.30% in FY 2023-24 and 3.80% thereafter (considered as per 85th Round of Survey of Professional Forecasters on macroeconomic indicators).
- In the Order No.07/2016-17 dated 13th June 2016 on "In the matter of Normative Approach to Building blocks in Economic Regulation of Major Airports – Capital costs Regarding" the ceiling cost mentioned is inclusive of taxes applicable at that time, which is 12%. Subsequently, GST has been introduced wherein the GST rate is 18%. Hence, the inflation adjusted normative cost is worked out below by considering the additional 6% resulting in a total GST rate of 18%.

The inflation adjusted normative costs, thus derived is presented in the below table:

Table 107: Details of Inflation-adjusted Normative rates derived by the Authority

Year	Inflation (%)	Inflation adjusted normative rates (Rs.)	Inflation adjusted normative cost @18% GST*
Base Amount		1,00,000	1,05,357
FY22	7.14%	1,07,140	1,12,880
FY23	9.42%	1,17,233	1,23,513
FY24	0.30%	1,17,584	1,23,883
FY25	3.80%	1,22,052	1,28,591
FY26	3.80%	1,26,690	1,33,477
FY27	3.80%	1,31,505	1,38,550

**Note:*

Inflation adjusted base amount (inclusive of 12% GST) (A)	*= Rs. 1,00,000 per sqm*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)*	*= Rs. 89,286 per sqm*
*Add GST @ 18% (refer para 7.3.41(1) (c) (C=B*18%)*	*= Rs. 16,071 per sqm*
Normative cost including GST (D = B+C)	*= Rs. 1,05,357 per sqm*

d. The Authority accordingly proposed to consider a cost of Rs. 1,33,477 per sqm as the normative cost for the expansion proposed instead of Rs. 1.51 lakhs per sqm considered by TKIAL. To this, an additional 5% towards allowance for extra cost over applicable rates for working in operational area as detailed in para 7.3.39 was proposed to be added making the total cost estimate to be Rs. 1,40,151, rounded to Rs. 1.40 lakhs per sqm. Accordingly, the total cost of the said expansion worked out to Rs. 182.00 crores (Rs. 1.40 lakhs per sqm * 13,000 sqm).

ii) Expansion of Baggage Make-up area (BMA)

a. TKIAL had proposed a cost of Rs. 45.50 crores for the baggage make up area. This included RCC structure, interior finishing works, MEP facilities, Information and Communication Technology (ICT) systems and landscaping cost.
b. A rate of Rs. 70,000 had been considered as the base for projecting the cost for 6,500 sqm of area.
c. The Authority noted that this cost was reasonable and within the overall normative range and hence proposed to consider the cost estimate submitted by TKIAL.

iii) Modifications/ upgradation within the existing Terminal building T-II

The Authority's examination based on the detailed evaluation done by the Independent Consultant appointed by the Authority was as detailed below:

a. TKIAL had considered an overall estimate of Rs. 1,00,624 per sqm as the cost for the modifications/ upgradation to be carried out. The Authority noted that Terminal-II is a functional and operative terminal which has been operational for the past 12 years and in proper working condition. Hence, the

estimated average rate of Rs. 1,00,624 appeared to be very high, especially considering that the superstructure that has been built will be the same and only modifications within are being proposed.

b. The Authority notes that, in the estimation, TKIAL had not provided any break-up for Rs. 10 crores of Security related costs which was included as part of the estimate.

c. Certain works such as Air-conditioning, artwork, signages, security systems, IT etc. totaling to Rs. 16.16 crores were considered twice in the projections.

d. The amount of Rs. 125.59 crores has been considered for the Baggage Handling System. TKIAL had submitted the details of the enhancements proposed in BHS as detailed in Table 102 above. TKIAL had submitted that it has considered as Ball Park amount of Rs. 125 crores based on BHS cost awarded for Lucknow of Rs. 108 crores in 2021. TKIAL has submitted that this is also benchmarked with the cost for Navi Mumbai Airport. The Authority notes that detailed estimates for the Baggage Handling System had not been submitted by TKIAL at this stage.

e. The Authority noted that TKIAL has estimated re-doing of the granite tiles for the Terminal building (Rs. 31.70 Crore) as well as certain architectural works to the tune of Rs. 39.80 crores. Based on the information and details provided by the Airport Operator, AERA has appropriately rationalized the capital item as submitted by TKIAL and considered the estimate accordingly.

f. As the as-built drawings are currently being documented, the actual nature and extent of the modifications to be carried out in Terminal-II will be finalized only based on the documentation and analysis of the actual configuration of the systems available in Terminal-II. Considering the same, together with issues in cost estimation as noted above and in view of the very high per sqm cost for refurbishment activities, the Authority proposed to consider Rs. 75,000 per sqm as a tentative estimate for the refurbishment activities currently. The Authority directed TKIAL to ensure that only the activities that are mandatorily required be carried out currently and other activities considered for Terminal-II upgradation and refurbishment be deferred to later control periods. The costs proposed by the Authority will be reviewed on the basis of actuals at the time of determination of tariff for the next control period, based on evaluation of reasonableness and efficiency.

g. Accordingly, the cost works out to Rs. 326.25 crores (Rs. 75,000 per sqm * 43,500 sqm) which the Authority proposed to consider as an addition to RAB in the current control period.

h. The Authority also noted that the activities relating to the refurbishment had not yet begun and these will begin only after the initial assessment is complete and due evaluation and planning by the Consultant who is yet to be appointed by the Airport Operator. Hence, the Authority proposed to consider this cost as capitalization in FY 2025-26 instead of FY 2024-25.

7.3.42 TKIAL had subsequently shared the FAR as on 31st March 2023 and 30th September 2023 vide response to query dated 10th January 2024. On examination of the FAR shared, the Authority notes that capex amounting to Rs. 9.21 crores and Rs. 2.39 crores, relating to Terminal-II expansion and upgradation, have been capitalized in FY 2022-23 and FY 2023-24 respectively. The Authority proposed to consider the same in the respective years and proposed to capitalize the remaining portion of Rs. 553.75 crores (base cost) in FY 2025-26 as discussed in above paragraph.

7.3.43 Based on the above discussions, the adjustments to Terminal-II upgradation and expansion cost was proposed by the Authority as given below:

Table 108: Cost proposed by the Authority towards T-II upgradation and expansion

(Rs. in crores)

Particulars	UoM	Rate	Quantities	Amount	Remarks
New Structure	Sqm	1,40,000	13,000	182.00	Inflation adjusted normative cost inclusive of 18% GST and 5% for extra over approved rates for working in operational areas
Expansion for BMA	Sqm	70,000	6,500	45.50	
Terminal Modification	Sqm	75,000	43,500	326.25	Tentative rate estimate considered
Total				**553.75**	

Note – The cost of Rs. 553.75 crores proposed by the Authority for T-II upgradation and expansion was arrived at by considering a reduction of Rs. 125.76 crores on TKIAL's submission of Rs. 679.51 crores (refer Table 103). Reduction in cost is on account of various factors as detailed above, including certain elements of costs being considered twice, reduction in allowance for extra over approved rates for working in operational areas etc.

7.3.44 Based on the detailed analysis with respect to A.1, A.2 and A.3 as given above, the Authority proposed to consider the cost towards upgradation of T-I, expansion of T-II and construction of new T-I as given below:

Table 109: Cost towards upgradation of existing T-I, expansion of T-II and construction of new T-I proposed by the Authority

(Rs. in crores)

S.No	Project Detail	Year of capitalization		Base Cost as per		Variance
A	Terminal Building	TKIAL	Authority	TKIAL	Authority	
A.1	Upgradation of Existing Terminal Building (T-I) (refer para 7.3.17)	2024	2025	18.70	18.70	-
A.2	Construction of New Domestic Terminal (T-I) (refer para 7.3.28)	2027	-	878.87	-	**878.87**
A.3	Upgradation & Expansion of Terminal Building (T-II) (refer para 7.3.41)	2025	2026	679.51	553.75	**125.76**
	Total			**1,577.08**	**572.45**	**1,004.63**

B. Runway, Taxiway and Apron (Rs. 225.41 crores)

7.3.45 The Authority noted that the costs proposed is mainly related to Airside infrastructure upgrades and improvements at Thiruvananthapuram International Airport including GSE Staging, Airside Drain Network, AVDGS replacement and installation, LED flood lights for Apron Lighting, Flexible Pavements Phase 2 and grading of critical areas.

7.3.46 The Authority noted that it is essential for maintaining the airport in compliance with DGCA regulations and as per international standards, such as ICAO Annex 14. The proposed airside development works are considered crucial to enhance safety, accommodate growth, and comply with relevant regulations.

7.3.47 The Authority noted that TKIAL has submitted the estimates of cost based on CPWD/PAR rates and noted that TKIAL has considered 10% additional cost towards working in operational areas, in certain BOQ line items. However, the Authority was of the view that the provision made by TKIAL towards additional cost for working in operational area was quite high and therefore proposed to consider the allowance for extra cost over applicable rates for working in operational areas to the maximum allowable level, i.e. 5% as per the public works guidelines (generally where NOTAM is issued), in the BOQ items where TKIAL has claimed 10% additional cost. The detailed list of BOQ for Runway, Taxiway and Apron works is given below:

Table 110: Cost towards Runway, Taxiway & Apron project as submitted by TKIAL

(Rs. in crores)

Sl. No.	Description of Activities	Amount submitted by TKIAL
B.1	**Airside/Landside Drain Network (3.5m W x 2 m D)**	
	Drainage (AS) including extra allowance for working in operational area	84.48
	Drainage (LS)	30.13
	Culvert	2.36
	Total Airside/Landside Drain Network	**116.97**
B.2	Development of RESA for RWY 32 including extra allowance for working in operational area	0.52
B.3	Grading of runway, taxiway strips and other critical areas in operational area.	16.50
B.4	GSE Staging - (Rigid Pavement)	2.31
B.5	**Sustaining / Minor Capex Works**	
	– Replacement of VDGS with AVDGS Laser unit for AVDGS for Bay no's 24, 25, 26, 5 & 6 and SITC of A-VDGS at Bay no. 44,45, 46 and 47 at Thiruvananthapuram International Airport.	3.41
	– Provision of LED flood lights for Apron Lighting	1.65
	– Flexible Pavements in Operational Area At Thiruvananthapuram International Airport (Phase 2 Ramp areas, approach roads and blast pad)	1.28
	– Grading of the runway strip	1.02
	Total Sustaining / Minor Capex Works	**7.36**
B.6	Expansion of T-II Apron	81.75
	Total of Runway, Taxiway & Apron (Other than T-II Apron expansion)	**225.41**

7.3.48 Authority's evaluation of each asset cost was as detailed below:

B.1 Airside/Landside Drain Network (Rs. 116.97 crores)

7.3.49 TKIAL had submitted the cost of airside/landside drain network as follows:

Table 111: Cost of Airside/Landside Drain Network as submitted by TKIAL

(Rs. in crores)

Particulars	UOM	Rate	Quantity	Amount
Drainage Airside	R. Mt.	1,24,000	6,813	84.48
Drainage Landside	R. Mt.	91,000	3,311	30.13
Culvert	R. Mt.	52,000	454	2.36
Total				**116.97**

7.3.50 The Authority noted that the proposed drainage cost was towards covering the entire airport infrastructure with a proper drainage facility. TKIAL had submitted that there was no RCC drainage facility available in the existing Airside and Landside of the TRV airport.

7.3.51 Rate analysis had been prepared by TKIAL considering DSR 2021 rates as a base, adding 6.33% additional GST and 10% additional cost for working in operational area. The Authority proposed to reduce the estimate of extra cost over approved rates for working in operational area to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost.

7.3.52 Accordingly, the Authority had recalculated and presented below the cost estimate as Rs. 113.43 crores for Airside/Landside drain works which the Authority proposed to consider as addition to RAB for the current period.

Table 112: Cost of Airside/Landside Drain Network as proposed by the Authority

(Rs. in crores)

Particulars	UOM	Rate	Quantity	Amount
Drainage Airside	R. Mt.	1,18,800	6,813	80.94
Drainage Landside	R. Mt.	91,000	3,311	30.13
Culvert	R. Mt.	52,000	454	2.36
Total				**113.43**

Note – The rate per meter of Rs. 1,18,800 proposed by the Authority for Drainage Airside was arrived at by considering a reduction from TKIAL's submission of Rs. 1,24,000 (refer Table 111) on account of revision of the extra cost over the approved rates for working in operational areas to 5% on certain BOQ items (refer para 7.3.51).

B.2 Development of RESA for RWY 32 (Rs. 0.52 crores)

7.3.53 TKIAL had estimated a cost of Rs. 1,150 per sqm for RESA based on DSR 2021 rates as a base, adding 6.33% additional GST and 10% additional cost for working in operational area. The Authority proposed to reduce the extra cost over approved rates for working in operational area to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost. Accordingly, the Authority proposed to consider Rs. 0.50 crore as cost of Development of RESA.

B.3 Grading of runway, taxiway strips and other critical areas in operational area (Rs. 16.50 crores)

7.3.54 TKIAL had submitted that the Runway strip needs to be levelled and graded to achieve the necessary CBR value and to comply with DGCA requirement. TKIAL has estimated the cost of Excavation, backfilling, rolling, compacting and surface dressing.

7.3.55 The Authority noted that the break-up details submitted by TKIAL totals to only Rs. 15.60 crores instead of Rs 16.50 crores considered by TKIAL (a difference of Rs. 0.90 crores). Further, the Authority, on analysis of rates, noted that TKIAL has added Rs. 10 lakhs as Miscellaneous cost without any break-up. Also, TKIAL had considered a 10% additional cost for work in operational areas.

7.3.56 Subsequently, on review of the project status shared by TKIAL, the Authority noted that this project has been completed and the total cost incurred was Rs. 9.76 crores. Accordingly, the Authority proposed to consider the actual cost incurred of Rs. 9.76 crores as cost of Levelling and Grading of strip.

B.4 GSE Staging – Rigid Pavement (Rs. 2.31 crores)

7.3.57 TKIAL had considered a cost of Rs. 8,600 per sqm for an area of 2,687 sqm for GSE staging – rigid pavement. TKIAL has generally considered the cost based on DSR 2021 rates as a base, adding 6.33% additional GST and 10% additional cost for working in operational areas. However, the Authority noted that TKIAL had considered, in certain cases, MoRTH rates as the basis instead of CPWD DSR rates. The Authority proposed to change the same and consider the rates as per CPWD DSR 2021 as these rates were lower than the MoRTH rates. The Authority also proposed to consider extra cost over approved rates for working in operational areas at 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost.

7.3.58 Accordingly, the Authority proposed to consider Rs. 2.18 crores as cost of GSE staging works.

Table 113: Cost proposed by the Authority for GSE Staging – Rigid Pavement

(Rs. in crores)

Particulars	Amount
Cost submitted by TKIAL for GSE Staging - Rigid Pavement	2.31
Less: Change in rates	0.08

Particulars	Amount
Less: Extra cost over approved rates for working in operational areas considered at 5%	0.05
Cost proposed by the Authority for GSE Staging - Rigid Pavement	**2.18**

B.5 Sustaining/Minor Capex Works (Rs. 7.36 crores)

7.3.59 The Authority noted that these were costs relating to replacement of VDGS with AVDGS, Relocation of Localizer, DVOR etc. The Authority noted this cost to be reasonable and that the project was required, considering the overall development of the airport.

7.3.60 The Authority reviewed the FARs for FY 2022-23 and noted that Rs. 0.05 crores, Rs. 0.91 crores and Rs. 0.23 crores have been capitalized respectively for the projects replacement of VDGS with AVDGS, flexible pavements in operational area and grading of the runway strip. The Authority also noted that as per the status of projects shared on 10th January 2024, both the projects flexible pavements in operational area and grading of the runway strip have been completed and the total cost incurred was Rs. 1.03 crores for the former and Rs. 0.99 crores for the latter. The Authority proposed to consider both the cost capitalized and the total cost incurred as given above as addition to RAB of the current control period.

7.3.61 Accordingly, the Authority proposed to consider Rs. 7.08 crores as cost of Minor/sustaining capex works. However, the Authority noted that only 1% of the total project cost for the replacement of VDGS with AVDGS had been capitalized till 30th September 2023. Therefore, the Authority proposed to shift the capitalization of the project "Replacement of VDGS" from FY 2022-23 and FY 2023-24 as submitted by TKIAL to FY 2022-23 and FY 2024-25.

B.6 Expansion of Terminal-II apron (Area includes HOS, Transition pavements, demolition & new pavements) (Rs. 81.75 crores)

7.3.62 The Authority noted TKIAL submission of 21 NBE stands at International Building T-II which after expansion and upgradation will be converted into Integrated Terminal Building and will cater to both the international and domestic passenger traffic till the reconstruction of Terminal-I. The Authority noted that TKIAL currently has 13 stands available. With the movement of domestic traffic in T-II, while extra stands may be required, after reconstruction of T-I, the stands as proposed by TKIAL will be left unutilized. Thus, considering the fact that T-II will be utilized for both domestic and international passengers till the reconstruction of T-I but may revert to its position of being International Terminal only, post commissioning of new Terminal-I, the Authority proposed to consider half of the proposed stands submitted by TKIAL as part of Capital Expenditure.

Table 114: Detailed cost break-up for Expansion of Terminal-II Apron submitted by TKIAL

(Rs. in crores)

Particulars	Amount
Demolition Works	
Demolition of Rigid Pavement	6.95
Demolition of Existing Structure	1.22
Demolition of Existing Boundary wall	0.26
New Pavement	
Main Pavement (Rigid Pavement)	55.31
Transition pavement (Ramp between new and existing Apron)	5.06
Head of Stand Road	9.29
Drainage	
Drainage	3.65

Particulars	Amount
Total cost	81.75

7.3.63 TKIAL submitted a cost estimate of Rs. 13,650 per sqm (including loading for demolition, additional cost for work in operational areas etc.) for expansion of apron. The Apron area considered for evaluation by TKIAL was 59,887 sqm. The Authority had, after detailed analysis, issued its Order on Normative cost vide Order No. 07/2016-17 on 13th June 2016 where in the normative cost was given as Rs. 4,700 per sqm. The Authority noted that the cost mentioned was inclusive of taxes applicable at that time, which is 12%. Subsequently, GST had been introduced wherein the GST rate is 18%. Therefore, the Authority had rationalized the normative cost submitted by TKIAL and computed the inflation adjusted normative cost by considering an additional 6% thereby resulting in total GST of 18% as given below:

Table 115: Inflation-adjusted normative rate considered for Apron

Financial Year	WPI Index*	Inflation %**	Inflation adjusted Cost	Inflation adjusted normative cost @18% GST
FY16	109.70		4,700***	4,952
FY17	111.60		4,781	5,038
FY18	114.90		4,923	5,187
FY19	119.80		5,133	5,408
FY20	121.80		5,218	5,498
FY21	123.40		5,287	5,570
FY22		7.14%#	5,664	5,968
FY23		9.42%	6,198	6,530
FY24		0.30%	6,217	6,550
FY25		3.80%	6,453	6,799
FY26		3.80%	6,698	7,057
FY27		3.80%	6,953	7,325

** Source: Office of The Economic Adviser, Government of India (htttps://eaindustry.nic.in)*

*** Source: Reserve Bank of India Publications (https://www.rbi.org.in/Scripts/Publications.aspx/publication=BtMonthly)*

**** Base amount as per Order No.7/2016-17 dated 13th June 2016 which is inclusive of prevalent tax of 12%*

Note:

Inflation adjusted base amount (inclusive of 12% GST) (A)	*= Rs. 4,700 per sqm*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)*	*= Rs. 4,196 per sqm*
*Add GST @ 18% (refer para 7.3.41(1) i)c) (C=B*18%)*	*= Rs. 755 per sqm*
Normative cost including GST (D = B+C)	*= Rs. 4,952 per sqm*

 # Instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated 18th April 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority had considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which worked out to 7.14%

7.3.64 From the above table, the Authority observes that inflation-adjusted normative cost for apron is lesser than the normative cost proposed by TKIAL. Further the Authority noted that the current status of the proposed capex was in design stage, hence, the Authority proposed to shift the capitalization of Apron construction to FY 2024-25 and consider the normative cost of Rs. 6,799 per sqm (inclusive of 18% GST) as base for the computation of the cost for construction.

7.3.65 The Authority noted that TKIAL has included a 10% mark-up on costs for working in operational areas. The Authority was of the view that the provision made by TKIAL was quite high and therefore proposed to revise extra cost over approved rates for working in operational area to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost.

7.3.66 With necessary adjustments as proposed above, the cost for expansion of Apron proposed to be considered was as follows:

Table 116: Cost towards Terminal-II Apron proposed by the Authority

(Rs. in crores)

Particulars	Ref	Rate (Rs.)	Quantities	Amount
Expansion of Terminal-II apron (Area includes HOS, Transition pavements, demolition & new pavements)				
Normative cost Including GST	A	6,799	59887	40.71
Cost items which were not part of Normative Costing				
Demolition	B			8.20
Excavation till Sub-Grade	C			7.53
Additional PQC	D			7.28
Aeronautical Ground Lighting	E			6.27
Drainage	F			3.47
Extra cost over approved rates for working in Operational areas @5%	G			2.40
Total	**H=Sum(A to G)**			**75.87**
Proposed by the Authority	I=H*50%			37.94
Submitted by TKIAL (Table 114)	J			81.75
Variance	**K=J-I**			**43.81**

7.3.67 Based on the above, the cost estimate proposed to be considered by the Authority was as follows:

Table 117: Cost towards Runway, Taxiway and Apron proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalization		Base Cost as per		Variance
		TKIAL	Authority	TKIAL	Authority	
B.1	Airside/Landside Drain Network (3.5m W x 2 m D)	2027	2027	116.97	113.43	3.55
B.2	Development of RESA for RWY 32	2025	2025	0.52	0.50	0.02
B.3	Grading of runway, taxiway strips and other critical areas in operational area.	2024	2024	16.50	9.76	6.74
B.4	GSE Staging - (Rigid Pavement)	2025	2025	2.31	2.18	0.13
B.5	Sustaining / Minor Capex Works	2023, 2024	2023, 2024, 2025	7.36	7.08	0.28
B.6	Expansion of Terminal-II apron (Area includes HOS, Transition pavements, demolition & new pavements)	2024	2025	81.75	37.94	43.81
	Total			**225.41**	**170.87**	**54.54**

C. <u>Runway Recarpeting (Rs. 78.43 crores)</u>

7.3.68 The Authority noted that in FY 2016-17, AAI completed the runway recarpeting. TKIAL had also submitted that a committee was formed for assessing runway's condition to recommend necessary measures. The committee's report dated 19th June 2023 highlighted wet patches and pavement issues, particularly at specific offsets along the runway.

7.3.69 Thus, to improve the condition of the runway, TKIAL had estimated an amount of Rs. 100 crores (including FA & IDC) under OPEX as 'Amortization of runway recarpeting expenses' for a period of five (5) years wherein Rs. 20 crores along with return on unamortized portion had been claimed for each year, starting from FY 2024-25 of the Third Control Period. The project involves milling the top DAC layer, replacing it with a designed DAC layer, and upgrading primary feeder cables and HIRL fittings with energy-efficient LED

fittings, along with an improved earthing system. This will restore the top layer and address any cracks, ultimately restoring the previous PCN value.

7.3.70 As the PCN value did not increase after the recarpeting exercise, the Authority proposed to consider the runway recarpeting expenses under Operation and Maintenance expenses in the current control period as detailed in Authority's Order No. 35/2017-18 dated 12th January 2018 in the matter of 'Determination of Useful Life of Airport Assets'. Accordingly, the Authority had examined the same under Operation and Maintenance expenses (refer para 10.2.62).

D. GA Terminal Building, Apron & Taxiway (Rs. 30.36 crores)

7.3.71 TKIAL had submitted that the General Aviation passengers were using the domestic terminal and there was no dedicated aircraft parking space and that as the GA traffic grows (as per the traffic forecast), a General Aviation Terminal for dedicated use was required. The built-up area of the new proposed terminal proposed by TKIAL was approximately 680 Sqm.

7.3.72 The Authority, upon analysis of data provided by TKIAL, observed that there were, on average, only 18 GA aircraft movements per month during the period from April 2023 and December 2023. The Authority noted that such few numbers of GA aircraft can be serviced from the existing infrastructure at TRV, including the Domestic and International passenger terminals. Thus, in the Authority's view, there was no justification to build a separate dedicated GA terminal along with associated apron and taxiways.

7.3.73 Considering the relatively low frequency of GA aircraft movements at TRV, the Authority proposed to not consider the construction of a separate GA terminal, apron and taxiway at this time.

E. CNS/ATM (Rs. 290.43 crores)

E.1 Airside Improvement Work (Rs. 6.94 crores):

7.3.74 TKIAL had submitted that:

"As per the master plan, to accommodate the remote aircraft stands for T-I, we need to relocate the current MSSR. The relocation of Mono-pulse Secondary Surveillance Radar (MSSR) is essentially required to ensure safe, smooth, and efficient operation of the expanded airfield and development of New Remote stand for Terminal 1....

The current location of LLZ32 comes within the footprint of the proposed RESA extension for RWY32. Hence it is pertinent to shift the LLZ32...

As we intent to make RWY14 as ILS from simple approach, provision of Localizer & Glide Path for RWY 14 is proposed. This provision will help better reliable guidance for approaching aircraft on RWY 14....

There is a need to shift the DVOR as the same falls in the footprint of the proposed GA apron development north of the existing Terminal 1...

Surface movement radar (SMR) ... Currently, TIA does not have this radar at the airport. Thus, this project is proposed, and the radar shall be installed to ensure safe, smooth, and efficient operation of the expanded airfield..."

7.3.75 The Authority noted that the proposals submitted by TKIAL were reasonable and required considering the overall development activities planned for the airport. However, the Authority noted that TKIAL has considered 10% additional cost for working in operational areas, for construction of the SMR facility. The

Authority proposed to reduce the same to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost. Accordingly, the Authority proposed to consider a cost of Rs. 6.91 crores towards Airside Improvement Work.

7.3.76 Further, as per the status of projects as of December 2023 submitted by TKIAL, the Authority noted that the current status of the proposed capex was still under planning stage, hence, the Authority proposed to shift the capitalization for Relocation of DVOR, MSSR facilities, and new SMR facility to FY 2024-25 and considering the capitalization of other items as per TKIAL's submission.

Table 118: Cost proposed by the Authority for Airside Improvement Works

(Rs. in crores)

Particulars	TKIAL submission	Change in extra cost for working in operational areas	Authority's Proposal
Relocation of LLZ32	0.20	-	0.20
Provision of LLZ14 & GP14	0.41	-	0.41
Relocation of DVOR	0.31	-	0.31
MSSR Facilities	5.41	-	5.41
SMR Facilities	0.61	0.03	0.58
Total	**6.94**	**0.03**	**6.91**

E.2 ATC Tower and Technical Block (Rs. 283.49 crores):

7.3.77 The Authority noted TKIAL's rationale for the ATC tower and technical block as follows:

"Existing ATC Tower is located near the domestic terminal T1, which has a height of 33 m. To pave way for other infrastructure expansion works and to have a clear line of sight to all the movement area the ATC tower needs to be suitably relocated. The existing ATC Tower has constrained visibility to the proposed airside developments and some parts of the existing runway. The AAI has already proposed an alternate location for ATC Tower near T2, which is marked as a carved-out area. The proposal is to relocate the ATC Tower and Technical Block near Terminal-II..."

7.3.78 The Authority had reviewed the proposal of TKIAL on airside improvement works and construction of ATC tower and technical block. The Authority had reviewed the terms and conditions of CNS/ATM agreement between AAI and TKIAL, as detailed below.

"4. OBLIGATIONS OF THE AUTHORITY
4.1 AAI services
4.1.1 AAI shall at all times (including by means of multi-shift operations as required over 24 (twenty four) hours each day), during the term hereof, in accordance with the relevant ICAO Documents and Annexes and DGCA Civil Aviation Requirements at its own cost and expense:
(a) Provide the CNS/ATM services as specifically provided in schedule 2;
(b) Maintain the AAI Equipment including carrying out periodic flight calibration of the AAI Equipment and other tests;
(c) Upgrade and/ or augment the AAI Equipment as may be necessary from time to time: (a) to enable AAI to provide the relevant AAI Services at the Airport; (b) to comply with the relevant ICAO Documents and Annexes and DGCA Civil Aviation Requirements; and (c) as a result of Expansion; and
(d) Deploy such manpower as may be required to perform the AAI services.

4.1.2 AAI shall relocate AAI Equipment on the concessionaire's request on account of Expansion, at the Concessionaire's cost and expense, provided such relocation does not adversely affect AAI' s obligations under this Agreement:
Provided that AAI may relocate AAI Equipment at its discretion, subject to the condition that such relocation does not affect the Concessionaire's obligations under the Concession Agreement and/ or smooth operation of the Airport."

7.3.79 The Authority noted that TKIAL has submitted a letter dated 13th September 2023 issued by Officer in-charge of AAI at TRV Airport requesting for the new ATC Complex/Technical block in view of life of building having expired and that there was no sufficient space for installation of various equipment. The letter also stated that the ATM automation system at TRV was due for replacement which will be installed in the new ATS block. TKIAL has also informed the Authority that discussions have been underway with AAI on the same on the detailing of the area allocations etc.

7.3.80 TKIAL vide reply to query dated 14th June 2023 had submitted the BOQ for the ATC tower and technical block. On examination of the BOQ, the Authority noted that the total cost of the project was Rs. 288.91 crores as against Rs. 283.94 crores in the MYTP submission. The detailed breakup of the cost of ATC block and tower as per the BOQ is given below.

Table 119: Cost estimate of ATC block and tower submitted by TKIAL

(Rs. in crores)

Particulars	Amount
Total height (in metres)	64.50
Area for ATC block (in sqm)	11,136
Area for ATC tower (in sqm)	1,628
Cost of construction before indexation (A)	196.93
Loading for working in operational area at 5% (B)	9.84
Others including GST (C)	82.12
Total Cost (A+B+C)	**288.91**

7.3.81 The Authority noted that TKIAL had submitted that ATC tower construction as included as part of Schedule to the Concession Agreement (Schedule U). Authority noted that while the cost has been considered by TKIAL in its projections, the design of the building is still under discussion with AAI and the timing of operationalization of the building was dependent on AAI's plans for procurement and provision of equipment at the building. Also, the Authority noted that TKIAL had submitted a letter in this regard received from the AAI team located at TKIAL airport. However, the decision was required to be taken and approved at appropriate levels at AAI Central Headquarters, involving the relevant department heads, Member – ANS etc. Hence, the Authority proposed to consider the costs incurred on the same, at the time of true up based on the actual completion of the building after due approvals and subject to the reasonableness and efficiency of the cost spent on the project.

7.3.82 Based on the above, the cost estimate proposed to be considered by the Authority were as follows:

Table 120: Cost towards CNS/ATM proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalization		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
E.1	Airside Improvement Works	2024, 2025	2024, 2025	6.94	6.91	0.03

Sl. No.	Project Detail	Year of capitalization		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
E.2	ATC Tower and Technical Block	2026	-	283.49	-	283.49
	Total			**290.43**	**6.91**	**283.52**

F. Cargo Complex & Equipment (Rs. 81.08 crores)

F.1 Interim ICC and DCC equipment (Rs. 7.89 crores)

TKIAL submission

7.3.83 TKIAL had proposed constructing a new International Cargo Facility (refer para 7.3.86). In the interim period, TKIAL aims to provide cargo operations from a temporary facility.

7.3.84 TKIAL had proposed interim improvements to the Interim Cargo facility arrangements together with the purchase of cargo equipment with a total estimated cost of Rs. 7.89 crores. TKIAL had excluded Rs. 2 crores worth of cargo equipment as they were expected to be utilized in New Cargo Facility as stated in their responses to query dated 8th August 2023. The proposed estimate encompasses provisions for additional warehouse space and various ancillary works including the procurement of equipment such as forklifts, Door Frame Metal Detectors (DFMDs), Explosive Trace Detectors (ETDs), X-ray Baggage Inspection Systems (XBIS), among others. TKIAL had provided the details of cost as follows:

Table 121: Cost estimate for ICC and DCC equipment and improvement submitted by TKIAL

(Rs. in crores)

Particulars	Amount
Civil works for Export Cargo Terminal	0.98
Equipment for Export Cargo Terminal	8.08
Equipment for Domestic Cargo Terminal	0.83
Cargo Equipment submitted for TCP by TKIAL	**9.89**
Less: Equipment expected to be utilized in the new cargo facility	2.00
Cargo Equipment submitted for new ICC by TKIAL	**7.89**

Authority's Examination regarding Interim ICC and DCC equipment

7.3.85 TKIAL vide response to query date 10th January 2024 had submitted the status of all projects including Interim ICC and DCC equipment. On review of the same, the Authority noted that the project has been completed and that the actual cost of the project was Rs. 6.50 crores. On review of FAR shared on 10th January 2024, the Authority noted that only Rs. 3.47 crores of the actual cost had been capitalized till 30th September 2023. Hence, the Authority proposed to consider the capitalization of Rs. 3.47 crores in FY 2022-23 as per FAR and the remaining portion of Rs. 3.03 crores in FY 2024-25. The Authority proposed to review the actual costs incurred and the date of capitalization for this project at the time of true-up of Third Control Period subject to evaluation of efficiency of costs and reasonableness.

F.2 International Cargo Centre (ICC) (Rs. 73.19 crores)

TKIAL submission

7.3.86 TKIAL had submitted that it proposed to develop a new International Cargo Centre closer to Terminal-II, based on its evaluation of the potential for cargo operations in TRV. TKIAL had submitted that the current interim facility would not be adequate to accommodate the plans for development of Cargo and hence, a new International Cargo Centre was proposed to be constructed by TKIAL. Projections indicate an annual cargo

handling capacity of approximately 25,000 tonnes, a substantial increase from the current capacity of the Interim Cargo Terminal, which stands at 6,000 tonnes per annum. This project is mandated under Clause 19.4 of the Concession Agreement.

7.3.87 TKIAL had formulated plans for the construction of a comprehensive International Cargo Centre, encompassing a total area of 5,000 square meters dedicated to warehouse space, along with 5,756 square meters for parking and trucking areas.

7.3.88 The break-up of the cost proposed by TKIAL towards construction of International Cargo Centre were given in the table below:

Table 122: Detail break-up of construction cost of International Cargo Centre as submitted by TKIAL

(Rs. in crores)

Particulars	Amount
Demolition Works	
Demolition of Flexible Pavement	0.06
Demolition of Existing Structure	0.17
Demolition of Existing Boundary wall	0.03
New Pavement	
Shoulders (Flexible Pavement)	1.28
Head of Stand Road	0.90
Structure	
New Structure (Cargo South)	36.15
Annex building (within the warehouse) (Truck Parking)	5.17
Site Circulation	5.87
MHE equipment	21.55
Equipment expected to be utilized in the new facility (refer Table 121)	2.00
Total	**73.19**

7.3.89 Details of MHE equipment cost submitted by TKIAL were as follows:

Table 123: Department-wise details of MHE equipment cost submitted by TKIAL

(Rs. in crores)

Dept.	Equipment	Item Cost
Operations	Forklift (3 Ton, Battery Operated)	0.44
	Forklift (5 Ton, Battery Operated)	0.40
	Electric TUG with battery	0.44
	Pallet Dolly 10 Feet	0.44
	Ball Mat (Manual) - in Sqm	3.00
Security	ETD	0.60
	XIBS (100x100 DV)	1.44
	XIBS (145x180 DV)	1.80
	Under Vehicle Scanner & ANPR	0.40
	Dome Camera with Switching and Accessories	0.45
	PTZ Camera Outdoors with Switching and Accessories	0.40
	Base License	0.40
	Radioactive Detector	3.00
Admin	Cabins	1.13
IT	Handheld Devices	0.40
	Others	6.82
	Total	**21.55**

Authority's examination regarding International Cargo Centre (ICC)

7.3.90 The Authority had examined the details of the cost estimate in detail together with the supporting details provided by TKIAL. The unit rate for the cargo terminal worked out to Rs. 99,272 per sqm (including Truck parking and site circulation and excluding MHE equipment).

7.3.91 The Authority noted that this was higher than that approved for Lucknow airport where the estimate was Rs. 60,300 per sqm. The Authority therefore proposed to consider Rs. 60,300 per sqm, i.e., the rate per sqm allowed in Lucknow, for computing the cost of cargo terminal work. Accordingly, the revised break-up of the cost proposed by the Authority towards construction of the International Cargo Centre was as given in the table below.

Table 124: Detail break-up of construction cost of International Cargo Centre as proposed by the Authority

(Rs. in crores)

Particulars	Amount
Cargo terminal work (Rs. 60,300 per sqm * 5000 sqm)	30.15
MHE equipment	21.55
Equipment expected to be utilized in the new facility (refer Table 121)	2.00
Total	**53.70**

7.3.92 Based on above, the cost estimates considered by the Authority was as follows:

Table 125: Cost towards Cargo Complex and Equipment as proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalization		Base Cost as per		Variance
		TKIAL	Authority	TKIAL	Authority	
F.1	Interim ICC and DCC equipment	2023	2023, 2025	7.89	6.50	**1.39**
F.2	International Cargo Centre (ICC)	2026	2026	73.19	53.70	**19.48**
	Total			**81.08**	**60.20**	**20.87**

7.3.93 During the Airport visit by the Independent Consultants appointed by the Authority, it was observed that the cargo operations of AAICLAS were currently suspended at the airport. The Authority expected AAICLAS to resume its operations at the Airport, to ensure competitiveness of the Cargo operations which is always encouraged by AERA.

G. Fuel Infrastructure & Hydrant System (Rs. 335.62 crores)

G.1 IOCL & BPCL Asset procurement (Rs. 10.00 crores) and G.2 Deadstock of Product (Rs. 5.00 crores)

7.3.94 The Authority noted that as per Clause 19.3 of Concession Agreement, the Concessionaire was mandated to provide the infrastructure required for operation of fueling services on an equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities. In this respect, the Authority observed that presently IOCL, BPCL and HPCL are supplying ATF with storage facilities of 950KL, 850KL, and 140KL respectively.

7.3.95 The Authority noted that TKIAL has planned to acquire the facilities of the existing players in order to give equal access to all the aircraft. TKIAL had submitted a total cost of Rs. 10 crores under this head. TKIAL had submitted the estimated cost of purchase of assets from IOCL and BPCL based on experience in Ahmedabad and Lucknow where they had purchased OMC assets. In Ahmedabad the OMC assets were

purchased for Rs. 11 crores (refer para 7.3.166 of TCP tariff order) and in Lucknow, they were purchased for Rs. 6 crores (refer para 7.3.7 of the TCP tariff order). The Authority was of the view that the actual amount payable for acquisition may vary based on discussion and negotiation with respective Oil Marketing Companies. Based on review and analysis of the capacities of existing players in all the three airports i.e., Thiruvananthapuram, Ahmedabad and Lucknow, the Authority had estimated the cost for asset procurement as Rs. 9.51 crores and proposed to consider the same during the current control period.

7.3.96 The Authority also observed that TKIAL has projected requirement of dead stock (minimum level of fuel that needs to be maintained at all times in the storage tanks, pipelines and hydrant systems for uninterrupted operations of the fuel farm) for Rs. 5 crores. The Authority found this to be reasonable and proposed considering the said cost, thereby resulting in a total Capital Expenditure of Rs. 14.51 crores. The Authority noted that this project was currently under planning stage and hence proposed that the capitalization be considered in FY 2024-25, rather than FY 2023-24 as proposed by TKIAL.

G.3 Equipment cost (Rs. 14.50 crores)

7.3.97 The Authority noted that TKIAL had plans to enhance its fuel infrastructure facility for smooth conduct of its operations. In the immediate plan, TKIAL intended to acquire existing assets from Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL) to establish an Open Access facility. This facility primarily consists of Fuel Farm tanks and related infrastructure, aimed at optimizing fuel handling capabilities. Additionally, TKIAL had planned to procure 12 refuelers/bowsers. These specialized vehicles will be responsible for the safe and efficient transportation of Aviation Turbine Fuel (ATF) from the Fuel Farm storage tanks to aircraft located at various points on Apron.

7.3.98 Considering the operational requirements of the Airport, the Authority proposed to consider the cost of Rs. 14.50 crores as submitted to be part of the additions to RAB in the current control period. The Authority noted that this project was currently under the planning stage and hence proposed that the capitalization be considered in FY 2024-25, rather than FY 2023-24 as proposed by TKIAL.

G.4 Fuel Hydrant line (Rs. 167.57 crores)

7.3.99 The Authority noted that TKIAL had proposed a Fuel Hydrant line spread across 7 Kms amounting to Rs. 167.57 crores. The Authority noted that the currently Domestic terminal handles a maximum of two flights per hour, while the international apron manages a maximum of three to four flights per hour. Given the low density of flights, using fuel bowsers were considered optimal for re-fueling needs. Therefore, the proposed underground Hydrant refueling system, incurring a significant expense of Rs 167.57 crores, was considered avoidable at this stage. Hence, the Authority proposed not to consider the same for this current control period.

G.5 Fuel Storage Farm (Rs. 138.55 crores)

7.3.100 The Authority observed that TKIAL has projected to build a new facility of approx. 5,000 KL which included storage Tanks, Admin Facilities, Refilling / offloading area, Pit Flushers, dead stock etc. TKIAL had submitted that the new facility will be operational during FY 2025-26.

Table 126: Comparison of existing Fuel Storage Capacity vis a vis capacity proposed by TKIAL

Particulars	Capacity in KL
Existing	
IOCL	950
BPCL	850

Particulars	Capacity in KL
HPCL	140
Total	**1,940**
Proposed by TKIAL	
New Fuel Storage Farm	5,000
% Increase in capacity	*158%*

Table 127: Fuel Storage requirement estimate submitted by TKIAL

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27
ATMs in '000					
Domestic	12.3	15.4	17.6	19.0	20.6
International	13.0	16.3	18.9	20.8	22.1
Total	**25.3**	**31.7**	**36.5**	**39.8**	**42.7**
Fuel throughput in KL		1,58,540	1,82,520	1,99,115	2,13,425
Fuel throughput per ATM (KL/ATM)		5.00	5.00	5.00	5.00
KL Estimate for 10 days (Total Fuel throughput * 10 days / 365 days)		4343	5000	5455	5847

7.3.101 The Authority noted that the new greenfield facility was planned to have capacity for serving a minimum of 10 days, without recouping, for the expected demand of FY 2026-27. TKIAL had submitted the following as the basis for arriving at 10 days.

Table 128: Recommended ATF Storage Days as per the MYTP submitted by TKIAL for the Third Control Period

S. No.	Potential Purpose	Average Stock Required	Maximum Stock Required	Difference
1	Product readiness, storage	2	2	-
2	Product storage and settling	1	2	1
3	Product receipt, Logistic contingency, OMC's issue	-	5	5
4	**Total**	**3**	**9**	**6**
5	85% of Total Difference	5.1		
6	**Recommended ATF Storage Days**	**8.1**		

7.3.102 The Authority noted that the existing fuel farm capacity at TRV was 1,940 KL. TKIAL has submitted that the facilities are planned considering a longer term of 10-year planning timeline and that multiple storage tanks were required considering the need to maintain quality and testing as per the protocol defined.

7.3.103 On examination of the breakup of the cost of Rs.138.55 crores, the Authority noted that Rs. 15 crores relate to dead stock required for the new fuel farm facility. The Authority noted this to be reasonable and proposed to consider the same as additions to RAB during the current control period.

7.3.104 The Authority also noted that the remaining cost of Rs. 123.55 crores includes a 10% additional cost for working in operational areas. However, the Authority proposed to reduce the same to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost.

7.3.105 Therefore, the Authority proposed to consider a cost of Rs. 132.43 crores which was inclusive of Rs. 117.43 crores towards new fuel farm facility as determined after modifying the estimate of extra cost over approved rates for working in operational area and Rs. 15 crores towards dead stock required for the new fuel farm

facility. The Authority proposed to consider the capitalization of this facility in FY 2025-26 as submitted by TKIAL.

Table 129: Cost proposed by the Authority for Fuel Storage Farm

(Rs. in crores)

Particulars	Amount
New fuel farm facility (refer para 7.3.104)	123.55
Dead stock required for the new fuel farm facility (refer para 7.3.103)	15.00
Total cost submitted by TKIAL for Fuel storage farm	**138.55**
Less: Change in extra cost over approved rates for working in operational area	6.12
Cost proposed by the Authority for Fuel storage farm	**132.43**

7.3.106 Based on the above analysis and proposals, the fuel infrastructure and hydrant system cost proposed to be considered by the Authority for the Third Control Period was as presented below:

Table 130: Cost of Fuel Infrastructure & Hydrant System proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalisation		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
G.1	IOCL & BPCL Asset procurement	2024	2025	10.00	9.51	0.49
G.2	Dead stock of Product	2024	2025	5.00	5.00	-
G.3	Equipment cost	2024	2025	14.50	14.50	-
G.4	Fuel hydrant line	2026	-	167.57	-	167.57
G.5	Fuel storage farm	2026	2026	138.55	132.43	6.12
	Total			**335.62**	**161.44**	**174.18**

H. Boundary Wall (Rs. 36.49 crores)

7.3.107 TKIAL in its submission had stated the following:

H.1 Airport Boundary Wall (Rs. 4.52 crores):

"In view of the proposed land acquisition for implementation of projects like clearing of Basic strip north and east of RWY 14, full RESA development for RWY32, etc. the existing airside boundary wall to the North and East of RWY 14 needs to be re-constructed. Similarly, some of the existing airport site area which were not utilized earlier need to be included within airside area, and therefore new airside boundary wall needs to be built at these locations. This project development, however, is subject to the land acquisition/availability at the development side... The total length of new wall proposed is approximately 1,624m."

H.2 New Airside Perimeter after shifting boundary (Rs. 6.05 crores):

"The perimeter road towards North-East of RWY 14 falls within the basic strip of Runway 14-32. Due to this non-compliance of basic strip on RWY 14, perimeter road needs to be shifted towards cityside to clear the basic strip. This project development is subject to land acquisition/availability. The other perimeter road that needs to be developed is to the southwest of RESA 14. This development involves construction of approx. 13,812 sqm road pavement works."

7.3.108 The Authority noted the need for the project from an airport safety and security perspective. Further, the Authority also noted that the project execution was contingent upon the acquisition or availability of land at the Airport. Therefore, the Authority proposed not to consider the capital expenditure for boundary wall and new Airside Perimeter in the Third Control Period and shift the same to the next control period(s) once the land is made available for the construction of boundary wall by the airport operator.

H.3 Perimeter Intrusion Detection System (PIDS) (Rs. 25.92 crores):

7.3.109 The Authority noted that TKIAL had proposed installation of Perimeter Intrusion Detection System (PIDS) on the airside boundary wall to strengthen the airport's security infrastructure. TKIAL had submitted that CISF vide letter dated 9th July 2022 has noted the need for PIDS. The extract the letter was as below:

"... Moreover, we currently have an approximate perimeter wall spanning approximately 11 kilometers. It is imperative that the Perimeter Intrusion detection systems (PIDs) be installed in accordance with the latest specifications outlined by the Bureau of Civil Aviation Security (BCAS). Therefore, we kindly request you to initiate the installation procedure, ensuring strict adherence to the BCAS specifications for a seamless and compliant deployment..."

7.3.110 TKIAL has submitted an estimate of Rs. 20,500 per meter for the equipment installation together with the cost of fixing the structure to the wall for PIDS (this rate also includes 10% for extra cost over approved rates for working in operational area) for a total area of 12,645 meters.

7.3.111 The Authority noted that CISF had requested for PIDS to be installed and that BCAS, in its circular issued in June 2022, had stated that all hyper-sensitive airports in India needs to have PIDS installed by December 2023. However, TRV is categorized as a sensitive airport and not as hyper-sensitive.

7.3.112 Also, TKIAL had proposed the construction of a new boundary wall (Refer H.1 Airport Boundary Wall) in certain locations at the airport. The Authority noted that while the PIDS implementation will be subject to the mandate of BCAS, this can be executed only after completion of changes to the perimeter structure and the new boundary wall, in order to ensure that work relating to PIDS is efficiently carried out.

7.3.113 Therefore, the Authority was of the view that the project on PIDS may be executed in a phased manner once the perimeter structure and the new boundary wall is firmed up, as it would help in avoiding infructuous expenditure. Hence, the Authority proposed not to consider the same as part of RAB for this current control period. The Authority will review the same at the time of true up, during determination of tariff for fourth control period, subject to evaluation of efficiency and reasonableness.

I. Other Buildings (Rs. 69.93 crores)

I.1 New Airside Security Gates (Rs. 2.13 crores),
I.2 Security equipment for gates (Rs. 1.52 crores) and
I.3 Upgradation of Airside gates - Crash Gates, Morcha construction at gate 6,10,11 (Rs. 2.32 crores)

7.3.114 TKIAL had submitted that the proposed airfield developments for Terminal-I and Terminal-II, including apron expansions and other airside projects, necessitate the establishment of three new Airside Security Gates, security equipment for the gates and upgradation of the existing gates 6,10,11 (Crash Gates, Morcha construction). These gates play a crucial role in ensuring the connectivity and safety of the airfield. The significance and purpose of these proposed gates is to enhance the connectivity between different sections of the airfield, provide controlled entry and exit points for essential services, including ground handling operations, maintenance activities, and emergency response teams. These gates act as a critical layer of security to safeguard against unauthorized access to sensitive areas of the airfield. Due to the same, the submission of TKIAL towards security gates was proposed to be considered.

7.3.115 The Authority also noted that TKIAL has considered the purchase of the Security equipment Baggage Dual view X – Rays, DFMD and HHMD for the new gates at estimated cost of Rs. 1.52 crores. The Authority

found the costs to be reasonable and proposed to consider the same as additions to RAB during the current control period.

7.3.116 TKIAL had considered the upgradation of Airside gates at an estimated cost of Rs. 2.32 crores but has not shared the detailed breakup for the same. The Authority noted that the estimated costs of Rs. 2.32 crores for the upgradation of Airside gates were on the higher sides and hence proposed to consider Rs. 0.50 crores per gate, as allowed in Ahmedabad and Lucknow airports, for capitalization in the current control period.

7.3.117 Accordingly, the Authority proposed to consider the expenditure of Rs. 4.52 crores as detailed below.

Table 131: Cost for Airside Security Gate proposed by the Authority

(Rs. in crores)

Sl. No	Project Detail	Year of capitalization		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
I.1	New Airside Security Gate -1,2,3	2025, 2026, 2027	2025, 2026, 2027	2.13	1.50	0.63
I.2	Security equipment for Gates	2027	2027	1.52	1.52	-
I.3	Upgradation of Airside gates- Crash Gates, Morcha construction at gate 6,10,11	2027	2027	2.32	1.50	0.82
	Total			**5.97**	**4.52**	**1.45**

I.4 Airport Administration Building (Rs. 45.57 crores)

7.3.118 TKIAL had submitted a cost estimate of Rs. 45.57 crores (hard cost) for the construction of a new administrative building near Terminal-II. This proposal of TKIAL arose from the need for a larger facility, as the existing building, spanning 1,558 square meters, was insufficient to accommodate the anticipated workforce growth comprising both AAI and TKIAL staff, totaling 400 employees. TKIAL had submitted that, when considering the area per employee in the existing building (260-300 employees accommodated in 1,558 square meters), it became clear that the available space was insufficient for the proposed staffing levels and thus, the construction of a new administrative building was required to ensure a comfortable and efficient working environment for all employees.

7.3.119 During the Airport visit by its Independent Consultant, TKIAL informed that the current work force is housed in different buildings including temporary facilities such as containers. TKIAL had submitted that the need increases when there are Project employees of TKIAL/Project Management Consultants for supporting the Capital Expenditure plans.

7.3.120 TKIAL had provided the following basis for the cost estimation for the Administration Building:

Table 132: Cost estimate of Administration Building as submitted by TKIAL

(Rs. in crores)

Particulars	UOM	Rate (Rs.)	Quantity	Amount
New Structure	Sqm	79,700	5,600	44.63
Site Circulation	Sqm	4,700	1,993	0.94
Total				**45.57**

7.3.121 The Authority noted that TKIAL had not submitted any details for the site circulation cost. TKIAL had also considered a cost of 10% for working in operational areas. However, during the Airport visit, the Authority through its Independent Consultant noted that the new Administrative Building was not within the airside

operational area. Therefore, the Authority proposed not to consider the additional 10% for working in operational areas.

7.3.122 Based on the above, the Authority proposed to consider the total cost of Rs. 40.42 crores towards the cost of Administration building.

I.5 Minor Works – Other Buildings (Rs. 18.40 crores)

7.3.123 TKIAL submitted an estimate cost of Rs. 18.40 crores spread over three FYs, i.e., FY 2022-23, FY2023-24, FY 2024-25 for Minor Works – Other Buildings.

7.3.124 The Authority noted that the above amount was for various miscellaneous works such as Construction of New Staff Canteen & Creche in Terminal T-II, Upgradation of T-I Existing Canteen, Kitchen, Kitchen equipment, Furniture, Construction of Storeroom for Techno commercial and E&M and other miscellaneous works.

7.3.125 The Authority, through its Independent Consultant, verified the details of all the items and notes that the works planned by TKIAL were necessary. Further the Authority noted that some of the proposed capex was still under the planning stage, hence, the Authority proposed to shift the capitalization of such assets to FY 2024-25. The Authority had reviewed the details of the cost estimates submitted and proposed to consider only those works for which detailed break-up is provided by TKIAL.

7.3.126 On review of the detailed breakup, the Authority noted that the cost of "Structural strengthening of ancillary buildings" as per BOQ was Rs. 2.67 crores as against Rs. 2.86 crores in the MYTP submission. The Authority also noted that as of December 2023, the work on this project was in process. Therefore, the Authority proposed to consider the cost as per BOQ, i.e. Rs. 2.67 crores, as an addition to RAB in FY 2024-25, i.e. third tariff year of the current control period.

7.3.127 On review of FARs shared on 10th January 2024, the Authority noted that Rs. 2.40 crores was capitalized with respect to reinforcing / upgradation to the existing Admin Block and Rs. 0.15 crores was capitalized for development of open drains in FY 2022-23. The Authority also observed that as per the project status shared by TKIAL, the project on development of open drains had been completed and the total cost incurred was Rs. 0.46 crores. The Authority, therefore, proposed to consider the following:

- For upgradation of the existing Admin Block, the actual cost incurred of Rs. 2.40 crores for FY 2022-23 and the remaining portion of the total project cost in FY 2023-24 and FY 2024-25.
- For the development of open drains, the actual cost incurred of Rs. 0.46 crores as the total project cost with Rs. 0.15 crores incurred in FY 2022-23 and the remaining portion of the total project cost in FY 2023-24.

7.3.128 The Authority noted that TKIAL had not furnished the detailed breakup of cost for replacement of 11 KV Old HT panels in CCR with associated works and therefore proposed to not consider the cost for same during the current control period.

7.3.129 The Authority also noted that as per the status of project as of December 2023, "Construction of New Staff Canteen & Creche in Terminal T-II, Upgradation of T-I Existing Canteen, Kitchen, Kitchen equipment and Furniture's at TRV(Kerala) International Airport Ltd, provision for car/scooter shed for staffs, Replacement of scooter shed & provision of compound wall with covered parking at fire station, and Provision of water less urinal sensors at admin blocks & other ancillary buildings." was under planning stage. Therefore, the Authority proposed to consider the capitalization of this project in FY 2024-25.

7.3.130 The Authority will review the actual costs incurred and the date of capitalization for this project at the time of true-up of Third Control Period subject to evaluation of efficiency of costs and reasonableness.

Table 133: Cost for Minor works – Other buildings proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalization		Base Cost as per		Variance
I.5	Sustaining / Minor Capex Works	TKIAL	Authority	TKIAL	Authority	
1	Upgradation of the existing Admin block/Offices & office development of Engineering, Finance and HR offices including furniture	2023, 2024, 2025	2023, 2024, 2025	4.95	4.95	-
2	Construction of Storeroom for Techno commercial and E&M.	2024	2025	3.03	3.03	-
3	Provision for car/scooter shed for staffs (as per CA -Planned capex work)	2024	2025	1.10	1.10	-
4	Replacement of scooter shed & provision of compound wall with covered parking at fire station	2024	2025	0.77	0.77	-
5	Provision of water less urinal sensors at admin blocks and other ancillary buildings.	2024	2025	0.33	0.33	-
6	Replacement of 11KV Old HT panels in CCR with associated works	2024	2024	1.65	-	1.65
7	Structural strengthening of ancillary buildings	2024, 2027	2025, 2027	2.86	2.67	0.19
8	Development of open drains and area at new fire station including dismantling of old fire station and developing the pavement and other ancillary facilities after demolishing the old fire station	2023, 2024	2023, 2024	2.07	0.46	1.61
9	Providing and laying waterproofing on the terrace of old domestic terminal.	2023	2023	0.37	0.39	(0.03)
10	Construction of New Staff Canteen & Creche in Terminal T-II, Upgradation of T-I Existing Canteen, Kitchen, Kitchen equipment and Furniture's at TRV(Kerala) International Airport Ltd.	2023	2025	1.28	1.28	-
	Total			**18.40**	**14.97**	**3.42**

7.3.131 Based on the above, the total cost proposed to be considered by the Authority for Other Buildings was as below:

Table 134: Other Building cost proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalisation		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
I.1	New Airside Security Gate - 1,2,3	2025, 2026, 2027	2025, 2026, 2027	2.13	1.50	0.63
I.2	Security equipment for Gates	2027	2027	1.52	1.52	-
I.3	Upgradation of Airside gates-Crash Gates, Morcha construction at gate 6,10,11	2027	2027	2.32	1.50	0.82
I.4	Administrative Building	2026	2026	45.57	40.42	5.15
I.5	Minor Capex Projects (Table 133)	2023, 2024, 2025, 2027	2023, 2024, 2025, 2027	18.40	14.97	3.42

Sl. No.	Project Detail	Year of capitalisation		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
	Total			**69.93**	**59.91**	**10.02**

J. IT (Rs. 58.05 crores)

J1. IT – Strategic Projects (Rs. 45.10 crores)

7.3.132 The Authority noted that TKIAL has submitted IT – Strategic Projects of Rs. 45.10 crores which includes various IT initiatives as mentioned below:

- IT Network Segmentation (~ Rs. 14.33 crores)
- IOT-enabled PAX Count, Flow and Queue Monitoring (~ Rs. 7.64 crores)
- IOT-enabled Asset Tracking Project (~ Rs. 4.93 crores)
- Wi-Fi Network - Passenger (~ Rs. 4.2 crores)
- Traffic Management (~Rs. 0.8 crores)
- Vehicle Tracking and SLA Violation Reporting (~Rs. 0.8 crores)
- Landside Security Camera (CCTV) (~Rs. 0.56 crores)
- Wi-Fi Network - Indoor (~Rs. 0.39 crores)
- AI, IOT, R&D and other Strategic Initiatives (~Rs. 2 crores)

7.3.133 The Authority notes that IT - Strategic Projects are essential for modernizing the airport, improving operational efficiency, enhancing passenger experience and ensuring the airport's overall safety and security. The Authority noted that TKIAL has provided the nature of the projects included under IT-Strategic Projects except for "Traffic Management". The Authority also noted that the final cost for these projects will be firmed up once the orders of award are issued. The Authority proposed to consider 50% of the proposed capital expenditure after excluding the cost for "Traffic Management" as addition to RAB in the current control period and other costs upon incurrence which will be trued-up in the next control period.

7.3.134 Break-up of costs relating to IT - Strategic Projects submitted by TKIAL and the Authority's proposal for the same was as given below:

Table 135: Cost proposed by the Authority for IT – Strategic Projects

(Rs. in crores)

Project	Nature of Projects	Amount
IT Network Segmentation	Undertaken to mitigate the effect of frequent outage on the IT system	14.33
IOT-enabled PAX Count, Flow and Queue Monitoring	Sensor based software for tracking passenger movement	7.64
IOT-enabled Asset Tracking Project	Tracking of movable assets like baggage trolley, wheelchair, etc. using GPS, barcode, etc.	4.93
Wi-Fi Network - Passenger	Passenger Internet Connectivity	4.20
Vehicle Tracking and SLA Violation Reporting	Monitoring of vehicle traffic at both departure and arrival	0.80
Landside Security Camera	CCTV system at CISF recommended locations	0.56
Wi-Fi Network - Indoor	Airport Staff Internet Connectivity	0.39
AI, IOT, R&D and other Strategic Initiatives	Budgeted for AI BOT and others	2.00
Total cost break-up submitted by TKIAL		**34.85**
Proposed by the Authority (50%)		**17.43**

7.3.135 The Authority also noted on examination of the FY 2022-23 FAR that Rs. 7.60 crores had been capitalized in FY 2022-23. The Authority proposed to consider the same as addition to RAB for FY 2022-23 of the current control period.

J2. Minor IT Projects (Rs. 12.95 crores)

7.3.136 The Authority noted that TKIAL had, along with the IT strategic projects, submitted certain capex costs relating to BU Growth & Sustenance, Cyber, Integration etc. totaling to Rs. 12.95 crores to be incurred from FY 2022-23 to FY 2026-27.

7.3.137 The Authority noted that the proposed capex for the project "Upgradation of Network Adapter by replacement of Media converter with Industrial grade Managed Ethernet switch" BU Growth & Sustenance and "Automation of all forms at Apron and IT equipment upgradation in Apron Control" were under planning stage or the work is in progress and hence proposed to shift the capitalization to FY 2023-24.

7.3.138 The Authority also noted on examination of the FARs shared that Rs. 0.88 crores, Rs. 0.93 crores and approximately Rs. 0.01 crores was capitalized till 30th September 2023 for the projects Workstation with required accessories, Integration activities and Cyber security respectively. The Authority proposed to consider the same as addition to RAB for FY 2022-23 and FY 2023-24 as applicable and adjust correspondingly the capex proposed to be capitalized in the remaining years.

7.3.139 Based on the above analysis, the Authority proposed to consider the following cost for IT projects for the Third Control Period:

Table 136: Cost for IT project proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalization		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
J.1	**Strategic Projects**					
	Sub Total	2023,2024, 2025,2026, 2027	2023,2024, 2025,2026, 2027	**45.10**	**17.43**	**27.67**
J.2	**Sustaining / Minor Capex Works**					
a.	BU Growth & Sustenance	2023,2024, 2025,2026, 2027	2024,2025, 2026,2027	3.16	3.16	-
b.	Workstation with required accessories like LaserJet Printers, Scanners etc.	2024,2025, 2026,2027	2023,2024, 2025,2026, 2027	1.43	1.43	-
c.	Integration activities	2023,2024, 2025,2026, 2027	2023,2024, 2025,2026, 2027	3.18	3.18	-
d.	Automation of all forms at Apron and IT equipment upgradation in Apron Control	2023,2024, 2025,2026, 2027	2024,2025, 2026,2027	0.99	0.99	-
e.	Safety Occurrence Reporting Software	2024	2024	0.55	0.55	-
f.	Cyber Security related	2023,2024, 2025,2026, 2027	2023,2024, 2025,2026, 2027	2.15	2.15	-
g.	Upgradation of Network Adapter by replacement of Media converter with Industrial grade Managed Ethernet switch. The scope includes supplying all the	2023	2024	0.27	0.27	-

Sl. No.	Project Detail	Year of capitalization		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
	necessary hardware including power supplies for each managed switch, disconnecting old media converters from the system & connecting new managed Ethernet switches in the system.					
h.	Passive Components	2024,2025, 2026,2027	2024,2025, 2026,2027	1.22	1.22	-
	Sub Total			**12.95**	**12.95**	-
	Total			**58.05**	**30.38**	**27.67**

K. Environment Related Projects (Rs. 24.15 crores)

K.1 Airside Fuel/ EV Charging Station for Rs. 2.08 crores had been projected by TKIAL in FY 2024-25. (consisting of 30KW charging points 3 nos, 2 fuel dispensing units and associated facilities). The Authority noted that this is a green energy initiative at the airport and the estimated cost was found to be reasonable. Hence, the Authority proposed to consider this Capital Expenditure as an addition to RAB in FY 2024-25.

K.2 Airport Owned Electric Vehicles projected by TKIAL for Rs. 6.16 crores was proposed to be capitalized in FY 2024-25. The Authority noted that this is a green initiative from an environmental perspective and that the existing vehicles of TKIAL are old. Hence, TKIAL had planned for replacement of such old vehicles with electric vehicles. The Authority had reviewed the estimated cost submitted by TKIAL and notes that, order for 17 plus vehicles with an average price of Rs. 0.35 crores was placed, of which 4 vehicles have already been procured. The Authority found the estimated cost of TKIAL to be reasonable and accordingly proposed to consider this Capital expenditure.

The Authority also noted that as per FAR submitted, TKIAL had capitalized Rs. 2.37 crores in FY 2022-23 based on actual cost incurred. The Authority proposed to consider the same as capital additions in FY 2022-23 in the current control period.

K.3 Other Environmental Related capital items – TKIAL had a projected cost of Rs. 8.50 crores for activities towards safety and environmental requirements such as STP, a waste disposal facility for aircraft toilets etc. The Authority noted that capital expenditure proposed by TKIAL was to support Carbon Neutrality and Net Zero Emissions initiatives, focusing on reducing emissions, developing green infrastructure, enhancing energy efficiency, and implementing resource conservation measures for improved airport operations. The Authority found the estimated cost of TKIAL to be reasonable and hence proposed to consider the same as additions to RAB. However, the Authority noted that the proposed capex was still under planning/tendering stage, hence, the Authority proposed to shift the capitalization of "Conversion of Halogen type runway fittings with LED type fittings" to FY 2024-25 and "Energy Management system for monitoring Electricity Consumption including Digital energy meters" to FY 2023-24 and FY 2024-25. The Authority also noted that as per TKIAL's reply to query dated 10th January 2024, the work on "IoT based Water Management" had been completed in FY 2023-24 and the actual cost incurred was approximately Rs. 0.14 crores as against Rs. 0.17 crores submitted by TKIAL. Therefore, the Authority proposed to consider the capitalization in FY 2023-24 and the actual cost towards addition to RAB during the current control period for the project "IoT based Water Management".

K.4 DG Retro fitting projected by TKIAL for Rs. 3.08 crores – As per Kerala Pollution Control Board Order, all DGs of 500 KVA and above rating need to be retrofitted to reduce the release of greenhouse gases

in the atmosphere. Accordingly, TKIAL had planned for retro fitting of 10 DG sets in a phased manner (8 DG sets from Cummins and 2 DG sets of Greaves). The Authority observed that this was a statutory requirement and is also a green energy initiative and thus proposed to consider the same as part of additions to RAB. However, the Authority noted that the proposed capex was still under tendering stage as per reply to query dated 10th January 2024, hence, proposed to shift the capitalization of the asset to FY 2023-24 to FY 2026-27 as against the capitalization from FY 2022-23 to FY 2025-26 submitted by TKIAL.

K.5 Triturator of Rs. 3.34 crores had been projected for capitalization by TKIAL in FY 2024-25. The Authority noted that Triturator is an automated and closed airliner waste disposal system, which drains the contents of the lavatory vehicles into the sewer system with minimal odor or risk of spills. Liquid waste from aircraft shall be treated at Triturator as a primary treatment and further will be pumped to STP for secondary treatment. The Authority proposed to consider the cost estimate submitted by TKIAL as part of additions to RAB in FY 2024-25.

K.6 & K.7 Solid Waste Management – Landside and T-II - TKIAL had claimed an amount of Rs. 0.99 crores towards Solid Waste Management facility. The Authority, after examining the project details, noted that it is a statutory requirement, however the Authority noted that the current status of the proposed capex was still under planning stage and therefore proposed to consider capitalization of the same in FY 2023-24.

7.3.140 Based on the above analysis, the Authority proposed to consider the following cost towards Environmental related projects for the Third Control Period:

Table 137: Cost for Environmental related projects proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalization		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
K.1	Airside Fuel/ EV Charging Station (30KW charging points 3 nos; 2 fuel dispensing units and associated facilities)	2025	2025	2.08	2.08	-
K.2	Airport Owned Electric Vehicles Procurement	2023, 2024, 2025	2023, 2024, 2025	6.16	6.16	-
K.3	Other Environment Related					
a.	Conversion of Halogen type runway fittings with LED type fittings	2024	2025	5.50	5.50	-
b.	Continuous (real-time) Ambient air quality monitoring stations (CAAQM)	2026	2026	1.10	1.10	-
c.	Continuous (real-time) Noise monitoring stations (CNMS)	2026	2026	1.10	1.10	-
d.	Energy Management system for monitoring Electricity Consumption including Digital energy meters.	2023, 2024	2024, 2025	0.64	0.64	-
e.	IoT based Water Management	2023	2024	0.17	0.14	0.03
	Sub Total (K.3)			**8.50**	**8.48**	**0.03**
K.4	DG Retro fitting	2023, 2024, 2025, 2026	2024, 2025, 2026, 2027	3.08	3.08	-
K.5	Triturator	2025	2025	3.34	3.34	-
K.6	Solid Waste Management – Landside	2023	2024	0.44	0.44	-

Sl. No.	Project Detail	Year of capitalization		Base Cost		Variance
		TKIAL	Authority	TKIAL	Authority	
K.7	Solid Waste Management Plant at T-II	2024	2024	0.55	0.55	-
	Total			**24.15**	**24.13**	**0.03**

L. Sustaining / Minor Capex Works (Rs. 106.49 crores)

L.1 Oil Water Separator (OWS) for Rs. 11.46 crores had been projected by TKIAL in FY 2024-25. In this regard, TKIAL had stated the following:

"Wastewater from aprons, hangars, cargo facilities, GA & GSE workshop, etc. contains floating oil along with suspended solids. These need to be separated from the water through screens, oil water separator, and Grit Chamber. After removal of floating oil and suspended solids, the wastewater is to be treated in STP..."

The Authority noted that this is an important activity for environment management at the airport. The Authority had analyzed the cost estimate submitted by TKIAL and observed that the cost proposed for the 3 units of Oil Water Separator by TKIAL was as per the PAR/DSR and market rates. The Authority noted that the rates for some of the line items were not in line with DSR 2021 and proposed to revise the same. The Authority also noted that TKIAL had considered 10% of the cost towards working in airside area. However, the Authority was of the view that the provision made by TKIAL was quite high and therefore proposed to reduce the same to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost.

Based on the above revision the Authority proposed to consider a capital expenditure of Rs. 11.01 crores towards OWS as against the Rs. 11.46 crores projected by TKIAL. Further the Authority notes that as per the status of projects shared by TKIAL, the proposed capex was still under planning stage. Therefore, the Authority proposed to shift the capitalization to FY 2025-26.

L.2 Runway rubber removal machine (RRRM) was projected by TKIAL for Rs. 6.82 crores in FY 2022-23. The Authority noted that the rubber removal activities were to be carried out by TKIAL at regular intervals to maintain the friction level as per the standard. Further, on examination of the cost breakup submitted by TKIAL and comparing the estimated costs of this asset with other similar airports, the Authority noted the same to be reasonable. Considering the operational requirements of the Airport, the Authority proposed to consider this as part of the additions to RAB in the current control period.

Further the Authority noted that though the Purchase Order has been issued for this proposed capex, the material was yet to be delivered. Hence, the Authority proposed to shift the capitalization to FY 2023-24.

L.3 Fire Fighting Equipment and facilities – TKIAL had projected a total of Rs. 42.71 crores as estimated capital cost under this head. This includes:

- Replacement of 3 Nos. ACFTs (Rs. 36 crores) – ACFTs need to be replaced in a phased manner due to ageing. TKIAL has submitted that the existing ACFTs were handed over from AAI and bought in 2009-10.
- Driving and Fire Fighting simulator – Rs. 4.20 crores
- Triage and rescue tools for ARFF – Rs. 2.50 crores
- Other miscellaneous items such as Video Recorder, Fire Fighter turnout fear locker, extendable hose, radiation detector etc.

The Authority noted that these items are required for ensuring safety and for emergency response. The Authority had reviewed the quotation for ACFTs and noted the estimate to be reasonable. However, the

Authority proposed that these can be replaced in stages and hence proposed to consider the cost of 2 ACFTs, i.e. Rs. 24 crores in this control period, while the other one could be be procured in the next control period.

The Authority also noted that the Driving and Fire Fighting simulator cost allowed for Hyderabad airport was only Rs. 4 crores and that the cost as per BOQ submitted by TKIAL for Triage and rescue tools for ARFF was only Rs. 2.14 crores. The Authority, therefore, proposed to consider Rs. 4 crores and Rs. 2.14 crores for Driving and Fire Fighting simulator, and Triage and rescue tools for ARFF respectively for the current control period.

Based on the above revision, the Authority proposed to consider a capital expenditure of Rs. 30.14 crores towards Fire Fighting Equipment and facilities as against the Rs. 42.71 crores projected by TKIAL. Further the Authority noted that Rs. 0.44 crores had been capitalized in FY 2022-23 as per the FAR submitted by TKIAL. Hence, the Authority proposed to consider the same as actual capital addition for the year and shift the remaining portion of the initial capitalization from FY 2022-23 to FY 2023-24 and the capitalization in FY 2023-24 to FY 2024-25.

L.4 Trolleys – Rs. 7.67 crores was projected under this head for capitalization by TKIAL during the Third Control Period. The Authority noted that TKIAL had approximately 1,700 trolleys. As per Schedule H parameters of Concession Agreement, 100% of trolley should be available to all passengers. Therefore, with approximately 3,160 nos. of peak hour passengers in FY 2023-24 (capacity of both the terminals combined) it is important to have required trolleys available at TRV.

Further, the Authority noted that TKIAL has submitted vide reply to queries dated 8th June 2023, that the rate per trolley is Rs. 33,000 and that 150 number of trolleys were proposed to be added in FY 2022-23 and 400 trolleys per year from the year thereafter. TKIAL had also considered an annual rate hike of 7 percent. The Authority also noted that, of the Rs. 0.65 crores planned for purchase in FY 2022-23, only Rs. 0.49 crores was capitalized in FY 2022-23 as per FAR submitted by TKIAL. The Authority therefore proposed to consider the purchase of remaining trolleys in FY 2023-24. The Authority also proposed to consider a purchase of 800 trolleys in FY 2024-25 and 400 each in the remaining two tariff years of the current control period. The Authority proposed to consider an inflationary hike as per Table 168 on the per trolley rate as the rate escalation of 7% submitted by TKIAL appeared to be high.

Based on the above revision, the Authority proposed to consider a capital expenditure of Rs. 6.15 crores towards Trolley as against the Rs. 7.67 crores projected by TKIAL.

L.5 Other Works for Rs. 37.83 crores was proposed by TKIAL across all the five tariff years. The Authority noted that the estimated cost under this subhead included the works/equipment mainly towards ASFT, Ambulance, passenger processing system, facility for wildlife hazard management, installation of stop bar and runway guard lights etc. TKIAL had submitted that the requirements were projected by TKIAL based on various guidelines issued on maintaining the safety and security aspects of the airport. The Authority noted that some of these projects relate to environmental compliance requirements at the airport. The Authority had reviewed the proposed costs and noted that these were reasonable. Hence, the Authority proposed to consider this cost as part of CAPEX.

TKIAL, vide reply to query dated 10th January 2024 had submitted the current status of the projects along with the FAR as on 31st March 2023 and 30th September 2023. On review of the same, the Authority noted the following:

a. Requirement of Furniture/ RO (Reverse Osmosis) plant / Labor Management system/GYM material for CISF - The Authority noted that as per the FAR submitted, Rs. 0.11 crores was capitalized in FY 2022-23. Therefore, the Authority proposed to consider the same and also to consider the capitalization of the remaining project cost as per TKIAL's submission.

b. CISF QRT Vehicle – The Authority noted that this project has been completed at a total cost of Rs. 1.10 crores with Rs. 1.04 crores being incurred in FY 2022-23 and the remaining in FY 2023-24. The Authority proposed to consider the same as capital addition during the current control period against Rs. 1.43 crores of base cost claimed by TKIAL.

c. Supply and laying of 11KV HT feeder cables to various substations/Power houses – The Authority noted that this project had been completed at a total cost of Rs. 1.01 crores with Rs. 0.61 crores being incurred in FY 2022-23 and the remaining in FY 2023-24. The Authority proposed to consider the same as capital addition during the current control period as against Rs. 0.97 crores of base cost claimed by TKIAL.

d. Garden lighting and NITB terminal building south side neon strip lighting with Programmable DMX controller and Improvement to external garden lighting – The Authority noted that as per the FAR submitted, Rs. 0.92 crores was capitalized in FY 2022-23. Therefore, the Authority proposed to consider the same and to consider the capitalization of the remaining portion of the total project cost in FY 2023-24.

e. Others – The Authority noted that projects whose total base cost was Rs. 2.37 crores as per TKIAL, was completed at a cost of approximately Rs. 2.08 crores. The Authority proposed to consider this cost of Rs. 2.08 crores as capital addition during the current control period.

Further, the Authority noted that some of the assets which were supposed to be capitalized in FY 2022-23 were still either in the planning stage or a Purchase Order was issued but the material was yet to be received. The Authority therefore proposed to shift the capitalization of such assets by one year.

The details of the items proposed to be considered by the Authority and the revised year of capitalization was as shown in the table below:

Table 138: Details of Other Works proposed by the Authority

(Rs. in crores)

Sl. No	Project Detail	Year of capitalization		Base Cost as per		Variance
L.5	Other Sustaining / Minor Capex Works	TKIAL	Authority	TKIAL	Authority	
	ASFT (Airfield surface friction tester)	2023	2024	1.76	1.76	-
	View Cutter	2023	2024	1.10	1.10	-
	Grass cutting and collection machine – Trilo	2024	2024	1.21	1.21	-
	Purchase of Ambulance	2023, 2024, 2025, 2026	2024, 2025, 2026	2.93	2.93	-
	Passenger processing system	2023	2024	4.71	4.71	-
	Requirement of Furniture/ RO (Reverse Osmosis) plant / Labor Management system/GYM material for CISF	2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	1.64	1.64	-
	Flight Radar monitoring screen at AOCC	2023	2024	2.42	2.42	-
	Facility for Wildlife Hazard Management	2024, 2025, 2026, 2027	2024, 2025, 2026, 2027	1.78	1.78	-

Sl. No	Project Detail	Year of capitalization		Base Cost as per		Variance
L.5	Other Sustaining / Minor Capex Works	TKIAL	Authority	TKIAL	Authority	
	Replacing of Ground Light Facility (GLF)cables approximate 8000 meters	2024	2024	0.94	0.94	-
	SCADA system for CCR	2025	2025	1.32	1.32	-
	Installation of Stop bar and runway Guard lights at Thiruvananthapuram International Airport	2024	2024	2.20	2.20	-
	BA set inclusive of software for monitoring	2027	2027	0.55	0.55	-
	CTSR (Containerized Tubular Shooting Range)	2024	2024	1.54	1.54	-
	CISF QRT Vehicle	2023	2023, 2024	1.43	1.10	0.33
	Four-Wheeler Electric	2024, 2025	2024, 2025	0.85	0.85	-
	Tensas barriers/ Stanchions	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	1.01	1.01	-
	Supply and laying of 11kV HT feeder cables to various substations/Power houses	2023	2023, 2024	0.97	1.01	(0.04)
	Replacement of Old LT PCC panels in CCR and associated works	2024	2025	0.55	0.55	-
	Garden lighting and NITB terminal building south side neon strip lighting with Programmable DMX controller and Improvement to external garden lighting	2024	2023, 2024	1.08	1.08	-
	Procurement of 22 meters Boom lift and vehicle mounted hydraulic ladder for maintenance work	2024	2024	1.32	1.32	-
	AHCR, RLCC Furniture	2023	2024	0.06	0.06	-
	Vehicle recovery Van	2024	2024	0.17	0.17	-
	RT sets for Apron, Fire, AOCC and Terminal	2023	2023	0.19	0.08	0.11
	Procurement of 01 no. EICHER Truck Pro 2075 having 18 Feet long vehicle for carrying Triage Equipment by Fire services	2023	2024	0.22	0.22	-
	Providing new Bird scarer hut and other miscellaneous works at Operational Area, Trivandrum Airport	2023	2024	0.07	0.11	-0.04
	Fire Alarm system for 66KV Substation and CCR	2023	2024	0.04	0.04	-
	Provision for Fire alarm monitoring system (DTB & NITB) in New Fire station.	2023	2024	0.07	0.07	-
	Electric buggies to shuttle nursery between the two terminals	2024, 2025	2024, 2025	0.29	0.29	-
	Replacement of Roofing sheet at ATC Tower	2023	2023	0.13	0.14	-0.01

Sl. No	Project Detail	Year of capitalization		Base Cost as per		Variance
L.5	Other Sustaining / Minor Capex Works	TKIAL	Authority	TKIAL	Authority	
	Supply of 60 Nos of 3mtrs light pole with 50w led light for carparking area in domestic and international terminal.	2023	2023	0.25	0.27	-0.02
	Automated External Defibrillators - For handling passenger medical emergency	2024, 2026	2024, 2026	0.35	0.35	-
	Replacing of GLF light UPS 100kva 3 Nos	2025	2025	0.25	0.25	-
	Speed sensor gun with camera Opex mentioned in Sl. No. 19	2024	2024	0.17	0.17	-
	BA Equipment	2024, 2025, 2026, 2027	2024	0.05	0.05	0.00
	BA face mask and regulator disinfecting machine with CAMC	2024	2024	0.33	0.06	0.27
	BA compressor- 02 nos.	2027	2027	0.17	0.17	-
	Aerodrome Safeguarding Equipment	2023, 2024	2024, 2025	0.33	0.33	-
	Motorcycle (Electric)	2024	2024	0.06	0.06	-
	Providing LED signages "Thiruvananthapuram International Airport" at Air side of NITB & DTB	2023	2023	0.45	0.45	-0.00
	Provision of Additional Visual Guidance Signboards Near IAF Apron	2023	2024	0.10	0.10	-0.00
	Providing and fixing welcome/exit/entry signages near Bypass Road, Chackai (2 Nos of boards)	2023	2024	0.16	0.16	-
	Improvement works for chute (Gate no. 4) of domestic terminal at Thiruvananthapuram International Airport	2023	2024	0.20	0.20	-
	Golf cart	2024, 2027	2024, 2027	0.39	0.39	-
	SITC of 13 /8 Meter LED High mast shaft polygon in shape, continuously tapered split into two sections, made from high tensile Steel, hot dip galvanized, suitable for 42m/sec wind speed as per IS 875 part (3), (Ops area - 3 High masts)	2023	2023	0.35	0.34	0.01
	Replacement of Current Transformer at 66kV Substation at Thiruvananthapuram International Airport	2023	2023	0.29	0.29	-0.00
	Automatic rescue device for existing lift in NITB	2023	2023	0.10	0.11	-0.01
	Replacement of starter panel to VFD for all 19 Nos of AHUs with thermostat and fire dampers DTB	2024	2024	0.39	0.39	-
	Online UPS for Terminal Lighting at T1	2024	2025	0.08	0.08	-
	Procurement of painting machine, mini roller, walk behind roller for runway, taxiway, carpark, approach roads and other landside maintenance works	2024	2024	0.44	0.44	-

Sl. No	Project Detail	Year of capitalization		Base Cost as per		Variance
L.5	Other Sustaining / Minor Capex Works	TKIAL	Authority	TKIAL	Authority	
	Mobile Mast for runway work	2024	2024	0.06	0.08	-0.02
	Procurement of diesel dewatering pump 5hp	2024	2024	0.28	0.28	-
	Provision of E taps, Touchless/ sensor soap dispensers at DTB washrooms	2023	2024	0.06	0.06	-
	Total			**37.83**	**37.25**	**0.58**

7.3.141 Based on the above analysis, the Authority proposed to consider the following cost for sustaining/minor capex for the Third Control Period:

Table 139: Cost for Sustaining/ Minor Works proposed by the Authority

(Rs. in crores)

Sl. No.	Project Detail	Year of capitalization		Base Cost as per		Variance
L	Sustaining / Minor Capex Works	TKIAL	Authority	TKIAL	Authority	
L.1	Oil Water Separators (OWS)	2025	2026	11.46	11.01	0.45
L.2	1 Runway Rubber Removal Machine	2023	2024	6.82	6.82	-
L.3	Fire Fighting Equipment and facilities	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	42.71	30.14	12.57
L.4	Trolleys	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	7.67	6.15	1.51
L.5	Other Works	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	37.83	37.25	0.58
	Total			**106.49**	**91.37**	**15.12**

Cost claimed towards technical services, PMC, Preliminaries and Pre-operatives, Contingencies, Statutory approvals, Labour cess, Site-preparation, Insurance etc.

7.3.142 The Authority observed that TKIAL had claimed Rs. 522.48 crores towards Technical Services, PMC, Preliminaries & Pre-operatives, Contingencies, Insurance, etc., for all the projects. The total amount of Rs. 522.48 crores worked out to approximately 16% on the total estimated base cost-plus cost of indexation of all the Capex projects.

7.3.143 The Authority upon review of TKIAL's explanation and relevant documents noted the following:

i. In respect of Rs. 522.48 crores claimed by TKIAL towards PMC and other costs, the Authority noted that for other PPP airports such as HIAL, BIAL, DIAL etc. the above-mentioned costs had been considered in the past in the range of 8% - 11% of the project costs. The Authority was of the view that 16% claimed by the TKIAL was on a very high side, as compared to other PPP Airports and hence not justified. Also, the Authority noted that a significant portion of the cost being considered is for procuring equipment etc. on which there is no Project Management cost etc. required to be incurred. The Authority proposed to consider an overall estimate of 8% on the total capital expenditure which in turn, provides for a higher loading of these soft costs on the relevant projects. Accordingly, the Authority proposed to consider the aforementioned costs to the extent of 8% of the Capital Expenditure costs allowed by the Authority for the current Control Period. The Authority had thus derived the amount proposed to be allowed towards

the aforementioned costs as Rs. 97.28 crores, as against Rs. 522.48 crores claimed by TKIAL.

ii. The Authority notes the following:

a. Many of the CAPEX allowed to TKIAL are bought out items, wherein orders are placed on Supply, installation, Testing & Commissioning (SITC) basis. Hence, soft costs such as Project Management Consultancy (PMC), Design etc. need not be incurred on such items.

b. The new Capital Expenditure allowed to AO includes works on air side. On air side works such as Apron, Taxiway, Runway overlay, Fuel Farm etc., PMC charges are normally in the range of 1% to 3% maximum.

c. Soft cost claimed by TKIAL includes contingencies also, which do not come as a separate line item while capitalizing the assets and is not to be claimed without any contingent activity.

Hence taking an overall view, soft cost @ 8% of total capital expenditure was reasonable and justified.

Further, the Authority noted that the soft cost @ 8% allowed on Aero CAPEX is in addition to the cost of Independent Engineer (whose roles and responsibilities have been defined in Clause 24.1. and 24.2 Schedule L of the Concession Agreement) which was considered while determining ARR of TKIAL for the Third Control Period.

iii. The decrease in costs is mainly on account of applying 8% on the 'allowable' Capital Expenditure as against 16% claimed by AO and the reduction in Capital Expenditure considered by the Authority due to shifting/ disallowance of some projects such as Construction of new Domestic terminal -1, GA Terminal, Construction of Code C Taxiway for GA Apron, Fuel hydrant line, Airport Boundary Wall, etc., as well as rationalization of certain others during the Third Control Period such as Expansion of Terminal-II apron, New Airside Security Gate, International Cargo Centre (ICC), Fuel storage farm, Development of RESA for RWY 32, Fire Fighting Equipment and facilities, etc.

7.3.144 The Authority proposed to reduce (adjust) 1% of the uncapitalized project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule. It was further proposed that if the delay in completion of the project was beyond the timeline given in the capitalization schedule, due to any reason beyond the control of the TKIAL or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the next Control Period. The re-adjustment in the ARR/ Target Revenue is to protect the interest of the stakeholders who are paying for services provided by TKIAL and is also encouragement for TKIAL to commission/ capitalize the proposed assets as per the approved CAPEX plan/ schedule.

Indexation

7.3.145 The Authority noted that TKIAL had submitted the year-wise expenditure on the different projects proposed by considering FY 2023 as the base year. Based on the year-wise cashflow, TKIAL had adjusted the expenditure to account for inflation in the future years. TKIAL had considered inflation at 5% and had computed indexation cost as Rs. 351.97 crores.

7.3.146 The Authority proposed to revise the indexation cost based on the rate of inflation proposed by it for the projects allowed for the Third Control Period (refer Table 168). Based on the above revision, and changes to

the commencement/ completion year of the projects, the Authority had arrived at an Indexation cost of Rs. 62.02 crores as against Rs. 351.97 crores claimed by TKIAL.

Financing allowance / IDC

7.3.147 TKIAL has claimed Financing Allowance / IDC of Rs. 340.34 crores for the CAPEX projects which was calculated on the average Capital Work in Progress (CWIP) of the entire project funds (funded out of debt and equity), at the rate of 12% (which is cost of debt).

The Authority had examined AO's claim as well as the justification provided for the same in detail and had summarized its view as shown below:

- The Authority considers that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators, as the investment in the asset class will then be equated to risk free rate of return.
- Further, provision of Financing Allowance will disincentivize TKIAL from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority was of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred if debt is used for funding projects.
- Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.
- Developments at greenfield airports inherently take longer durations to commission and operationalize. Therefore, the Airport Operator would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned a financing allowance in the initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports in any of its Tariff Orders. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted only on the debt portion of the proposed capital expenditure.
- It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports cannot be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the airport operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, where TKIAL brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and TKIAL is able to collect charges from the users. In the case of TKIAL, the Airport ought to be considered as a brownfield airport, which in the opinion of the Authority would not be eligible for an allowance on the equity portion of newly funded capital projects.
- Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when TKIAL funds the projects

through a mix of equity and debt. Further, the Authority opines that only IDC should be provided on the debt borrowings availed for the execution of a project.

- AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on the equity portion of the capital expenditure. Further, the proviso to Section 13 (1) (a) states that "*different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii) of Section 13 (1) (a)*".
- In respect of IDC, the Authority is inclined to allow the same and accordingly, the Authority had considered IDC to be provided on the debt portion of the value of average CWIP derived on the basis of revised Capitalization Schedule proposed by the Authority. Further, the Authority proposed to consider the notional gearing ratio (debt-equity ratio of 48:52) followed for other PPP airports and cost of debt @ 9% for the Third Control Period for calculating the value of IDC. Based on the same, the Authority had derived an amount of Rs. 36.01 crores and proposed to allow the same as against Rs. 340.34 crores (as Financing Allowance and IDC) claimed by the TKIAL for the Third Control Period.

7.3.148 The Authority noted that TKIAL had not paid any GST amount (on the value of RAB and CWIP invoices) to AAI. Further, in future, if AAI is required to bear the GST, then based on the indemnity bond provided by TKIAL, the same will be recovered by AAI from the TKIAL. As the GST amount had not been paid by the TKIAL, the Authority had not considered the same for determining RAB for the Third Control Period. However, the Authority will consider the statutory payments relating to GST amount on RAB and CWIP invoices, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff of the next Control Period.

7.3.149 In respect of stamp duty and registration charges on the CA, the Authority noted that as per the terms of the CA, TKIAL was required to pay the applicable duty and charges and has applied to the State Authority for assessment of the stamp duty amount. However, the Authority notes that TKIAL had not paid the amount, as the assessment order had not been received from the State Authority. Hence, the Authority had not considered the same as part of RAB for the Third Control Period. However, the Authority will consider the stamp duty and registration charges on the CA, if required so, on actual incurrence basis, at the time of true up of the Third Control Period, while determining tariff of the next Control Period.

7.3.150 The Authority noted that TKIAL would be eligible to claim GST Input Tax Credits on procurement of certain movable property. The Authority expects that the TKIAL would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 at the time of true up of the RAB for the Third Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the Fourth Control Period.

7.3.151 Based on the analysis detailed above, the Authority proposed the Total Capital Expenditure for the Third Control Period as per the table below:

Table 140: Capital Expenditure proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Ref. No.	Project Detail	Base Cost*	FY of capitalization
A	**Terminal Building**		
A.1	Upgradation of Existing Terminal Building (T-I)	18.70	2025

Ref. No.	Project Detail	Base Cost*	FY of capitalization
A.2	Construction of New Domestic Terminal (T-I)	-	-
A.3	Upgradation & Expansion of Terminal Building (T-II)	553.75	2026
	Sub-Total (A)	**572.45**	
B	**Runway, Taxiway and Apron**		
B.1	Airside/Landside Drain Network (3.5m W x 2 m D)	113.43	2027
B.2	Development of RESA for RWY 32	0.50	2025
B.3	Grading of runway, taxiway strips and other critical areas in operational area.	9.76	2024
B.4	GSE Staging - (Rigid Pavement)	2.18	2025
B.5	Sustaining / Minor Capex Works	7.08	2023, 2024, 2025
B.6	Expansion of Terminal-II apron (Area includes HOS, Transition pavements, demolition & new pavements)	37.94	2025
	Sub-Total (B)	**170.87**	
C	**Runway Recarpeting**		
C.1	Runway and taxiway micro/ re surfacing and associated works	-	-
	Sub-Total (C)	**-**	
D	**GA Terminal Building, Apron & Taxiway**		
D.1	Construction of Code C Taxiway for GA Apron (Activity includes demolition items)	-	-
D.2	Construction of General Aviation (GA) Apron (Area includes HOS, Transition pavements, demolition & new pavements)	-	-
D.3	GA Terminal	-	-
	Sub-Total (D)	-	
E	**CNS/ATM**		
E.1	Airside Improvement Works	6.91	2024, 2025
E.2	ATC Tower and Technical Block	-	-
	Sub-Total (E)	**6.91**	
F	**Cargo Complex & Equipment**		
F.1	Interim ICC and DCC equipment	6.50	2023, 2025
F.2	International Cargo Centre (ICC)	53.70	2026
	Sub-Total (F)	**60.20**	
G	**Fuel Infrastructure & Hydrant System**		
G.1	IOCL & BPCL Asset procurement	9.51	2025
G.2	Dead stock of Product	5.00	2025
G.3	Equipment cost	14.50	2025
G.4	Fuel hydrant line	-	-
G.5	Fuel storage farm	132.43	2026
	Sub-Total (G)	**161.44**	
H	**Boundary Wall**		
H.1	Airport Boundary Wall	-	-
H.2	New Airside Perimeter after shifting boundary	-	-
H.3	Perimeter Intrusion Detection System (PIDS)	-	-
	Sub-Total (H)	-	
I	**Other Buildings**		
I.1	New Airside Security Gate -1,2,3	1.50	2025, 2026, 2027
I.2	Security equipment for Gates	1.52	2027

Ref. No.	Project Detail	Base Cost*	FY of capitalization
I.3	Upgradation of Airside gates- Crash Gates, Morcha construction at gate 6, 10, 11	1.50	2027
I.4	Airport Administration Building	40.42	2026
I.5	Sustaining / Minor Capex Works	14.97	2023, 2024, 2025, 2027
	Sub-Total (I)	**59.91**	
J	**IT**		
J.1	Strategic Projects	17.43	2023, 2024, 2025, 2026, 2027
J.2	Sustaining / Minor Capex Works	12.95	2023, 2024, 2025, 2026, 2027
	Sub-Total (J)	**30.38**	
K	**Environment Related Projects**		
K.1	Airside Fuel/ EV Charging Station (30KW charging points 3 nos; 2 fuel dispensing units and associated facilities)	2.08	2025
K.2	Airport Owned Electric Vehicles Procurement	6.16	2023, 2024, 2025
K.3	Other Environment Related	8.48	2024, 2025, 2026
K.4	DG Retro fitting	3.08	2024, 2025, 2026, 2027
K.5	Triturator	3.34	2025
K.6	Solid Waste Management - Landside	0.44	2024
K.7	Solid Waste Management Plant at T-II	0.55	2024
	Sub-Total (K)	**24.13**	
L	**Sustaining / Minor Capex Works**		
L.1	Oil Water Separators (OWS)	11.01	2026
L.2	1 Runway Rubber Removal Machine	6.82	2024
L.3	Fire Fighting Equipment and facilities	30.14	2023, 2024, 2025, 2026, 2027
L.4	Trolleys	6.15	2023, 2024, 2025, 2026, 2027
L.5	Other Works	37.25	2023, 2024, 2025, 2026, 2027
	Sub-Total (L)	**91.37**	
M	**Grand Total (Sum[A:L])**	**1,177.66**	
N	Add: Indexation (refer para 7.3.146)	62.02	
O	Add: Soft Cost (8%)	97.28	
P	Add: IDC (@9% [Cost of Debt])	36.01	
Q	**Capex Considered for RAB by the Authority (Sum[M:P])**	**1,372.97**	

7.3.152 A comparison of the total capital expenditure submitted by TKIAL and proposed by the Authority for the Third Control Period is as given in table below:

Table 141: Capital Expenditure submitted by TKIAL and proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Ref. No.	Project Detail	FY of capitalization		Base cost as per		Variance (A-B)	Remarks
		TKIAL	Authority	TKIAL (A)	Authority (B)		
A	**Terminal Building**						
A.1	Upgradation of Existing Terminal Building (T-I)	2024	2025	18.70	18.70	-	-
A.2	Construction of New Domestic Terminal (T-I)	2027	-	878.87	-	878.87	Estimated to be capitalised in the next control period as per the sequence of events evaluated (refer para 7.3.28)
A.3	Upgradation & Expansion of Terminal Building (T-II)	2025	2026	679.51	553.75	125.76	Inflation adjusted normative cost considered. Estimate of extra cost over approved rates for working in operational area reduced to 5% (refer para 7.3.39)
	Sub-Total (A)			**1,577.08**	**572.45**	**1,004.63**	
B	**Runway, Taxiway and Apron**						
B.1	Airside/Landside Drain Network (3.5m W x 2 m D)	2027	2027	116.97	113.43	3.55	Estimate of extra cost over approved rates for working in operational area reduced to 5%
B.2	Development of RESA for RWY 32	2025	2025	0.52	0.50	0.02	Estimate of extra cost over approved rates for working in operational area reduced to 5%
B.3	Grading of runway, taxiway strips and other critical areas in operational area.	2024	2024	16.50	9.76	6.74	Project completed. Based on actual cost incurred
B.4	GSE Staging - (Rigid Pavement)	2025	2025	2.31	2.18	0.13	Reduction in rate of certain items from Morth to CPWD DSR 2021. Estimate of extra cost over approved rates for working in operational area reduced to 5%
B.5	Sustaining / Minor Capex Works	2023, 2024	2023, 2024, 2025	7.36	7.08	0.28	Two of the Project were completed, and the actual cost is considered

Ref. No.	Project Detail	FY of capitalization		Base cost as per		Variance (A-B)	Remarks
		TKIAL	Authority	TKIAL (A)	Authority (B)		
B.6	Expansion of Terminal-II apron (Area includes HOS, Transition pavements, demolition & new pavements)	2024	2025	81.75	37.94	43.81	Inflation adjusted normative rate considered and 50% of the cost considered. Estimate of extra cost over approved rates for working in operational area reduced to 5% (refer para 7.3.65)
	Sub-Total (B)			**225.41**	**170.87**	**54.54**	
C	**Runway Recarpeting**						
C.1	Runway and taxiway micro/ re surfacing and associated works	2025	-	78.43	-	78.43	Considered as part of Operation & Maintenance Expenses (refer para 7.3.70)
	Sub-Total (C)			**78.43**	-	**78.43**	
D	**GA Terminal Building, Apron & Taxiway**						
D.1	Construction of Code C Taxiway for GA Apron (Activity includes demolition items)	2025	-	11.62	-	11.62	Not considered due to low frequency of GA aircraft movements (refer para 7.3.73)
D.2	Construction of General Aviation (GA) Apron (Area includes HOS, Transition pavements, demolition & new pavements)	2025	-	11.11	-	11.11	
D.3	GA Terminal	2025	-	7.63	-	7.63	
	Sub-Total (D)			**30.36**	-	**30.36**	
E	**CNS/ATM**						
E.1	Airside Improvement Works	2024, 2025	2024, 2025	6.94	6.91	0.03	SMR facility - Estimate of extra cost over approved rates for working in operational area reduced to 5%
E.2	ATC Tower and Technical Block	2026	-	283.49	-	283.49	Not considered currently. Will be considered on actual incurrence basis, subject to obtaining due approvals (refer para 7.3.81)
	Sub-Total (E)			**290.43**	**6.91**	**283.52**	
F	**Cargo Complex & Equipment**						

Ref. No.	Project Detail	FY of capitalization		Base cost as per		Variance (A-B)	Remarks
		TKIAL	Authority	TKIAL (A)	Authority (B)		
F.1	Interim ICC and DCC equipment	2023	2023, 2025	7.89	6.50	1.39	Project completed. Updated cost of Rs. 6.50 crores considered
F.2	International Cargo Centre (ICC)	2026	2026	73.19	53.70	19.48	Cost considered based on the rate approved for Lucknow Airport, i.e. Rs. 60,300 per sqm (refer para 7.3.91)
	Sub-Total (F)			**81.08**	**60.20**	**20.87**	
G	**Fuel Infrastructure & Hydrant System**						
G.1	IOCL & BPCL Asset procurement	2024	2025	10.00	9.51	0.49	Based on the average per KL rate for Ahmedabad and Lucknow Airport
G.2	Dead stock of Product	2024	2025	5.00	5.00	-	-
G.3	Equipment cost	2024	2025	14.50	14.50	-	-
G.4	Fuel hydrant line	2026	-	167.57	-	167.57	Due to low volume of flights, proposed to not be considered in the current control period (refer para 7.3.99)
G.5	Fuel storage farm	2026	2026	138.55	132.43	6.12	Estimate of extra cost over approved rates for working in operational area reduced to 5%
	Sub-Total (G)			**335.62**	**161.44**	**174.18**	
H	**Boundary Wall**						
H.1	Airport Boundary Wall	2027	-	4.52	-	4.52	Not considered in the current control period due to unavailability of land
H.2	New Airside Perimeter after shifting boundary	2025	-	6.05	-	6.05	Not considered in the current control period due to unavailability of land
H.3	Perimeter Intrusion Detection System (PIDS)	2027	-	25.92	-	25.92	Not considered in the current control period, as it is dependent on completion of the construction of the airport boundary wall (refer para 7.3.113)

Ref. No.	Project Detail	FY of capitalization		Base cost as per		Variance (A-B)	Remarks
		TKIAL	Authority	TKIAL (A)	Authority (B)		
	Sub-Total (H)			**36.49**	**-**	**36.49**	
I	**Other Buildings**						
I.1	New Airside Security Gate -1,2,3	2025, 2026, 2027	2025, 2026, 2027	2.13	1.50	0.63	Rate per gate revised to Rs. 0.50 crores
I.2	Security equipment for Gates	2027	2027	1.52	1.52	-	-
I.3	Upgradation of Airside gates- Crash Gates, Morcha construction at gate 6, 10, 11	2027	2027	2.32	1.50	0.82	Rate per gate revised to Rs. 0.50 crores
I.4	Airport Administration Building	2026	2026	45.57	40.42	5.15	As it is not within the airside operation area, extra cost for working in operational area is not considered
I.5	Sustaining / Minor Capex Works	2023, 2024, 2025, 2027	2023, 2024, 2025, 2027	18.40	14.97	3.42	Certain costs disallowance due to non- availability of detailed breakup In one case, reduced cost as per breakup provided has been considered. Two of the projects were completed; therefore, actual cost considered.
	Sub-Total (I)			**69.93**	**59.91**	**10.02**	
J	**IT**						
J.1	Strategic Projects	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	45.10	17.43	27.67	50% of the total cost of projects for which the details were provided considered (refer para 7.3.133)
J.2	Sustaining / Minor Capex Works	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	12.95	12.95	-	-
	Sub-Total (J)			**58.05**	**30.38**	**27.67**	
K	**Environment Related Projects**						
K.1	Airside Fuel/ EV Charging Station (30KW charging points 3 nos; 2 fuel dispensing units and associated facilities)	2025	2025	2.08	2.08	-	-

Ref. No.	Project Detail	FY of capitalization		Base cost as per		Variance (A-B)	Remarks
		TKIAL	Authority	TKIAL (A)	Authority (B)		
K.2	Airport Owned Electric Vehicles Procurement	2023, 2024, 2025	2023, 2024, 2025	6.16	6.16	-	-
K.3	Other Environment Related	2023, 2024, 2026	2024, 2025, 2026	8.50	8.48	0.03	IoT based water management has been completed. Hence actual cost considered
K.4	DG Retro fitting	2023, 2024, 2025, 2026	2024, 2025, 2026, 2027	3.08	3.08	-	-
K.5	Triturator	2025	2025	3.34	3.34	-	-
K.6	Solid Waste Management - Landside	2023	2024	0.44	0.44	-	-
K.7	Solid Waste Management Plant at T-II	2024	2024	0.55	0.55	-	-
	Sub-Total (K)			**24.15**	**24.13**	**0.03**	
L	**Sustaining / Minor Capex Works**						
L.1	Oil Water Separators (OWS)	2025	2026	11.46	11.01	0.45	Estimate of extra cost over approved rates for working in operational area reduced to 5%
L.2	1 Runway Rubber Removal Machine	2023	2024	6.82	6.82	-	-
L.3	Fire Fighting Equipment and facilities	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	42.71	30.14	12.57	One ACFT proposed to be procured in the next control period. Cost for driving and firefighting simulator considered as allowed in Hyderabad airport. Triage and rescue tools cost considered as per BOQ submitted.
L.4	Trolleys	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	7.67	6.15	1.51	Change in annual rate hike from 7% to that as per inflationary growth proposed by Authority Revision in the year of procurement of trolley.

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Ref. No.	Project Detail	FY of capitalization		Base cost as per		Variance (A-B)	Remarks
		TKIAL	Authority	TKIAL (A)	Authority (B)		
L.5	Other Works	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	37.83	37.25	0.58	Some of the projects have been completed hence actual cost considered
	Sub-Total (L)			**106.49**	**91.37**	**15.12**	
M	**Grand Total (Sum[A:L])**			**2,913.53**	**1,177.66**	**1,735.87**	
N	**Add:** Indexation (refer para 7.3.146)			351.97	62.02	289.95	
O	**Add:** Soft Cost (8%)			522.48	97.28	425.21	
P	**Add:** IDC (@9% [Cost of Debt])			340.34	36.01	304.32	
Q	**Less:** Runway Recarpeting Considered as Opex			101.80	-	101.80	
R	**Capex Considered for RAB by the Authority (Sum[M:P] – Q)**			**4026.52**	**1,372.97**	**2,653.54**	

7.3.153 The asset category wise Capital Expenditure proposed by the Authority for the Third Control Period was as per the table below:

Table 142: Asset category-wise total Capital Expenditure proposed by the Authority for Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY23	FY24	FY25	FY26	FY27	Total
Terminal Building	9.35	2.47	21.12	635.84	-	**668.78**
Runway, Taxiway and Apron	1.19	11.59	50.96	-	139.81	**203.54**
Boundary Wall	-	-	-	-	-	-
IT equipment	9.32	10.56	5.22	4.18	4.62	**33.89**
Security equipment	-	2.96	0.27	-	-	**3.23**
Plant and Machinery	3.33	29.80	38.88	26.53	2.48	**101.02**
Other Buildings	3.08	2.01	20.74	48.84	5.73	**80.40**
Furniture & fixtures	0.60	0.79	3.45	2.11	2.05	**9.00**
Vehicles	3.42	5.32	3.34	0.94	0.27	**13.29**
Total Airport (A)	**30.28**	**65.48**	**143.97**	**718.45**	**154.96**	**1,113.14**
Cargo Complex (B)	-	-	-	62.62	-	**62.62**
Cargo Equipment (C)	3.47	-	3.03	-	-	**6.50**
Fuel Infrastructure & Hydrant System (D)	-	-	33.05	157.66	-	**190.71**
Grand Total (A + B + C + D)	**33.75**	**65.48**	**180.05**	**938.73**	**154.96**	**1,372.97**

7.3.154 The Authority proposed to consider the capitalization of expenditure by TKIAL for the Third Control Period as Rs. 1,372.97 crores.

7.3.155 The Authority, based on its examination of the MYTP and review of the supporting documents relating to Capital Expenditure submitted by the TKIAL from time to time, had rationalized the Capital Expenditure as detailed above. In this regard, the Authority requested quality input from all the Stakeholders on the proposals regarding CAPEX laid down in this Tariff Order.

7.4 Asset Allocation of CAPEX for the Third Control Period

TKIAL's Submission

7.4.1 In its MYTP submission, TKIAL had not considered any specific allocation ratio for the assets proposed for the Third Control Period. TKIAL had treated all assets as fully aeronautical in its submissions as can be seen from the table below.

Table 143: Aeronautical Capital additions submitted by TKIAL for the Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Terminal Building	0.23	23.26	940.01	-	1,347.09	**2,310.60**
Runway, Taxiway and Apron	3.57	128.14	33.98	-	174.24	**339.92**
Boundary wall	-	-	7.99	-	45.32	**53.31**
IT equipment	3.93	47.82	6.25	6.83	7.65	**72.48**
Security equipment	1.38	2.17	-	-	-	**3.55**
Plant and Machinery	25.60	40.46	40.92	20.03	2.75	**129.76**
Other Buildings	6.45	21.76	4.52	460.35	8.47	**501.54**
Furniture & fixtures	0.72	2.80	2.51	3.00	3.17	**12.20**
Vehicles	6.51	4.37	2.90	1.09	0.31	**15.17**
Total Airport (A)	**48.38**	**270.79**	**1,039.08**	**491.29**	**1,589.00**	**3,438.54**
Cargo Complex (B)	-	-	-	100.90	-	**100.90**
Cargo Equipment (C)	9.44	-	-	-	-	**9.44**
Fuel Infrastructure & Hydrant System (D)	-	37.25	-	440.39	-	**477.65**
Grand Total (A + B + C + D)	**57.82**	**308.05**	**1,039.08**	**1,032.58**	**1,589.00**	**4,026.52**

Authority's examination of allocation of asset between aeronautical and non-aeronautical

The Authority's examination of allocation of assets between aeronautical and non-aeronautical is as follows:

7.4.2 The Authority noted that TKIAL has classified all the assets as aeronautical. The Authority examined each project individually and classified them as aeronautical, non- aeronautical and common. The Authority had conducted an independent study on the allocation of assets for the period from FY 2016-17 till FY 2021-22 and had used the outcome of the study for RAB allocation of Third Control Period.

Allocation Ratios

Terminal Building Ratio

7.4.3 It was observed that TKIAL had classified the entire area of the terminal building as aeronautical. Upon enquiry, TKIAL stated that this was done in accordance with the AERA Act.

7.4.4 The Terminal Building Area is planned in an airport considering the facilities to be provided for Aeronautical activities and provision of space for certain Non-Aeronautical activities such as Food & Beverage, Duty Free etc. Also, in the case of PPP airports, the focus on Non-Aeronautical activities is expected to be more as these would generate revenues and a part of the same would also cross subsidize the Aeronautical charges. The Authority also noted that in other PPP airports such as DIAL, MIAL, BIAL etc. the area allocated for Non-Aeronautical activities are over 10%. Similarly in AAI operated airports like Chennai, Kolkata and Patna, the Terminal Building Ratio is considered as 90%:10%. IMG norms inter alia provides for non-aeronautical area to be between 8% and 12%, with the range being higher for larger airports. Considering the above, the Authority proposed to consider the ratio of 90:10 towards Aeronautical and Non-Aeronautical in line with its

decision in Order No. 03 /2017-18 dated 2nd June 2017 for TKIAL for the Third Control Period, Study on Allocation of Assets, IMG norms and as approved for other similar Airports.

Employee Head Count Ratio

7.4.5 The Authority proposed to allocate assets related to employees by using the Employee Head Count ratio, i.e. 97.49%. The ratio was analysed and explained in detail in Table 182 of Chapter 10 – Operation and Maintenance Expenses.

7.4.6 Considering the above ratios and principles for classification of assets as explained in the Study on Asset Allocation, the aeronautical capital expenditure proposed by the Authority for the Third Control Period was as given in the table below:

Table 144: Aeronautical capital expenditure proposed by the Authority for Third Control Period at Consultation Stage

(Rs. in crores)

Sl. No.	Project Detail	Total Cost	Aero %	Aero Capitalisation					
				FY 23	FY 24	FY 25	FY 26	FY 27	Total
A	**Terminal Building**								
A.1	Upgradation of Existing Terminal Building (T-I)	21.12	90.00%	-	-	19.01	-	-	**19.01**
A.2	Construction of New Domestic Terminal (T-I)	-	-	-	-	-	-	-	-
A.3	Upgradation & Expansion of Terminal Building (T-II)	647.44	90.00%	8.29	2.15	-	572.26	-	**582.70**
	Sub-Total (A)	**668.56**		**8.29**	**2.15**	**19.01**	**572.26**	-	**601.71**
B	**Runway, Taxiway and Apron**								
B.1	Airside/Landside Drain Network (3.5m W x 2 m D)	139.81	100.00%	-	-	-	-	139.81	**139.81**
B.2	Development of RESA for RWY 32	0.54	100.00%	-	-	0.54	-	-	**0.54**
B.3	Grading of runway, taxiway strips and other critical areas in operational area.	9.92	100.00%	-	9.92	-	-	-	**9.92**
B.4	GSE Staging - (Rigid Pavement)	2.48	100.00%	-	-	2.48	-	-	**2.48**
B.5	Sustaining / Minor Capex Works	7.68	100.00%	1.19	1.67	4.82	-	-	**7.68**
B.6	Expansion of Terminal II apron (Area includes HOS, Transition pavements, demolition & new pavements)	43.11	100.00%	-	-	43.11	-	-	**43.11**
	Sub-Total (B)	**203.54**		**1.19**	**11.59**	**50.96**	-	**139.81**	**203.54**
C	**Runway Recarpeting**								

Sl. No.	Project Detail	Total Cost	Aero %	Aero Capitalisation					
				FY 23	FY 24	FY 25	FY 26	FY 27	Total
C.1	Runway and taxiway micro/ re surfacing and associated works	-	-	-	-	-	-	-	-
	Sub-Total (C)	-	-	-	-	-	-	-	-
D	**GA Terminal Building, Apron & Taxiway**								
D.1	Construction of Code C Taxiway for GA Apron	-	-	-	-	-	-	-	-
D.2	Construction of General Aviation (GA) Apron	-	-	-	-	-	-	-	-
D.3	GA Terminal	-	-	-	-	-	-	-	-
	Sub-Total (D)	-		-	-	-	-	-	-
E	**CNS/ATM**								
E.1	Airside Improvement Works	7.85	100.00%	-	0.22	7.63	-	-	**7.85**
E.2	ATC Tower and Technical Block	-	-	-	-	-	-	-	-
	Sub-Total (E)	**7.85**		-	**0.22**	**7.63**	-	-	**7.85**
F	**Cargo Complex & Equipment**								
F.1	Interim ICC and DCC equipment	6.50	100.00%	3.47	-	3.03	-	-	**6.50**
F.2	International Cargo Centre (ICC)	62.62	100.00%	-	-	-	62.62	-	**62.62**
	Sub-Total (F)	**69.12**		**3.47**	-	**3.03**	**62.62**	-	**69.12**
G	**Fuel Infrastructure & Hydrant System**								
G.1	IOCL & BPCL Asset procurement	10.75	100.00%	-	-	10.75	-	-	**10.75**
G.2	Dead stock of Product	5.65	100.00%	-	-	5.65	-	-	**5.65**
G.3	Equipment cost	16.66	100.00%	-	-	16.66	-	-	**16.66**
G.4	Fuel hydrant line	-	-	-	-	-	-	-	-
G.5	Fuel storage farm	157.66	100.00%	-	-	-	157.66	-	**157.66**
	Sub-Total (G)	**190.71**		-	-	**33.05**	**157.66**	-	**190.71**
H	**Boundary Wall**								
H.1	Airport Boundary Wall	-	-	-	-	-	-	-	-
H.2	New Airside Perimeter after shifting boundary	-	-	-	-	-	-	-	-
H.3	Perimeter Intrusion Detection System (PIDS)	-	-	-	-	-	-	-	-
	Sub-Total (H)	-		-	-	-	-	-	-
I	**Other Buildings**								
I.1	New Airside Security Gate -1,2,3	1.76	100.00%	-	-	0.57	0.57	0.62	**1.76**

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Sl. No.	Project Detail	Total Cost	Aero %	Aero Capitalisation					
				FY 23	FY 24	FY 25	FY 26	FY 27	Total
I.2	Security equipment for Gates	1.87	100.00%	-	-	-	-	1.87	**1.87**
I.3	Upgradation of Airside gates- Crash Gates, Morcha construction at gate 6,10,11	1.84	100.00%	-	-	-	-	1.84	**1.84**
I.4	Airport Administration Building	48.02	-	-	-	-	48.02	-	**48.02**
I.5	Sustaining / Minor Capex Works	16.69	94.60%*	2.84	0.31	11.62	-	1.01	**15.79**
	Sub-Total (I)	**70.18**		**2.84**	**0.31**	**12.19**	**48.59**	**5.34**	**69.28**
J	**IT**								
J.1	Strategic Projects	19.12	90.00%	6.84	7.36	0.90	1.00	1.11	**17.21**
J.2	Sustaining / Minor Capex Works	14.77	90.00%	1.54	2.14	3.80	2.76	3.05	**13.29**
	Sub-Total (J)	**33.89**		**8.39**	**9.50**	**4.69**	**3.76**	**4.16**	**30.50**
K	**Environment Related**								
K.1	Airside Fuel/ EV Charging Station (30KW charging points 3 nos; 2 fuel dispensing units and associated facilities)	2.36	100.00%	-	-	2.36	-	-	**2.36**
K.2	Airport Owned Electric Vehicles Procurement	6.71	90.62%*	2.14	2.83	1.11	-	-	**6.08**
K.3	Other Environment Related	9.59	99.27%*	-	0.55	6.41	2.57	-	**9.52**
K.4	DG Retro fitting	3.50	90.00%	-	0.86	0.89	0.92	0.48	**3.15**
K.5	Triturator	3.83	100.00%	-	-	3.83	-	-	**3.83**
K.6	Solid Waste Management - Landside	0.48	100.00%	-	0.48	-	-	-	**0.48**
K.7	Solid Waste Management Plant at T2	0.60	100.00%	-	0.60	-	-	-	**0.60**
	Sub-Total (K)	**27.07**		**2.14**	**5.31**	**14.61**	**3.49**	**0.48**	**26.02**
L	**Sustaining / Minor Capex Works**								
L.1	Oil Water Separators (OWS)	12.75	100.00%	-	-	-	12.75	-	**12.75**
L.2	1 Runway Rubber Removal Machine	7.39	100.00%	-	7.39	-	-	-	**7.39**
L.3	Fire Fighting Equipment and facilities	34.27	100.00%	0.44	0.94	22.05	9.88	0.96	**34.27**
L.4	Trolleys	7.08	100.00%	0.49	0.08	3.16	1.64	1.70	**7.08**

Sl. No.	Project Detail	Total Cost	Aero %	Aero Capitalisation					
				FY 23	FY 24	FY 25	FY 26	FY 27	Total
L.5	Other Sustaining / Minor Capex Works	40.56	98.82%*	4.10	26.06	6.07	1.98	1.88	**40.08**
	Sub-Total (L)	**102.04**		**5.03**	**34.46**	**31.28**	**26.24**	**4.54**	**101.57**
M	**Grand Total**	**1,372.97**		**31.35**	**63.54**	**176.46**	**874.62**	**154.33**	**1,300.30**

**These projects contain multiple assets which have been allocated based on the ratios defined in the above paragraphs. The Aero % shown is the average aeronautical percentage of all the assets in the respective projects.*

7.4.7 To summarize, based on the above detailed discussions, the Authority proposed to consider aeronautical capital expenditure of Rs. 1,300.30 crores as addition to the RAB for the current control period as against Rs. 4,026.52 crores submitted as aeronautical addition to RAB by TKIAL. The difference in the two amounts is mainly due to the following changes, adjustments, revisions and rationalization carried out by the Authority:

A. Shifting/ Deferring of projects incl. projects allowed on incurrence basis – impact of Rs. 1,476.86 crores
B. Allowance of partial amount of the Base Cost – impact of Rs. 259.01 crores
C. Indexation as a result of change in inflation – impact of Rs. 289.95 crores
D. Soft Cost due to reduction in the Hard cost proposed to be considered and reduction in rate from 16% as proposed by TKIAL to 8% as detailed in para 7.3.143 – impact of Rs. 425.21 crores
E. IDC/Disallowance of Financing Allowance – impact of Rs. 304.32 crores
F. Allocation Ratio – impact of Rs. 72.67 crores
G. Consider runway recarpeting expenses under Operation and Maintenance expenses – impact of Rs 101.80 crores

7.4.8 Based on the above resultant revision to capital additions, the Authority proposed the following Aeronautical Gross Block for TKIAL for the Third Control Period.

Table 145: Gross Block proposed by the Authority for Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27
Aero Gross Block	519.12	582.66	759.12	1,633.74	1,788.07
Non-Aero Gross Block	5.45	7.39	10.98	75.09	75.72
Total Gross Block	**524.57**	**590.05**	**770.10**	**1,708.83**	**1,863.79**
Percentage Aeronautical	*98.96%*	*98.75%*	*98.57%*	*95.61%*	*95.94%*
5-year Avg. Gross Block Ratio			***97.57%***		

7.5 Depreciation for the Third Control Period

TKIAL's submission

7.5.1 TKIAL had submitted in the MYTP that "*TKIAL has considered the depreciation for the assets based on the useful life of the assets as per the Companies Act and useful life of various assets as recommended by independent technical evaluation for Lucknow and Ahmedabad Airports...*"

Table 146: Depreciation rates and useful life considered by TKIAL for Third Control Period

Particulars	Book Depreciation	Useful Life (Years)
Terminal Building	4.00%	25
Runway, Taxiway and Apron	5.00%	20
Cargo Complex	4.00%	25
Cargo Equipment	13.33%	7.5

Particulars	Book Depreciation	Useful Life (Years)
Boundary wall	20.00%	5
Software	33.33%	3
IT equipment	33.33%	3
Security equipment	13.33%	7.5
Plant and Machinery	13.33%	7.5
Other Buildings	3.33%	30
Access Road	10.00%	10
Fuel Infrastructure & Hydrant System	13.33%	7.5
Furniture & fixtures	14.29%	7
Vehicles	20.00%	5
Office equipment	20.00%	5

7.5.2 Depreciation had been computed separately on Opening block of assets and on the proposed additions. For the additions to RAB, TKIAL has calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalized in the middle of the Financial Year).

7.5.3 The depreciation amount submitted by TKIAL for the Third Control Period is presented in the table below:

Table 147: Depreciation amount submitted by TKIAL for the Third Control Period

(Rs. in crores)

Particulars	FY23	FY24	FY25	FY26	FY27	Total
Terminal Building	7.98	8.17	27.19	45.80	72.62	**161.76**
Runway, Taxiway and Apron	14.71	18.04	22.04	22.31	26.67	**103.77**
Cargo Complex	-	-	-	2.02	4.04	**6.05**
Cargo Equipment	0.63	1.26	1.26	1.26	1.26	**5.66**
Boundary wall	-	-	0.80	1.60	6.13	**8.53**
Software	0.01	-	-	-	-	**0.01**
IT equipment	2.06	11.34	19.87	21.50	17.04	**71.81**
Security equipment	0.09	0.33	0.47	0.47	0.47	**1.84**
Plant and Machinery	19.77	24.86	30.02	32.46	29.32	**136.43**
Other Buildings	1.88	2.21	2.63	10.37	18.18	**35.27**
Access Road	2.32	1.60	0.01	-	-	**3.92**
Fuel Infrastructure & Hydrant System	-	2.48	4.97	34.32	63.67	**105.44**
Furniture & fixtures	0.45	0.74	1.08	1.25	1.56	**5.08**
Vehicles	1.03	1.91	2.51	2.86	3.00	**11.31**
Office equipment	0.97	0.69	0.44	0.44	0.32	**2.86**
Intangible Assets	-	-	-	-	-	-
Total	**51.90**	**73.63**	**113.28**	**176.65**	**244.28**	**659.74**
Depreciation and Amortization of Opening RAB	49.06	46.43	43.36	40.14	35.12	**214.11**
Depreciation and Amortization of proposed additions for TCP	2.84	27.2	69.92	136.51	209.16	**445.63**
Total	**51.90**	**73.63**	**113.28**	**176.65**	**244.28**	**659.74**

Authority's examination regarding Depreciation for the Third Control Period at Consultation Stage

7.5.4 The Authority noted that Opening RAB had been revised from Rs. 442.02 crores (submitted by TKIAL) to Rs. 457.94 crores based on adjustments made to the RAB and mentioned as per the Table 67 of this Tariff Order. The Authority further noted that on account of revision to the Opening RAB, the depreciation for the Third Control period will also be revised accordingly.

7.5.5 The Authority also noted that most of the useful lives considered by TKIAL were in deviation from those prescribed by AERA vide Order No. 35/2017-18 dated 12th January 2018 regarding determination of useful lives of airport assets. TKIAL in their submission had mentioned that it has considered different rates for certain asset classes based on the recommendations of independent technical evaluation made for Lucknow International Airport and Ahmedabad International Airport. The Authority noted that the reasons justifying the deviation from Order No. 35/2017-18 dated 12th January 2018 was not sufficiently explained in the technical evaluation shared by the Airport Operator. The intention behind the Order was to have a uniform approach in the determination of useful lives for key airport assets, therefore the methodology adopted by TKIAL lacked merit.

7.5.6 Further, the useful life prescribed in AERA's Order No. 35/2017-18 dated 12th January 2018 had considered the typical usage of these assets for an airport and there appears to be no reason for the usage of these assets to vary from the typical usage for TRV. The Authority had also provided TKIAL with adequate maintenance expenditure to enable the airport to maintain the assets in good working conditions during the life of the assets. Therefore, the Authority proposed to not consider the lower useful life submitted by TKIAL for the assets.

7.5.7 The Authority noted as under:

Asset class – Building: The Expert has recommended shorter life for False Ceiling, Sanitation works, Glass facade and Flooring works which appear to be integral part of the Airport Terminal Building. The Authority's Order No. 35/2017-18 does not provide for reducing the life of assets under Asset class - Buildings. The Authority observes that various components mentioned above are also an integral part of the Terminal Building and should be added to the Terminal Building cost by applying the same rate of depreciation as that of buildings. While the technical report provided by the Airport Operator has determined the shorter life to be adopted, it has not provided sufficient rationale for adopting such a shorter useful life. Since these assets are all part of the building, the Authority is of the view that the same rate applicable to building should be applied to these assets and no reduction in life of these assets are called for. Further, the Authority notes that adequate maintenance expenditure is allowed to enable the Airport Operator to maintain the assets in good working condition during its entire life. The Authority has issued Order No. 35/2017-18 as part of its normative approach to various Building Blocks in Economic regulation of Major Airports where it has stated that "The Authority has been of the considered view, that it would be preferable to have as far as practicable, a broad year to year consistency in what Depreciation is charged by the companies as certified by the relevant statutory auditors and what the Authority would take into account in its process of tariff determination. Issue of a notification will ensure this objective." In view of all the above, the Authority is not inclined to deviate from ensuring this objective and therefore proposed not to consider the shorter useful life of 25 years claimed by the Airport Operator for both the Terminal Building and newly projected Cargo terminal building.

Asset Class – Runways. Taxiways and Aprons: The Expert has recommended adopting a shorter life of 20 years based on useful life followed by certain international associations and regulators, like, Federation Aviation Administration – US Department of Transportation, Civil Aviation Authority – UK, Australian Airports Association — Australia, International Civil Aviation Organization, etc., which the Authority feels does not provide proper justification for adopting a shorter useful life. Therefore, the Authority finds no reason to reduce the life of the Runway, which enhances the burden of Airport users by increasing the tariff.

Other Asset Classes: Order No. 35/2017-18 provides for specific determination of life through technical evaluation for specific assets other than those listed in the Order based on specific requirements of the Airport.

The Authority finds that none of the assets in these classes where a shorter life has been adopted as specific assets are based on specific requirement of the Airport. Therefore, the Authority finds no merit in reducing the life of such assets for tariff purposes.

Fuel farm facility — The Authority examined the list of items forming part of Fuel facility including assets planned to be purchased from IOCL and observed that there are assets belonging to different asset category namely Buildings, Roads, Plant and Machinery, Vehicles etc., and based on the same, proposed not to consider the weighted average useful life of 7.5 years claimed by the Airport Operator. Instead, the Authority proposed to adopt the specific depreciation rate prescribed as per Order No. 35/2017-18 for such asset category.

7.5.8 Hence, the Authority proposed to revise the useful lives considered for the assets proposed to be capitalized in the Third Control Period to align with AERA Order No. 35/2017-18 regarding determination of useful lives of airport assets as given below.

Table 148: Useful life for all the assets proposed by the Authority for the Third Control Period

Particulars	Useful Life (Years)	
	TKIAL	Authority
Terminal Building	25	30
Runway, Taxiway and Apron	20	30
Cargo Complex	25	30
Cargo Equipment	7.5	15
Boundary wall	5	5
Software	3	3
IT equipment	3	3(Computers)/6(Servers)
Security equipment	7	15
Plant and Machinery	7	15
Other Buildings	30	30
Access Road	10	10
Fuel Infrastructure & Hydrant System	7.5	15
Furniture & fixtures	7	7
Vehicles	5	8
Office equipment	5	5

7.5.9 Considering the above changes in depreciation rates, revision in the value of opening gross block of assets and proposed capital expenditure, the Authority proposed the following depreciation for the Third Control Period.

Table 149: Depreciation proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Terminal Building	6.00	6.17	6.53	16.38	25.92	**61.00**
Runway, Taxiway and Apron	8.65	8.86	9.90	10.75	13.08	**51.24**
Cargo building	-	-	-	1.04	2.09	**3.13**
Cargo Equipment	0.12	0.23	0.33	0.43	0.43	**1.55**
Boundary wall	0.17	0.17	-	-	-	**0.34**
Software	0.02	0.00	0.00	-	-	**0.03**
IT equipment	1.45	3.05	4.08	4.44	5.05	**18.08**
Security equipment	0.20	0.30	0.40	0.41	0.41	**1.73**
Plant and Machinery	8.06	8.99	11.35	13.52	14.38	**56.30**
Other Buildings	1.72	1.81	2.17	3.32	4.23	**13.25**

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Access Road	2.55	0.78	-	-	-	**3.33**
Fuel	-	-	1.10	4.83	7.46	**13.39**
Furniture & fixtures	0.51	0.66	1.23	1.78	2.26	**6.44**
Vehicles	0.43	0.93	1.43	1.63	1.64	**6.06**
Office equipment	0.87	0.54	0.29	0.28	0.17	**2.16**
Total	**30.74**	**32.50**	**38.82**	**58.83**	**77.13**	**238.02**

Table 150: Depreciation claimed by TKIAL and proposed by the Authority for the Third Control Period

(Rs. in crores)

Particulars	Ref.	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL							
Depreciation of Opening RAB	A	49.06	46.43	43.36	40.14	35.12	**214.11**
Depreciation of proposed additions for TCP	B	2.84	27.2	69.92	136.51	209.16	**445.63**
Total Aeronautical Depreciation as per TKIAL	**C = A + B**	**51.90**	**73.63**	**113.28**	**176.65**	**244.28**	**659.74**
As per Authority							
Total - Existing Assets	D	29.27	26.84	25.32	24.79	24.39	**130.62**
Proposed Addition*							
Airport	E	1.36	5.42	12.06	27.73	42.76	**89.34**
Cargo	F	0.12	0.23	0.33	1.48	2.52	**4.68**
Fuel Farm	G	-	-	1.10	4.83	7.46	**13.39**
Total - New Assets	**H = E + F + G**	**1.48**	**5.65**	**13.49**	**34.04**	**52.74**	**107.41**
Total Aeronautical Depreciation proposed by the Authority	**I = D + H**	**30.74**	**32.50**	**38.82**	**58.83**	**77.13**	**238.02**
Variance	J=C-I	21.16	41.13	74.46	117.82	167.15	**421.72**

**Assets capitalized during the Third Control Period*

7.6 Regulatory Asset Base (RAB) for the Third Control Period

TKIAL's submission

7.6.1 TKIAL had submitted RAB for the Third Control Period as follows:

Table 151: RAB submitted by TKIAL for the Third Control Period

(Rs. in crores)

Particulars	Ref.	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Opening RAB	A	441.88	447.80	682.21	1,608.01	2,463.94	
Additions	B	57.82	308.05	1,039.08	1,032.58	1,589.00	**4,026.52**
Depreciation	C	51.90	73.63	113.28	176.65	244.28	**659.74**
Closing RAB	**D = A + B - C**	**447.80**	**682.21**	**1,608.01**	**2,463.94**	**3,808.66**	
Average RAB	**E = (A + D) / 2**	**444.84**	**565.00**	**1,145.11**	**2,035.98**	**3,136.30**	

Authority's examination of RAB for the Third Control Period at the Consultation Stage

7.6.2 Based on its examination of RAB, the aeronautical capital expenditure for TCP and the aeronautical depreciation for TCP, the Authority proposed the RAB for the Third Control Period, as given in the table below:

Table 152: RAB proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	Ref.	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Opening RAB (Table 67)	A	457.94	458.55	489.59	627.23	1,443.02	
Additions	B	31.35	63.54	176.46	874.62	154.33	**1,300.30**
Depreciation	C	30.74	32.50	38.82	58.83	77.13	**238.02**
Closing RAB	**D = A + B - C**	**458.55**	**489.59**	**627.23**	**1,443.02**	**1,520.22**	
Average RAB	**E = (A + D) / 2**	**458.25**	**474.07**	**558.41**	**1,035.13**	**1,481.62**	

7.6.3 The Authority proposed to consider RAB for the TRV for the Third Control Period as detailed in Table 152.

7.7 Stakeholders' comments regarding CAPEX, Depreciation and RAB for the Third Control Period

7.7.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 with respect to the CAPEX, Depreciation and RAB for the Third Control Period. The comments of the stakeholders are presented below.

TKIAL's comment on CAPEX, Depreciation and RAB for the Third Control Period

7.7.2 TKIAL's comment regarding domain specific expertise are as follows:

The Authority, through its Independent consultant, which interacted with the Technical team of TKIAL on the aspects of airport planning, traffic estimation, designing and its short, mid and long term impact on Airport Economics as provided in the Concession Agreement, observed that prima facie, it appears that TKIAL does not have the domain specific expertise to carry out detailed evaluation of the infrastructure requirements based on which the Capital Expenditure Projects may be assessed and planned at the airport, in the overall interest of all the stakeholders of the airport. The Airport Operator needs to work on the aspect of capacity in this regard as has been highlighted in earlier tariff orders."

Preparation before submission of MYTP

1. *In this context, we would like to state that the Concession Agreements (CA), signed with Airport Authority of India (AAI) for Thiruvananthapuram Airport in 2021 is the base documents on which planning, and operations of the respective airports is carried out.*

The CA and its schedules mandate the following obligations on the Concessionaire / Airport Operator (AO) which must be mandatorily undertaken while preparing the Master Plan and development of facilities at the Airports: -

a) *Para 12.2.2 of CA, requires that the Master Plan for the Airport must be consistent with all the regulatory requirements, and it shall be made pursuant **to full consultation with all major stakeholders**, in accordance with the terms of the applicable laws and this agreement*
b) *Para 12.5.1 of CA, states that the Concessionaire shall undertake construction at the Airport in conformity with Schedule A, Schedule B, the Specifications and Standards set forth in Schedule C, and the Master Plan.*

*The Master Plan is to be prepared using the **AAI perspective Master Plan** as provided in the Para 4 of Annex II of Schedule A.*

c) *Para 23.1.1 of CA, the AO is required to achieve or exceed the performance indicators specified in Article 23 of the CA and service quality requirements specified in Schedule H ("Key Performance Indicators"). As per Schedule A, the Concessionaire shall plan its development activities and Construction Works for any Phase such that there is* ***no breach*** *of Key Performance Indicators, IATA Level of Service – C (optimal standards), Safety Requirements and any other statutory and regulatory requirements under the Applicable Laws, which are required to be followed for the operations of the Airport.*

d) *Para 4.1.3 (h) of the CA, Airport Operator is required to undertake Construction Works within first 7 years of Concession Period (**Phase I**), having due regard to the works (a) currently being implemented by the Authority and (b) proposed to be implemented by the Authority as on the date of signing the Agreement* ***(and as forth in schedule U)***

Annex II of Schedule A provides that the Concessionaire ***shall plan and develop Phase I*** *of the Airport in the manner set out in the Agreement, as well as cater to annual passenger throughput capacity (domestic and international) and annual cargo handling capacity, along with ancillary facilities* ***as per its demand projections.***

"Phase I" means ***all the Construction Works proposed to be undertaken by the Concessionaire pursuant to Clause 4.1.3(h), as per the Master Plan,*** *and shall, for the avoidance of doubt, include the works-in-progress handed over to the Concessionaire by the Authority pursuant to Clause 6.4.5;*

Based on above AO has prepared the Master Plan and subsequently MYTP, adopting the following process:

1. *- The traffic projections were prepared by an independent global expert (M/s Mott McDonalds) in 2021 which provides detailed analysis with different scenarios of traffic. The traffic projections are an outcome of various factors considered during forecast including Catchment Area Analysis, Airline Analysis, Historical Data Analysis, COVID 19 impact, Design Day Flight Schedule Development and it categorically includes likely impact due to competing airports.*
2. *Schedule U of the CA provides the list of projects which were planned by AAI before privatization in 2018 and some of those major projects were discussed / approved by AERA in its tariff order for previous control period. These have been duly considered in Phase I.*
3. *The Key Performance Indicators, ICAO requirements, DGCA / BCAS observations, applicable laws etc. were analyzed and deliberated in detail.*
4. *After detailed analysis of obligations mandated under the CA, AO with the support of global experts (Ms AECOM) prepared the phase wise Master Plan. The Master Plan was discussed with all the stakeholders like AAI, DGCA, BCAS, state government, local state bodies etc. for taking their inputs and then submitted to AAI.*
5. *AO critically assessed the projects planned for Phase I (first 7 years of CA) and accordingly prioritized the projects to be undertaken during the 5 years third control period (from 1st April 2022 to 31st March 2027).*
6. *A fresh AUCC was conducted to appraise the users and stakeholders about the vision of the Airports, phase wise Master Plan and the upcoming facilities (including the projects which were already approved or discussed in AERA`s previous control period orders).*
7. *AO prepared the MYTP and submitted it to AERA for consideration in February 2023.*

As evident, AO has done a comprehensive exercise before submission of MYTP.

Process after MYTP submission

2. *TKIAL has promptly responded to various technical queries/clarifications/information requests to the satisfaction of the consultants appointed by the Authority. As tabled below it has been a year long due diligence conducted by the consultant.*

Sr.#	Sequence of Events	Timelines
1	Submission of MYTP by TKIAL for TCP (along with true up for previous control period)	21st February 2023
2	Kick-off meeting between with the Authority, their consultant and TKIAL (convened by the Authority)	2nd March 2023
3	First Query / Clarification / Information Request shared by the consultant	4th April 2023
4	Site visit by the consultant	2nd December 2023
5	Consultation Paper issued by the Authority	12th February 2024

3. *Further, Technical consultants were not engaged in this particular case, rather a financial consultant was provided with the responsibility to perform technical evaluation for various capital expenditure.*

4. *The financial consultant has taken support from various intermediary technical members/experts who had appeared in limited online discussions during this prolonged due diligence period. The interactions were fruitful, and all answers were provided. However, no intermediary technical member/expert has ever visited the site and understood the real situation.*

5. *It is interesting to note that the capacity enhancement plan proposed by TKIAL is not different than what AAI has proposed pre-privatization, and it was approved by AERA in the second control period. All the stakeholders would have to appreciate that there are various obligations cast upon the airport operator as part of concession agreement which requires certain standard parameters to be considered during planning and designing. Our practices (especially for infrastructure planning) are also aligned with various standards including IATA ADRM. Further, recently, there are various initiatives taken up by statutory agencies like BCAS to enhance customer experience which necessitates higher passenger processing systems and infrastructure with a provision to cater to ever growing passenger demand. In various submissions, we, as the airport operator, had provided required justifications for various infrastructure requirements.*

6. *Also, a reference can be made to Para 2.4.7 of the CP, where it is clearly mentioned that the financial consultant has only done the verification process and reconciliation of building blocks and nothing more than that. The Consultants had never had any doubt about the ability of the Technical Team of AO nor they have raised the issue with AO any time during the long due diligence period. Therefore, we believe that the prima facie opinion formed by the Authority basis the feedback of the Consultant is not based on facts and has arisen due to some miscommunication between the Consultant and the Authority. Thus, the said comments, we believe, are not warranted.*

Extract from Para 2.4.7

"The Authority has appointed an independent consultant, M/s PKF Sridhar & Santhanam LLP, to assess the MYTP submitted by TKIAL for the Third Control period. M/s PKF Sridhar & Santhanam LLP has assisted the Authority in examining the true up submission of AAI for the Second Control Period and Pre-COD period, by comparing each regulatory building block with the Tariff Order for

the Second Control period, reviewing true up submission of TKIAL for the Post COD period, performed independent studies on the allocation of assets between Aeronautical and Non-aeronautical activities and efficient O&M expenses of TRV for the Second Control Period and FY 2021-22, examined the MYTP of TKIAL by verifying the data from various supporting documents submitted by TKIAL such as audited financials, Fixed Asset Register, Bill of Quantities of capital addition projects including award of various work orders, examining the building blocks in tariff determination, visiting the Airport in December 2023 and also ensuring that the treatment given to it is consistent with the Authority's methodology, approach etc."

In view of the above, we request the Authority to kindly consider removing this comment while issuing the final order.

7.7.3 TKIAL's comment regarding cargo terminal complex cost is as follows:

The Authority has considered the Cargo Terminal complex of 5,000 sqm at Rs. 60,300 per sqm based on the rate adopted from the LKO Tariff Order. It is to be noted that the rate provided in LKO was based on estimates.

We had also submitted to the consultant that the estimated rates at TRV are in line with the per sqm rate at which the contract is awarded at Ahmedabad Airport which was duly considered in the tariff order for Ahmedabad. The rate reference from Ahmedabad Tariff Order No. 40/2022-23 dated 18th January 2023 is Rs. 77,533 (which after 2 years' cost escalation and differential cost for TRV location would come to Rs. 85,600 per sq mtr).

Refer point 7.3.148 from Ahmedabad Tariff order as appended below:

7.3.148. The Authority found that there was no basis for the cost estimated for the Perishable Cargo section which was considered as INR 85,000 per SQM. The Authority compared the cost incurred for Perishable Cargo units at other airports and found the cost proposed by AIAL to be higher. In the absence of further details to justify the higher cost, the Authority had considered the cost towards the perishable cargo facility at the same rate as that of the general cargo facility (obtained from LoA).

7.3.149. Based on the above, the cost proposed by the Authority towards ICT is given in the table below.

Table 150: Cost towards New Cargo Complex - Phase I proposed by the Authority

S. No.	Description of Item	Rate (INR)	Quantity (SQM)	Amount (INR Cr.)
J.1	New Cargo Complex - Phase 1 & 2			
	Cost proposed by the Authority:			
1	Work awarded (as per LoA)			161.30
2	Perishable cargo	77533.50	3,000	23.26
	Total (A)			184.56
	Cost submitted by AIAL (B)			233.92
	Difference (B – A)			49.36

As the actual awarded cost would serve as a better rate reference as compared to block cost estimate, we request that Cargo Terminal Complex cost as submitted by TKIAL may be allowed.

7.7.4 TKIAL's Comment regarding Hydrant refueling system

1. *Most of the PPP Airports like DIAL, BIAL, HIAL, MoPA have Hydrant Facilities. Further the Hydrant Facilities at Ahmedabad and Lucknow Airport are under construction.*
2. *At TRV, Hydrant Facility is strongly recommended for the following reasons: -*

The project was duly discussed during the AUCC meeting with all stakeholders (incl. Oil Marketing Companies and airlines) and the same was duly accepted by all stakeholders.

At TRV, the international operations are higher (approx. 50% of the traffic is international) as compared to other PPP Airports. Hydrant system helps in improving turnaround time, in case of international/widebody movement. As in the case of Hydrant System, the fueling rate is much higher than that of bowsers. In refuelers the refueling rate is limited to 800 LPM whereas in hydrant refueling system a maximum of 3,000-3,500 LPM flow rate can be achieved.

We would like to submit that the fuel throughput per ATM at TRV is much higher than Ahmedabad, Lucknow, Mumbai, Hyderabad, Bangalore and MOPA. Therefore, the effect of quick refueling will be even more palpable at TRV.

Airport	*Fuel Throughput per ATM (KL)*
TRV	*5.83*
AMD	*2.12*
LKO	*2.58*
MUM	*5.26*
HIAL	*2.35*
BIAL	*3.33*

The Hydrant System will make TRV airport attractive for airlines, particularly international carriers. In case of wide body aircraft movements with an average fuel uplift of 55-60 KL, the minimum refueling time using refuelers will be 100-120 minutes, also 3-4 fleet of refuelers will be engaged to complete this task occupying larger space at the tarmac. Meanwhile the same refueling operation can be completed by a single hydrant dispenser within 20-25 mins,. providing less turnaround time and optimized tarmac utilization. If we go for aircrafts from the far east with a fuel requirement of 100-120KL, this issue will become more prominent which leads to engaging multiple refuelers and manpower. In hydrant system, refueling is not only quick, but it is also safe and less susceptible for any quality issue in the Jet Fuel. It is because the whole system works in a closed loop and with minimal manual intervention.

Considering TRV being a prominent international airport envisaging larger wide body air traffic movements, hydrant refueling system is highly desired.

At Thiruvananthapuram, the fuel farm is located at the domestic terminal which is nearly 4 KM apart from the international side, it's a cumbersome task for maneuvering of refuelers loaded with 14-18 tons of aviation turbine fuel to the international apron. So practically for each refueling bowser has to travel 10 kms, which will increase the HSD consumption. It will also lead to an increased carbon footprint.

It will be a herculean task to lay hydrant system (retrofitting) at a later stage once tarmac is fully constructed. Given the growth potential at this airport, hydrant system will become a non-negotiable facility to have at this airport in the very near future.

3. ***In view of the above reasons, we request the Authority to kindly allow capex for Fuel Hydrant which is non-negotiable in the near term.***

Laying hydrant system after completion of the airside/tarmac at a later stage will be costlier and time consuming. As it is difficult to lay hydrant in operational airside.

7.7.5 TKIAL's comment regarding Perimeter road on north side, Airport boundary wall on northside and return on land are as follows:

1. *We observed from Para 7.3.108 of CP, the Authority has proposed to shift the projects to the next control period subject to availability of land.*
2. *Kindly refer to our submission in the MYTP Page 92 as "Out of overall projects listed above, two projects i.e. Construction of Perimeter Road on North Side and Airport Boundary wall on North Side are dependent on land acquisition. TKIAL acknowledges that acquisition of land is time consuming. It involves multiple stakeholders, various processes and procedures which have variability on the timing and cost of the acquisition of land. Considering these factors, TKIAL has not projected the costs of land acquisition. Therefore, TKIAL requests the AERA to kindly consider the necessary true ups for the same in the next control period and to provide for eligible return on land acquisition cost".*

In the MYTP we have ourselves requested for these projects along with return on land acquisition cost on actual incurrence basis. The Authority has agreed with the need for the project, and we again request the Authority to kindly provide true-up on actual incurrence basis including return on land acquisition cost.

7.7.6 TKIAL's comment regarding soft cost are as follows:

As per recent released CPWD SOP 2022 dated 13.07.2022 https://cpwd.gov.in/Publication/sop2022.pdf, the Project Estimation should take of the following requirements: -

Preliminary estimate (PE) is to be prepared on the basis of Plinth Area Rates or length of road etc. worked out on the rate per unit area/length/number, or such other method adopted for ready and rough calculation, so as to give an idea of the approximate cost involved in the proposal.

Prevailing Cost Index over the plinth area rates, effect of ESI & EPF leviable (rates as given in Annexure -14, Contingencies and Departmental Charges (if applicable) are to be added in the PE.

As per CPWD norms the various costs to be considered while preparing the preliminary estimates and should include the following components: -

- *Planning Consultancy 4% and Project Management Consultancy 5% (refer below PART 1 as the relevant extract from CPWD SOP2022)*
- *Other Technical Services like Preliminary Sketches, Detailed Drawings, Preliminary Estimates, Structural Design, Execution, Audit & Account etc. is ranging between 7% to 24% depending upon size of the project (refer below PART 2 as the relevant extract from CPWD SOP2022)*
- *Contingency cost is 3% (refer below PART 3 as the relevant extract from CPWD SOP2022)*
- *ESI & EPF ranging between 0.85% to 4.2%, say average of 2% (refer below PART 4 as the relevant extract from CPWD SOP2022)*

a) *As per accounting standards (refer extract as PART 5 below) the costs relating to the Project Team are required to be capitalized. These costs have been approved by AERA in various orders for PPP and AAI Airports ranging between 2-3% of the project cost (refer below PART 6 for few Airports examples). The same is recognized by AERA in its Guidelines Form F11 (b) (refer below PART 7 as the extract from AERA Guidelines).*

The overall Soft Costs based on above point 4.7.1 and 4.7.2 above is minimum 18-20%.

b) *As per "Airport Capital Improvements: A Business Planning and Decision-Making Approach" study conducted by Airport Cooperative Research Program (ACRP), Transport Research Board (sponsored by US Government's Federal Aviation Administration). The soft costs range between 10% to 30%. The extract from Page 48 the report is as follows: -*

Soft costs typically range from 10% to 30% of total project costs. These include design fees, permitting fees, utilities, costs associated with inspections and land acquisition, costs associated with the bidding and procurement process, and project administration and management costs.
Full study report is provided as ***Annexure 2*** *- ACRP Report - Airport Capex*

Further, in Tariff Order No. 27/2023-24 dated 07th December 2023 issued for Goa Airport, "In the matter of determination of aeronautical tariff for Manohar International Airport, MOPA, GOA (GOX) for the First Control Period" the Authority has approved soft cost (design consultancy, PMC expenses, pre-operative expenses, and contingencies) at 13%-16%. (refer below table 73 of the Tariff order, the cost approved at Consultation Paper is considered in the tariff order).

Table 73: CAPEX proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

S.No	Description	Amount
1	Runway, Taxiways and Apron - (Phase-I, II & III)	526.17*
2	Passenger Terminal Building including Fit Outs (for 7.7 MPPA) (Phase-I, II & III)	1,283.98
3	Airside buildings, Airside roads & Drainage System (Phase-I & III)	346.65
4	Site Preparation/ Earthwork	628.43
5	Administrative building & Site office	50.37
6	ATC Technical Block and Tower	87.43
7	Main Access Road, Spine Road and Car park	104.71
8	Additional Works (Phase-I & III)	63.59
9	Permanent Water & Electricity	20.00
10	ASDC	7.66
11	General Capex	50.00
A	**Sub Total (1 to 11)**	**3,168.99**
12	Design Consultancy & PMC Expenses	120.52
13	Independent Engineer Services	15.07
14	Pre-operative Expenses (Phase-I, II & III)	251.36
15	Contingencies (Phase-I & III)	18.38
B	**Sub Total (12 to15)**	**405.33**
16	Financing Allowance	321.88
17	DSRA	-
C	**Sub Total (16 & 17)**	**321.88**
	Grand Total (A+B+C)	**3,896.20**
18	**Phase-I**	**3,225.79**
19	**Phase-II**	**179.28**
20	**Phase-III**	**441.14**
21	**General Capex**	**50.00**

Soft Cost Rs. 405 Crs over the Project Cost of Rs. 3,169 Crs (approx. 13%). If the Site Preparation/ Earthwork of Rs. 628 Crs is removed from the project cost as it is not applicable for TRV, then the like-to-like soft cost will be approx. 16%.

c) *Based on information from reputed agencies from India and Overseas and recent tariff orders, it is evident that soft costs requested by TKIAL is based on rational estimates and within the acceptable reasonable range. We therefore request the Authority to allow the soft cost which is based on best practices subject to true-up on actual incurrence basis.*

PART I

SOP No. 8/7: Levy of Fees by CPWD for Consultancy Services (Para 8.20)

CPWD handles consultancy works of planning and designing (with or without construction) of various projects including high-rise buildings, housing complexes etc. of Public Sector Undertakings and other organizations to undertake construction on turnkey basis, or for Mission's buildings abroad, etc. at negotiated rates. Fee for the Consultancy Services is charged by CPWD as given below.

FEES FOR CONSULTANCY SERVICES

a) Planning 4%
b) Construction Management 5%
c) Visits of CPWD Officers from India 1%

For planning and designing work, the following charges is levied:

a) Development of Master Plan Rs.10000/- per hectare
b) Architectural plans and drawings 3 % for original work ½ % for repetition
c) Structural designs and drawings 1% for original work ½ % for repetition

PART 2

ANNEXURE- 5
(Reference Para 3.1.1.4 (1))
RATES OF DEPARTMENTAL CHARGES

Objectives of works	All maintenance works, and minor works costing upto Rs. one lakh	Construction works costing upto Rs. Two Crores	Construction works costing between Rs. Two and five Crores	Construction works costing more than Rs. five crores
1	2	3	4	5
(A) Establishment Charges				
1. Preparation of preliminary sketches	½%	¼%	¼%	¼%
2. Preparation of detailed working drawings	1%	¾%	½%	¼%
3. Preparation of preliminary estimates	¼%	¼%	¼%	¼%
4. Preparation of detailed estimates	½%	¾%	½%	¼%
5. Preparation of structural designs	1%	1%	¾%	¾%
6. Execution	19-¼%	7-¾%	4-¾%	4-¼%
Total Establishment charges	22-½%	10-¾%	7%	6%
(B) T&P (Machinery Equipment)	¾%	¾%	½%	½%
(C) Audit & Account	¼%	¼%	¼%	¼%
(D) Pensionary	¼%	¼%	¼%	¼%
	23-¾%	12%	8%	7%

PART 3

SOP No. ¾: Provision for Contingencies and its Utilization
*1. In addition to the provision for all expenditure which can be foreseen for a work, a provision of contingency is kept as follows: (i) Estimated cost up to Rs. 1 Crore ..... 5% (ii) **Estimated cost more than Rs. 1 Crore ... 3%, subject to minimum of Rs. 5 Lakh***

PART 4

ANNEXURE- 14
(Refer SOP No. 3/2)
STATEMENT SHOWING THE RATES OF EPF and ESI CHARGES TO BE INCLUDIED IN PRELIMINARY ESTIMATE

Category of work	Component of Labour	EPF @12.5 % of labour Component	ESI @ 4.5 %of labour Component	Total of EPF & ESI
Buildings	25%	3.125%	1.125 %	4.25%
Road Works & pavements in airfields	5%	0.625%	0.225%	0.85%
External sewerage	10%	1.25 %	0.45%	1.70%
External water supply	5%	0.625%	0.225%	0.85%
Bridge/Flyover works	25%	3.125%	1.225%	4.25%
Maintenance works engaging only labour component	100%	12.50 %.	4.50%	17.00 %
Other Maintenance work	70%	8.75%	3.15%	11.9%

PART 5

Indian Accounting Standard (Ind AS) 16 Property, Plant and Equipment

Elements of cost

16 The cost of an item of property, plant and equipment comprises:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

17 Examples of directly attributable costs are:
costs of employee benefits (as defined in Ind AS 19, Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment;

a) costs of site preparation;
b) initial delivery and handling costs;
c) installation and assembly costs;
d) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and (f) professional fees.

PART 6

Extract from chennai Airport Order No. 38/2021-22 for the Third Control Period

Grand Total of Capital Additions Proposed in the Third Control Period				
Grand total of capital additions proposed to be considered in	Total	3,882.58	2,139.82	(1,742.66)
	Financing Allowance	51.88	-	(51.88)
	IDC	[illegible]	21.03	(86.27)
	Project division expenses capitalized (Exp. Cap)	87.07	47.58	(39.57)

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~2.25%

Extract from Pune Airport Order No. 38/2021-22 for the Third Control Period

In case there is a delay in completion of the project beyond the timeline proposed, due to any reason beyond the control of Pune International Airport or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Fourth Control Period. Further, this proposal was applicable to all the projects forecasted to be capitalized in the Third Control Period given in this Consultation Paper. This will ensure timely adherence to the capital expenditure plan proposed in the Third Control Period.

4.2.33 Based on the discussion above, the total capital additions proposed to be considered by the Authority in the Third Control Period was as tabulated below:

4.2.34 Based on the Authority's analysis of capital expenditure deferred from Second Control Period (Para 4.2.9 to Para 4.2.24) and new capital expenditure proposed to be incurred in the Third Control Period (Para 4.2.25 to Para 4.2.31), the Authority considered a total Capital Expenditure of Rs. 52,540.93 lakhs as given below:

Table 83: Capital Expenditure additions for the Third Control Period considered by the Authority

Reference	Project	No.	Particulars	Submitted by AAI	Proposed by the Authority	Difference
				1	2	3=2-1
I	Capital additions deferred from the Second Control Period to the Third Control Period	I.A	New Integrated Terminal Building	44,621.19	43,694.92	-926.27
		I.B	PMC-Expansion of Terminal Building- (Tensile canopy)			
		I.C	PMC-Expansion of Terminal Building-Electrical works (aerobridge)			
		I.D	Baggage Trolley & XBIS	508.47	508.47	-
		I.E	Financing Allowance	3,337.57	-	-3,337.57
		I.F	IDC	2,023.22	2,005.96	-17.26
		I.G	Project division expenses capitalized (Exp. Cap)	1,651.26	1,630.60	-20.67
			Sub-Total (I.A-I.G)	52,141.71	47,839.95	-4,301.77

PART 7

Form 7A (for Payroll Related Expenditure and Employees) [cf. Section 4(c)]

S.N.	Particulars - with detailed breakup	Last available audited year^	Financial Year before Tariff Year 1*	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
A	*Salaries and Wages*							
B	*PF Contribution*							
C	*Medical Expenses*							
D	*Overtime*							
E	*Staff Welfare Fund*							
F	.....							
1	Grand Total							
2	Employee expenses capitalised							
3	Net Employee expenses (1)-(2)							

* Projected values to be provided

Fields in italics are indicative only

^ Information for last financial year for which audited accounts are available

7.7.7 TKIAL's comment regarding adjustment for uncapitalized project cost are as follows:

1. *The Authority has proposed to disincentivize the AO by reducing 1% of the project cost in case of delay in implementation of the project. Such a proposal puts TKIAL in double jeopardy because any delay in completion of project implies denial of return on such asset and depreciation and added to it will be this reduction in cost. It is abundantly clear that it is in the interest of TKIAL to complete the project as per schedule, however there could be delays due to various uncertainties. There may be shortage of manpower, funds, force majeure, and unforeseen event, for any reason including but not limited to the scarcity of raw material, finished goods and manpower due to after effect of Covid-19.*
2. *One of the principles for tariff fixation stipulates incentive for undertaking investment in a timely manner. Instead of providing an incentive for timely completion of the project the Authority is proposing a disincentive due to delay.*
3. *As per TDSAT Judgement dated 06th October 2023 in MIAL SCP and TCP*

At the outset, this Hon'ble Tribunal decided the present issue in the MIAL SCP & TCP Judgment whereby it has been held that the decision of the Authority of carrying out 1% re-adjustment is improper and not justified. The relevant portion of the MIAL SCP & TCP Judgment is extracted below:

"308.Moreover, in absence of any provision for penalty under OMDA or SSA or AERA Act, 2008, no such penalty can be imposed, otherwise highly discriminatory position will prevail because today 1% of project cost penalty is imposed and subsequently it may be increased to 1.5%. If 1% penalty is allowed then 1.5% penalty would also have to be allowed then in forth coming years, as there are unguided powers, the penalty might be 3% also and, thereafter it can be 5% or more also. There will be no end to penalty in absence of any provision under OMDA, SSA and AERA Act, 2008. It ought to be kept in mind that unguided and uncontrolled power always leads to discrimination. In case of one airport operator penalty imposed will be 1% and in case of another airport operator it can be 2% because there is no law, there is no contract, there is no provision and there are no guidelines. The balance has already been created under OMDA and SSA in the methodology of true up in next control period and as stated hereinabove, as per the said methodology, excess amount recovered shall be trued up with carrying cost in next control period. Therefore, in the aforesaid example, if Rs.83 crores has been recovered, the true up amount in the next control period, if the project is not commenced or completed within the time bound schedule, would be at Rs.121 crores which is in fact more than sufficient revenue clawed back from the airport operator and perhaps for this very reason no powers have been given to AERA for imposing penalty. Hence, we hereby quash and set aside the decision of AERA of carrying out 1% of readjustment to project cost and applicable carrying cost in the target revenue at the time of determination of tariff for next control period.

Here in the facts of the present case, AERA has failed to appreciate the prevailing pandemic situation of COVID-19 and its aftermath. Curfew type situation or lockdown type situation was prevailing. Laborers were not available and hence, there is bound to be delay in execution of the project work. Such a big factor ought to have been appreciated by AERA. The genuine difficulty of airport operator ought to have been appreciated.

Thus, Issue No. XVII is answered in negative i.e. the decision of AERA of carrying out 1% re-adjustment to Project Cost and applicable carrying cost in the Target Revenue at the time of determination of Tariff for 4th Control Period is incorrect, improper and not justified."

4. *Also, as per the HIAL TDSAT order dated 14th February 2024, a similar pronouncement has been made. Refer below extract from the TDSAT order.*

AERA has penalized for delay in execution of projects, the airport operator – Appellant which is equal to reduction of 1% of the total cost of project from ARR.

"509.Much has been argued out by the counsels for both the sides on this issue, it has also been submitted by Learned Senior Counsel for the Appellant that the issue of imposition of penalty has already been decided by this Tribunal by a detailed judgment and order dated 06.10.2023 in AERA Appeal No.2 of 2021 and AERA Appeal No.9 of 2016, in a discussion in Issue No. XVII of that Judgement.

510.Looking to the facts and circumstances of the present case and also keeping in mind the AERA Act, 2008 and Concession Agreement under dated 20.12.2024 (Annexure-A3 to the memo of this appeal) there is no provision under the AERA Act, 2008 nor in there is any provision in the Concession Agreement which contemplates the levy of penalty much less levy of penalty 1%there is no provision in the AERA Act

nor in the Concession Agreement which contemplates the levy of any penalty and as such the levy of 1% penalty on delayed execution is beyond the power of AERA."

In light of the above reasons, we request the Authority not to include this proposal in the final Order.

7.7.8 TKIAL's comments regarding allocation ratios are as follows:

"AERA Act or AERA Guidelines do not provide allocation

1. *In respect to Terminal Building Ratio, It is observed that as per The AERA Guidelines, 5.2.1 (vi) all the assets which are part of the terminal building shall be considered as part of RAB. Therefore, terminal building as a whole should be considered as RAB / Aeronautical asset and not to be allocated into Aero and Non-Aero. For quick reference the relevant clause from the guidelines is reproduced as follows as "Notwithstanding the principles mentioned under points (i) to (v) above, assets with fixed locations inside terminal buildings shall be considered within the scope of RAB."*
2. *Further, in respect to allocation of various capex and Operation & Maintenance expenses, we would like to submit that: -*
   - *Under the Shared-Till (or Hybrid Till) model as proposed in National Civil Aviation Policy, 2016, 30% of Non-Aeronautical Revenues are accounted for cross subsidizing the ARR. There is no mention of allocation of RAB, allocation of Operation and Maintenance etc. Therefore, there is no need to apply the allocation ratio whereby capital and operating expenditure is reduced, which acts as a dual burden for the Airport Operator. Also, the AERA Guidelines do not provide for applying the allocation ratio.*
   - *Relevant extract of National Civil Aviation Policy, 2016 is reproduced below: "To ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges."*
   - *For ease of reference, the relevant clause regarding the 'Shared Till' approach from the Concession Agreement is reproduced hereunder:*
   - *28.3.2.The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval."*

3. As per AERA Order No. 14/2016-17 issued on 23rd January 2017, the Authority has adopted the Hybrid Till whereas 30% of non-aeronautical revenues are used to cross subsidize aeronautical charges. However, it does not mention that capital and operating expenditure need to be allocated into Aeronautical and Non-Aeronautical which tantamount to cross subsidization of aeronautical charges to the extent nonaeronautical allocation is eliminated. The order only provides for cross subsidization of 30% from non-aeronautical revenues. The relevant extract of the order is as: - The Authority, in exercise of powers conferred by Section 13(1)(a) of the Airports Economic Regulatory

Authority of India Act, 2008 and after careful consideration of the comments of the stakeholders on the subject issue, decides and orders that: The Authority will in future determine the tariffs of major airports under "Hybrid-Till" wherein 30% of non-aeronautical revenues will be used to cross-subsidize aeronautical charges. Accordingly, to that extant the airport operator guidelines of the Authority shall be amended. The provisions of the Guidelines issued by the Authority, other than regulatory till, shall remain the same.

IMG Norms are not applicable to PPP Airports

Notwithstanding the above, it is submitted that norms of IMG report are not applicable to PPP airports, as per clause no. G of IMG Report. reproduced below:

"In case of airports developed through Public Private Partnerships the project authorities may adopt a case-by-case approach with respect to norms relating to unit area and unit costs. Based on the judicious consideration of international best practices and financial viability, the norms may be specified in each case prior to inviting bids for private participation."

No norms with respect to unit area and costs were mentioned in the bidding documents and Concession Agreement of Thiruvananthapuram Airport. The Concession Agreement does not mention regarding the applicability of the IMG Norms. Therefore, we request AERA not to apply IMG norms in the case of Thiruvananthapuram Airport.

In view of the foregoing, we request the Authority to apply the Terminal Building Ratio, wherever it is factored in CP, as 100% Aeronautical which is in line with the Guidelines of 2011.

Without prejudice to the above and in the alternate, terminal building is built with certain length, breadth and height considering the passenger throughput and service level requirements. The structure of the terminal includes façade, ceiling, columns etc. which have no relation with leasable floor area. The commercial activities like retail, food and beverage, etc. require limited works where the cost is much lower than the cost required to build the terminal building. TKIAL submits that terminal building allocation ratio should, at best, be based on cost of floor plate of commercial leased area in the terminal vis-à-vis total cost of the terminal building, instead of allocating entire terminal cost based on leasable area.

Without prejudice to the above, it is submitted that the terminal building allocation ratio cannot be a notional number as has been done in the Consultation Paper. The Authority has applied the actual capital expenditure and Operating Expenditure for FY22-23 while projecting the expenses for the control period, and it is logical that it should have used the actual terminal building ratio. The terminal building allocation ratio should not be different than actual.

Therefore, we request AERA to kindly revise all the calculations provided in the consultation paper without allocating building blocks into Aeronautical and Nonaeronautical, which are not required per se either in AERA Guidelines or NCAP.

7.7.9 TKIAL's comment regarding depreciation rates are as follows:

1. *In this regard, reference is made to the Useful life of Assets Order No. 35/2017-18 dated 12th January 2018, "... if the period of useful life of assets is considered differently, the Airport Operator shall document and provide the reasons/justification and the basis for the period considered in determining*

the useful life of assets for the purpose of tariff determination which shall be examined and considered by the Authority."

2. *TKIAL has considered the depreciation for the assets based on the useful life of the assets as per the Companies Act and useful life of various assets as recommended by independent technical evaluation for Lucknow and Ahmedabad Airports. The said technical report provided reasons as to why a shorter lifespan should be considered. TKIAL also submits that the same is consistent with Authority's Order No. 35/2017-18 dated 12th January 2018 and amendment to the Order dated 09th April 2018.*
3. *We request the Authority to kindly allow the depreciation rates as assessed by the technical auditor, which is in line with the AERA Order.*

7.7.10 TKIAL's comment regarding Financing allowance are as follows:

1. *Clause 5 of The AERA Guidelines (which entails the methodology of aeronautical tariff determination) allows Airport operators to be eligible for Financing Allowance as a return on the value invested during the construction phase of an asset including the equity portion, before the asset is put to use.*
2. *Thus, Clause 5 provides an explicit, detailed elaboration of Financing Allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the financing allowance are elucidated in detail with examples. For your kind reference the relevant extracts from The AERA Guidelines are reproduced below:*

5.2.7. Work In Progress assets

(a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:

$$WIPA_t = WIPA_{t-1}$$
$$+ Capital\ Expenditure\ (Capex)$$
$$+ Financing\ Allowance$$
$$- Capital\ Receipts\ of\ the\ nature\ of\ contributions\ from\ stakeholders\ (SC)$$

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–Commissioned Assets (CA)

Where:

$WIPA_t$: Work in Progress Assets at the end of Tariff Year t

$WIPA_{t-1}$: Work in Progress Assets at the end of Tariff Year t-1

Capital Expenditure: Expenditure on capital projects and capital items made during Tariff Year t.

The Financing Allowance shall be calculated as follows

$$\text{Financing Allowance} = R_d \times \left(WIPA_{t-1} + \frac{\text{Capex} - SC - CA}{2}\right)$$

Where R_d is the cost of debt determined by the Authority according to Clause 5.1.4.

SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year t.

CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year t.

3. *AERA Guidelines also provides illustration for RAB and Financing Allowance calculation. Refer illustration 4 and 7 of the AERA Guidelines as provided below. It is clear from the Illustration that Commissioned Assets (CA) are identical numbers in (1) Addition during the year and (2) Calculation of Financing Allowance. Financing allowance is computed on the Work in Progress balance based on capital expenditure (irrespective of how it is funded) and is capitalized as part of commissioned assets for RAB computation.*

Illustration 4: The following example illustrates the approach for forecasting RAB for the Control period. The numbers in the illustration have been rounded to the nearest integers.

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Forecast RAB

		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening RAB$_t$	OR	22,750	20,500	18,826	16,462	13,998	12,277
Commissioned Assets	CA	-	633	-	-	681	-
Depreciation	DR	2,250	2,307	2,364	2,364	2,402	731
Disposals	DI	-	-	-	100	-	-
Incentive Adjustments	IA	-	-	-	-	-	-
Closing RAB$_t$	CR=OR+CA-DR-DI+IA	20,500	18,826	16,462	13,998	12,277	11,547
RAB for calculating ARR	RA=(OR+CR)/2		19,663	17,644	15,230	13,138	11,912

- *The example illustrates that RAB_{t-1} for the first Tariff Year of the first Control Period is equal to the forecasted RAB at the end of the financial year 2010-11 and the Initial RAB, as calculated in Clause 5.2.4, is used as the opening RAB for 2010-11.*
- *The example also illustrates that the RAB value, to be considered for the calculation of ARR for a Tariff Year t, shall be the average of the RAB value at the end of Tariff Year t and the RAB value at the end of the preceding Tariff Year t-1, as explained in the Clause 5.2.3.*

Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.

Forecast Work in Progress Assets

		2010-11	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening WIP: WIPA$_{t-1}$	OW	-	-	-	558	638	-
Capital Expenditure	CE	-	833	521	-	-	-
Financing Allowance	FA=R_d x (OW+(CE-CA-SC)/2)	-	-	37	80	43	-
Capital Receipts	SC	-	200	-	-	-	-
Commissioned Assets	CA	-	633	-	-	681	-
Closing WIP: WIPA$_t$	CW = OW + CE + FA - SC - CA	-	-	558	638	-	-

- *The cost of debt, R_d, used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.*
- *The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.*
- *The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.*

4. *Further, Form No. F15 (b) of the AERA Guidelines requires that the airport operator has to submit project-wise Financing Allowance. The AERA Guidelines mandate the airport operator to include the Financing Allowance in the claim. As per Clause 5.2.7, the value of a commissioned asset (which includes Financing Allowance) shall be used for the determination of forecasted RAB.*

5. *The AERA guidelines do not restrict Financing Allowance to be provided only to Greenfield Airport. No distinction has been carved out regarding the applicability of the Financing Allowance under greenfield or brownfield airport. It is pertinent to note that the Authority has allowed Financing*

allowance for Cochin Airport in AERA Order No. 07/2017-18 dated 13th July 2017 when it was operational, and it was generating revenues too. Cochin Airport made the first significant investment during Second Control Period when the Financing Allowance was provided. Further, it is important to note that at that time, the Cochin Airport was operational (Cochin Airport has been in operation since 1999 refer para 3.1.2 of Cochin Tariff Order) and generating revenues while the New Terminal Building was being constructed. Hence, the reason provided by the Authority that it has never provided Financing Allowance to non-revenue generating Airports is not correct.

6. *The regulatory principles laid down by AERA by means of guidelines provide a fundamental foundation of regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated.*

When the airport such as Thiruvananthapuram is transitioned to a PPP model and handed over to the private operator for operation, management and development, the expectation from the private AO is to invest substantially in enhancing the infrastructure facilities. Having regard to the size of investment being made by AO visa-vis the investments made by AAI in the past several years, the proposed investment by AO is akin to development of greenfield airport facilities and financing allowance must be allowed for such projects. It is similar to Cochin Airport when it made the first significant investment during second control period

7. *As per the Concession Agreement, the tariffs are to be calculated as per the AERA Act,*

AERA Guidelines. Refer below the definitions from the Concession Agreement. AERA Guidelines provides for Financing Allowance without any differentiation for Greenfield or Brownfield Airport and hence Financing Allowance are to be provided to all Airport. "Fee" means the charge levied on and payable by a User for availing any or all of the: (a) Aeronautical Services, as per the rates determined or revised and approved by the Regulator, in accordance with the provisions of Regulatory Framework; and (b) Non-Aeronautical Services;
"Regulatory Framework" means the framework adopted by the Regulator as per the Applicable Laws, including the AERA Act and Airports Economic Regulatory Authority (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011;

Non-application of AERA Guidelines will lead to Non-Adherence of Concession Agreement. It is a settled position in various jurisdiction that Concession Agreement need to be honored by the regulatory authority.

We therefore request that the financing allowance should be computed as per formulae prescribed in the AERA Guidelines.

7.7.11 TKIAL's comment regarding apron stands are as follows:

1. *Currently Terminal 2 has 13 stands. The airport has served peak airport 2-way ATMs of 9 in 2019-20 (just before covid) with annual pax was 3.9 Mn. It is proposed to completely shift all operations to T2 when the New T1 is under construction. The traffic forecast indicates that the peak demand of 2-way airport ATMs will reach up to 15 in 2026-27 for an annual traffic forecast of 6.1 Mn which will be served by T2 alone.*
2. *As per Benchmarking an Airport requires approx. 3.5 apron stands per million pax. Considering 6.1 million passenger traffic to be handled at T2, T2 would be requiring 22 stands, accordingly TKIAL has proposed 8 additional stands.*

Benchmarking

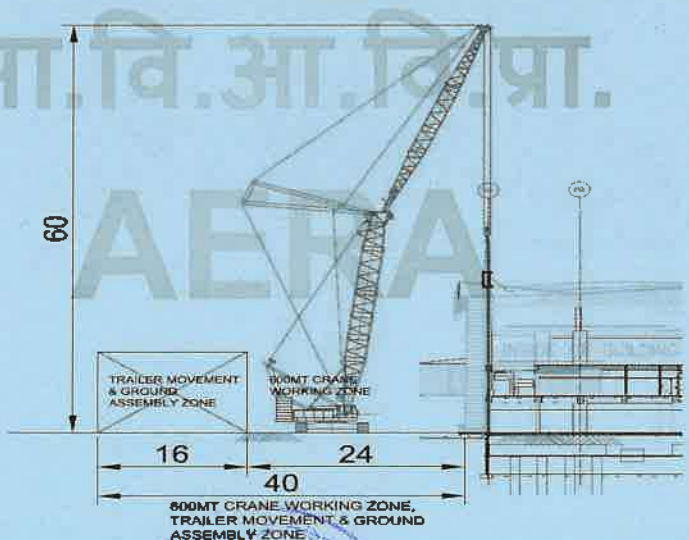
Comparators	Annual Pax 201920 (mppa)	Annual Movements 2019-20	Total Number of Stands	Number of Stands/mppa
BIAL	32.3	230,359	119	3.7
Chennai	22.2	167,962	91	4.1
Kolkata	22	165,761	59	2.7
HIAL	21.6	183,450	82	3.8
AMD	11.4	84,577	52	4.6
Cochin	9.6	66,106	34	3.5
LKO	5.6	41,752	14	2.5
Coimbatore	2.9	25,253	11	3.8

Non-Availability of Apron at T1

3. *Moreover, the proposed new T1 terminal footprint falls further towards the current airside. Thus, during construction, the T1 stands will not be available for operations. Please refer to the below images of plan and section for the construction & erection planning of new T1 terminal.*



PLAN

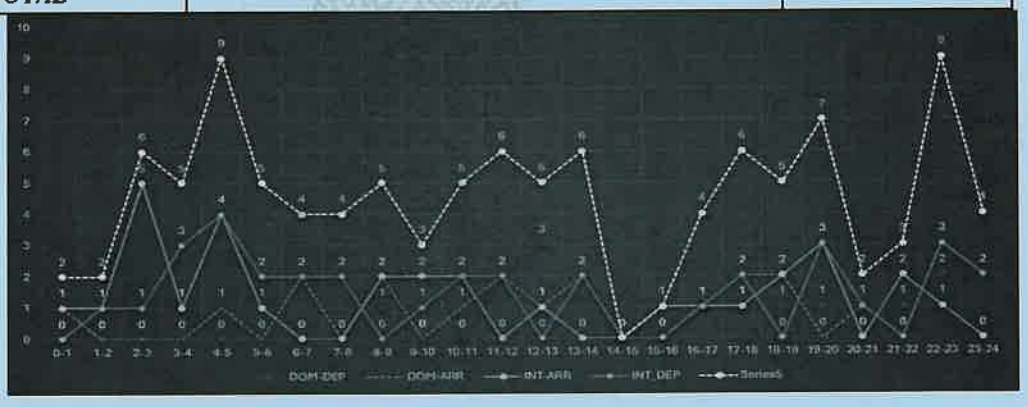


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4. *During the financial consultant's visit to TRV on 02-Dec-2023, we have explained that there is an existing peak hour ATM of 9 and in the hour preceding and succeeding we have 10 more ATMs. Accordingly, if we apply dwell time requirement, total stand requirement comes to approx. 32. Accordingly, even after T1 Stands are made available after reconstruction program for T1 is completed, total existing stands (T1=11, T2=13, Total=24) will fall short. Actual ATM data and Graph given below for elucidation*

	3-4am	4-5am	5-6am	Stand Req.
INT ARR	1	4	1	12
INT DEP	3	4	2	15
DOM ARR	0	1	0	2
DOM DEP	1	0	2	3
TOTAL				32



5. ***As explained above based on benchmarking and considering peak hour requirements (irrespective aprons at T1 will not be available for use due to ongoing construction) the apron quantity requested by TKIAL is optimal. Hence, we request the Authority to kindly allow proposed apron stands, else the limitation at the Airside will be hinderance in catering to the ongoing demand of travel.***

7.7.12 TKIAL's comment regarding normative cost are as follows:

1. *This is to bring to your kind notice that in view of the increase in the GST rate from 12% to 18%, CPWD had issued O.M. No. 158/SE(TAS)/GST/2022/331-H dtd. 10.08.2022 (attached herewith as Annexure 1) wherein the multiplying factor of 1.0633 (i.e. 6.33%) is provided. Accordingly, the base value for terminal works would be Rs. 106,330 per sqm instead of Rs. 105,357 as calculated in CP.*
2. *Further, as indicated in CP, the inflation value for FY22 is considered as 7.14% (i.e. Average of 1.29% (FY21) and 12.97% (FY22) in view of extraordinarily high inflation of FY22. It is observed that AERA guidelines on Normative Costing do not provide for averaging of inflation.*
3. *Notwithstanding the AERA Guidelines. if the Authority has considered averaging of inflation for FY21 and FY22, from a consistency and fairness perspective, we request that for FY24 wherein the inflation is extraordinarily low (i.e. Only 0.3% for FY24) similar averaged out inflation for FY24 to be considered. Hence, the inflation factor for FY24 would come to 4.86% (i.e. Average of 9.42% (FY23) and 0.3% (FY24).*
4. *In view of the aforementioned justifications, we request the Authority to consider the inflation-adjusted normative cost as below*

Year	Inflation (%)	Inflation adjusted normative rates (Rs.)	Inflation adjusted normative cost @18% GST*
Base Amount		100,000	106,333
FY22	7.14%	107,140	113,925
FY23	9.42%	117,233	124,657
FY24	4.86%	122,930	130,715
FY25	3.80%	127,601	135,682
FY26	3.80%	132,450	140,838
FY27	3.80%	137,483	146,190

*Thus, Inflation-adjusted normative cost for FY26 is Rs. 1,40,838 per sqm. To this, an additional 5% towards allowance for extra cost over applicable rates for working in operational area as detailed in para 7.3.39 is proposed to be added making the total cost estimate to be Rs. 1,47,880, rounded to Rs. 1.48 lakhs per sqm. Accordingly, the total cost of terminal 2 expansion works out to Rs. 192.40 crores (Rs. 1.48 lakhs per sqm * 13,000 sqm).*

5. *Similarly, the inflation-adjusted normative cost for apron for FY 25 (after adjusting for 1.0633 factor for GST and change of FY24 inflation) works out to Rs. 7,173 per sqm instead of Rs. 6,799 per sqm.*

Year	WPI Index *	Inflation (%)	nflation adjusted normative rates (Rs.)	Inflation adjusted normative cost @18% GST*
FY16	109.7		4,700	4,998
FY17	111.6		4,781	5,084
FY18	114.9		4,923	5,235
FY19	119.8		5,133	5,458
FY20	121.8		5,218	5,549
FY21	123.4		5,287	5,622
FY22		7.14%	5,664	6,023
FY23		9.42%	6,198	6,591
FY24		4.86%	6,499	6,911
FY25		3.80%	6,746	7,173
FY26		3.80%	7,003	7,446
FY27		3.80%	7,269	7,729

6. ***We hereby request the Authority to consider the inflation-adjusted normative costs for terminal and apron as explained above.***

Notwithstanding the above, our additional points relating to Normative costing are as:

7. *AERA has been using Rs 1,00,000 per sq mtr as a Normative Costing based on the study conducted which prescribed range from Rs 95,000 to 1,25,000 sq mt. It is also observed that AERA has never issued the study in the public domain for comments by the stakeholders. The relevant extracts from some of the orders are as: - Extract from Patna Order No. 13/2019-20 dated 24th Oct. 2019*

7.2.2.2 The Authority examined the rationale behind the proposed capital expenditure, along with its status. Further, the Authority sought and observed a detailed break-up of the expected costs for this capital expenditure.

7.2.2.3 The Authority has adopted the 'normative approach' towards determination of cost of terminal building. The Authority has considered a normative cost of INR 100,000 per sq. meters. The Authority has given clarification regarding this normative cost in previous tariff orders pertaining to other airports such as Guwahati, Lucknow. The Authority undertook studies for a few major airports for determining the reasonableness of the capital expenditures for their respective terminal buildings. As per these studies, the cost worked out to be in the range of 0.95 to 1.25 lakhs per sq. meter. Accordingly the Authority decided to adopt INR 100,000 per sq. meter for terminal buildings of this design and specifications. This cost is subject to review during the determination of tariff for the 2nd control period.

Extract from Amritsar order No. 56/2020-21 dated 24.12.2020

7.2 **Authority's examination regarding Capital Expenditure for the First Control period at Consultation stage**

7.2.1 The Authority examined the proposed capital expenditure including its rationale, detailed line item wise breakup, current progress including procurement steps and future planning.

7.2.2 The Authority analysed the expansion of existing terminal building being proposed including the need and objectives, proposed capital expenditure, and, scope of work. The Authority noted that the CAPEX proposals are in the planning stage and yet to be awarded. Accordingly, the key takeaways noted below

- As per AAI's submissions, the expansion of existing PTB shall be spread across an area of 16,000 sqm (Ground Level – 8,000 sqm and First Floor – 8,000 sqm) with a cost estimate of INR 243.28 crores. The unit area cost for the expansion of terminal worked out to INR 152,050 per sqm.
- The Authority [illegible] cost of terminal building and has considered a normative cost of INR 100,000 per sq. meters in line with previous tariff orders pertaining to other airports such as Guwahati, Lucknow, Chennai and Patna. The Authority undertook a study of few Major Airports for determining the reasonableness of the capital expenditures for respective terminal buildings. As per these studies, the cost worked out to be in the range of 0.95 to 1.25 lakhs per sqm. Accordingly, the Authority decides to adopt INR 100,000 per sqm for terminal buildings of similar design and specifications.

8. In respect to inclusion/exclusion of Service Tax/GST in Normative Cost, we submit that-

In the AERA Order No. 43/2021-22 dated 15th March 2022 for Kolkata Airport, AAI submitted the Normative Cost benchmarking whereby GST has been excluded in the calculation. The same was duly noted and acknowledged by the Authority

6.2.43. The cost per sq.m. for the above terminal building work was submitted by AAI vide an email correspondence dated 09.12.2021 ("Normative cost for Capacity Enhancement at Terminal Building"). The Authority had noted that the normative cost working submitted by AAI did not include the cost of modification works pertaining to cut-out fillings, piling foundation work, and basement work. The details of the same are provided in the table below:

Table 05: Normative cost calculation for capacity enhancement at terminal building submitted by AAI

Description	Amount (in Rs. Cr.)	Area (in sq.m.)	Rate per sq.m.
Cost excluding modification works, consultancy charges, Corporate Environment Responsibility, and GST (A)	80.90	11,774	68,711
Cost per sq. m for piling work (B)	-		10,371
Cost per sq. m. (C = A - B)	-		[illegible]
Normative Cost benchmark	-		1,21,665

Refer the extract from RITES report for Analysis of Capital Expenditure on Expansion of Bangalore International Airport (Terminal Building, Taxiway and Apron) for the second control period (01/04/2016

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to 31/03/2021) conducted in Jan-2018, where it is mentioned that in order to compare the project cost against the normative costing, the project cost without Service tax is analyzed.

Extract from RITES REPORT

"The cost of terminal building is proposed at Rs.1,00,800 per sqm at June 2014 price level as against AERA prescribed norms of Rs. 65,000/sqm. This rate has further been adjusted for cost escalation and service tax which works out to Rs. 1,30,745/sqm. Inclusive of ICT costs." Therefore, the contention of the Authority that Normative Cost includes the erstwhile Service Tax is not correct. Hence, we request the Authority to kindly add GST of 18% instead of adding 6% differential between GST and Service Tax while calculating the Normative Cost benchmark.

7.7.13 TKIAL's comment on IDC is as follows

Further it is to be noted that IDC is calculated considering certain projected cash outflows. Whereas in actual the cash outflows could be different.

Therefore, we request the Authority to provide necessary true-up for actual IDC capitalized in the financial statements at the time of tariff determination of next control period, in addition to recalculation of IDC as requested above.

Other stakeholders' comment on CAPEX, Depreciation, and RAB for the Third Control Period

7.7.14 FIA's comment regarding putting on hold capex proposals and independent study on efficient and reasonableness of CAPEX is as follows:

We note that AERA has conducted an in-depth analysis of the submissions made by the Airport operator by an independent consultant, which is appreciated.

However, it is requested that, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective. Further, in case Airport operator wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines. And lastly, we appreciate AERA's consideration of deferring few proposed Capex projects from the Third Control Period to the Fourth Control Period.

We observe that AERA has remarked on the trend of revisions to the capital projects, which does not instill confidence in the stakeholders or in the AERA about the near and long-term planning of capital projects by TKIAL. In this regard, we urge and request AERA to conduct an independent study on efficient and reasonableness of Capex at TKIAL.

7.7.15 FIA's comment regarding application of normative norms is as follows:

We request that AERA applies the normative norms for the capex projects as mentioned under AERA Order No. 7/2016-17 dated 13th June 2016 in order to keep the overall cost control and efficiencies in capex projects.

Further in para 7.3.41 (i) (d), AERA has considered INR 1.40 lakhs per sqm for the expansion of 'New Structure' of 13,000 sqm. In this regard, it is submitted that in the recent orders for FY22, AERA has considered INR 1,00,000 per sqm, and with this increase there appears to be incremental normative rate trend for capex projects. However, it does not appear to be backed by any study conducted by AERA for this control period or a justifiable rationale.

In addition to above, in order to support the airlines to continue and sustain its operations, it is requested that all non-essential capital expenditure proposed by Airport operator be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective.

We request AERA to ensure that all aeronautical capex is efficient and without any unreasonable excesses, such that stakeholders, including passengers, do not pay for services/ facilities which are not being availed by the stakeholders or passengers.

7.7.16 FIA's comment regarding adjustment of capital projects rates is as follows:

We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/capitalized as per the approved capitalization schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period.

7.7.17 FIA's comment regarding consideration of higher Terminal Building Ratio is as follows:

FIA submits that AERA has considered the Terminal Building Ratio ('TBLR') of 90:10 for Third Control Period. However, considering that Trivandrum is tourist destination, while being the most populous city in Kerala, have potential of higher non-aero revenue, the nonaeronautical ratio proposed by AERA appears to be on the lower side.

Further, as observed by AERA itself, in comparison to the other similar PPP airports such as DIAL, MIAL, BIAL etc., the TBLR was considered above 10%. Hence, keeping in view the above-mentioned facts, TKIAL shall better utilize such aspects and space towards increasing their non-aeronautical activities.

We request AERA to allot the best possible ratio towards NAR as deemed appropriate. In view of that, we request AERA to consider the highest possible nonaeronautical allocation in the case of TKIAL (preferably higher than 10%).

7.7.18 FIA's comment regarding useful life of terminal buildings is as follows:

While acknowledging the depreciation rate applied by AERA in accordance with AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets', it is pertinent to note that useful life of assets at various international airports like London Heathrow, Sydney airport and Amsterdam airport indicated that terminal buildings have useful life of as long as sixty (60) years and aprons have it for as long as ninety nine (99) years. FIA submits that the useful life of terminal building for Kannur and Cochin airports have been considered sixty (60) years by AERA and accordingly AERA should prescribe sixty (60) years for the 'Building' including 'Terminal Building as' is practiced by some of the developed aviation ecosystem.

Further, as observed AERA itself feels that TKIAL was not able to sufficiently explain the technical evaluation and is devoid of merits (refer para 7.5.5 of this Tariff Order). *Hence, in view of that AERA should conduct an independent study on depreciation, as the current depreciation rationale does not provide clarity on the depreciation applied.*

7.7.19 FIA's comment regarding Fuel Infrastructure Charges Public Notice 36/2023-24 is as follows:

Fuel Infrastructure Charges Public Notice 36/2023-24: It may be noted that before privatization of airports, there were no such charges related to fuel infrastructure and into planes which were levied on the airlines. The Fuel Farm at the airport was developed by the Oil Marketing Companies (OMCs) and they were also

refuelling aircraft as per the respective airlines' requirements. Airlines are/were only paying for ATF uplifted at each of the airport at an agreed product price to OMCs.

Since privatization of airports, two new charges related to fuel have been levied: first 'Fuel Infrastructure Charges' (FIC) and second 'Into Plane Charges' (ITP) at all the Privatised airports. At a lot of Privatised airports, fuel infrastructure has been bought over by the airport operator or its Joint Venture (JVs) / Holding / Subsidiary / Sister Subsidiary companies from the OMCs at a very low price.

The investment made in fuel farms are also through multi-layered transactions between / among airport operators or their JVs or their Holding / Subsidiary / Sister Subsidiary companies. A lot of legal entities have been formed by the airport operator as Joint Venture (JVs) or Holding / Subsidiary / Sister Subsidiary companies with multiplicity of agreements.

As a result of multiple layers of companies and transactions, there is no transparency and on top of it, multiple layers of overheads are loaded into the costs. In addition, royalty / revenue share to the airport operator or its JV / Holding / Subsidiary / Sister Subsidiary companies is also added in proposed FIC and ITP charges.

FIC and ITP including royalty and / or revenue share, along with GST thereon, is charged by the airport operator from OMCs. OMCs include these charges in the cost of fuel. Once these charges become cost of fuel, they attract 'non-creditable' Excise Duty @ 11% and 'non-creditable' VAT which may vary from 1% to 29%. Average VAT rate is ~ 17% in India.

As ATF is outside GST, there is no 'Input Tax Credit' (ITC) on GST paid on FIC and ITP. Due to this circuitous billing cost of FIC and ITP becomes 1.53 times i.e. airlines end up paying 53% higher cost and there is no tax credit available to the airlines. It is a burden on the beleaguered airlines which are suffering from huge losses to the tune of > Rs. 23,500 cr in FY 2022.

Example: **Amount Rs**

FIC / ITP (including royalty / revenue share of airport operator)	100
GST	18
Total	118
Excise Duty @11%	12.98
Total with Excise Duty	130.98
VAT @ average rate of 17%	22.27

Total cost with excise duty and VAT 153.25

It is clear from the above example that against original assumed cost of Rs.100 towards FIC and ITP, airlines end up paying Rs. 153.25 i.e. 53.25% additional cost and there is no tax credit against the same. Had these charges which are 'Aero' in nature as per AERA Act 2008, been charged directly by the airport operator from the airlines i.e. Rs. 118 including GST, airlines would have got ITC against GST and net cost to airlines would have been ~ Rs. 100 only.

The current method of circuitous billing of FIC and ITP suffers from the following:

A. *Makes the whole process non-transparent.*

B. *Against the concept of 'Ease of Doing Business'.*

C. *Increases cost for the airlines and is against the principle of 'Making Aviation Affordable and Sustainable'.*

D. *Against the vision of Hon'ble Prime Minister of India, Shri Narendra Modi that he would like to see 'Hawai Chappal Wale, Hawai Jahaj Mein' as the high cost will be passed on the common man by the airlines.*

E. *There is application of tax on tax, which is fundamentally wrong and adds to airline cost .*

In addition to the above, it is pertinent to note that there are number of other infrastructure services / facilities like aircraft taxi ways, runways, fire services and bird scarers etc., for which there is no separate charge as they are part of airport infrastructure however, the CP proposes separate charges for ATF in the shape of for FIC and ITP charges, which is a contradiction.

In this context, reference may be drawn from the abolishment of Fuel Throughput Charges (FTC), which were being earlier charged as separate charges for provisioning of ATF but were subsequently abolished.

The FTC were being charged by the Airport Operators from the airlines through OMCs with the above circuitous billing mechanism with ultimate non creditable cost of Rs. 153.25 to the airlines. Both the Ministry of Civil Aviation (MOCA) and AERA have abolished FTC vide their order dated 08 January 2020 and 15 January 2020 respectively. Subsequently their revenues have been recalibrated by AERA and there has been no loss to the airport operators.

In view of all the above facts, it is recommended that FIC and ITP be abolished, and necessary calibration may be done in the revenue for airport operators for fuel farm and into plane operations. This will in turn help the airlines to address the long pending issue of circuitous billing.

Thus, it is requested that the proposal of the TKIAL in public Notice No. 36/2023- 24 for the revised pricing for Fuel Farm Tariff (Fuel Infrastructure Cost, Aircraft Defueling and Re-fuelling of defueled products) may kindly not be accepted and recalibrated in line with FTC into other airport charges and help and support airlines with to address long pending circuitous tax billing.

7.7.20 FIA's Comment regarding CAPEX efficiency studies is as follows:

FIA submits that, the entire ecosystem needs to be operationally efficient, which can be implemented, amongst other things by capital expenditure efficiency studies, which AERA is requested to conduct.

7.7.21 HPCL's Comment regarding allowing of Hydrant system at Airport is as follows:

Upon review of consultation paper, it was noticed that the Authority is not allowing Hydrant System at Trivandrum International Airport. We would like to state that Trivandrum is an airport with high international movement and operating many long sector flights with high throughput per flight, the absence of a hydrant refueling system presents several operational challenges.

In the absence of hydrant system, necessitates higher capacity refueller/more refuellers to be deployed for a single long sector flights which not only the safety hazard but also creates more congestion near the Aircraft. Hydrant refueling is the safest mode of fuel delivery and can be done with a single dispenser for any volume requirement at much faster rate which also helps in faster turnaround of the flight.

We strongly opine that Hydrant System should be provided at this airport during the current control period itself. The hydrant system will be a great feature to attract more international flights with wide-body aircraft movement.

7.7.22 RBML's comment regarding allowing of Hydrant system at Airport is as follows:

We are interested in availing the services of TKIAL and utilize the Open access fuel infrastructure and Hydrant System for supply of ATF to aircraft at the Airport.

However, we have noted that the Authority has proposed to not consider the Hydrant System during the control period for the determination of tariff. In this respect, we would like to state that Thiruvananthapuram International airport (TRV) is an airport with higher number of ATMs in the international sector having high fuel uplift per flight .some of the foreign registered aircrafts currently operating at the airport have uplifts ranging from 30KL to 50KL per flight. It is better to handle such high fuel upliftment with Hydrant system only instead of mobilizing multiple bowsers for supplying fuel. We are strongly of the opinion that Hydrant System Should be provided itself at Thiruvananthapuram international Airport (TRV) during the current control period itself as the expected total ATF volumes at the airport is projected to increase at double digit growth rates over the next few years and cross the threshold volume. Hydrant System will significantly increase apron safety, lower the carbon footprint and environmental impacts besides shortening the aircraft turnaround time, which will benefit the airlines.

7.7.23 IOCL's comment regarding allowing of Hydrant system at Airport is as follows:

It is submitted that the fuel throughput of Thiruvananthapuram airport is double the fuel throughput of Mopa, Goa airport, and comparable to the throughput at Lucknow airport. Majority of the fuel throughput at Thiruvananthapuram is for international flights, where the fuel offtake is much higher than that for domestic flights.

Considering that the Fuel Hydrant System has been approved at both Lucknow and Mopa airports, we are of the opinion that it would be in order to approve the Fuel Hydrant System at Thiruvananthapuram airport also, where the international flights are more.

7.8 TKIAL's responses to Stakeholders' comments regarding CAPEX, Depreciation and RAB for the Third Control Period

7.8.1 TKIAL's response to FIA's comment regarding independent study on efficient and reasonableness of CAPEX is as follows:

We have already detailed in para 7.8.7 of this Tariff order *the steps taken by the Airport Operator and the Authority on the basis of which the capital projects and cost estimates have been arrived at.*

We would like to re-iterate what was mentioned in the minutes of the AUCC conducted on 23rd January 2023, that the Master Plan had gone through a rigorous exercise. TKIAL is proposing only those projects which are critically required for safe and secure operations and customer experience.

We have provided all the information to the Authority and its consultant as and when requested by them. Accordingly, the Authority has taken considered view on the Capex proposal as provided in the Consultation Paper. In respect to both short term planning and long-term planning, the Master Plan is submitted to relevant authorities who have appreciated the meticulous planning done by TKIAL.

Further, with respect to the comment about the trend of revisions to the capital projects, we have not observed any such specific comment by the Authority in the consultation paper no. 25/2023-24 under reference. In view of the same, the Authority may like to ignore the comment by FIA.

We reiterate our view that there is no need to undertake a separate study on Efficient Capex at TRV.

7.8.2 TKIAL's response to FIA's comment regarding application of normative norms is as follows:

We request the stakeholder to kindly refer to point 7.3.41 in the Consultation Paper. The Authority has applied the normative guidelines while assessing the costs of the new Capex projects submitted by the Airport Operator.

With respect to the reasonableness of capex, we request to refer the comments mentioned under point no. 1.8 above.

7.8.3 TKIAL's response to FIA's comment regarding adjustment of capital projects rates is as follows:

To avoid repetition of comments on re-adjustment in ARR, please refer our comments to CP (refer point no. 3.8).

7.8.4 TKIAL's response to FIA's comment regarding consideration of higher Terminal Building Ratio is as follows:

To avoid repetition of comments on Terminal Building Ratio, please refer our comments to CP (refer point no. 3.11).

7.8.5 TKIAL's response to FIA's comment regarding useful life of terminal buildings is as follows:

AERA Order No. 35/2017-18 the 'Useful Life of Airport Assets' carries a note on the useful lives of buildings as follows:

3	Terminal Building (including VIP Terminal, Bus Terminal, Haj Terminal)	30/ 60	3.33/ 1.67	Either 30 years or 60 years as evaluated by the Airport Operator

Further it is to be noted that the Concession Agreement is valid for 50 years. Therefore, the life of any asset cannot be more than the life of the Concession Agreement.

In TKIAL's estimation, the useful life should be 25 years as substantiated by the technical study conducted by an independent expert. Given the TKIAL estimation, the Authority has considered it to be 30 years in line with other Airports.

In view of the above, we feel there is no need to do any study on determining Depreciation for TCP.

7.8.6 TKIAL's response to FIA's Comment regarding Fuel Infrastructure Charges is as follows:

It is to clarify that as per CA, Fuel Storage infrastructure is to be built and operated by TKIAL as an open access facility. Under the Concession Agreement, TKIAL is not allowed to form any JV or Subsidiary.

Secondly in respect to taxation, we believe the relevant Authority has been mindful of the undue burdens on various players in the aviation ecosystem. This is substantiated by the fact, as highlighted by stakeholder also, that fuel throughput charges were abolished by the Authority / MoCA in January 2020 and airport operators were compensated by way of increase in landing charges and airlines were benefitted by way of lower tax burden. Having said the above, we will welcome any new steps that are taken by MoCA/GoI/ the Authority in this direction.

7.8.7 TKIAL's response to FIA's Comment regarding CAPEX efficiency studies is as follows:

Airport Operator conducted the Airport User Consultation Committee (AUCC) Meeting on 23rd January 2023, with all the stakeholders and discussed the Capital Expenditure proposed to be undertaken during the Third Control Period of FY 2022-23 to FY 2026-27 in detail. The meeting was attended by various airport

stakeholders such as IATA, FIA, Indigo, SpiceJet, Air India, Air Arabia, Kuwait Airways, Srilankan Airways, Qatar Airways, Salam Air, Maldivian Airlines, AAI, CISF, CII, FICCI and Confederation of Tourism Industries of Kerala. TKIAL had given a detailed presentation and justification for the capital expenditure planned by the Airport Operator taking into account the existing challenges in TKIAL pertaining to constraint capacity vis-à-vis passenger growth, location, topography, weather conditions, limited availability of land, etc.

Further, the Authority as part of its examination of the Aeronautical Capital Expenditure submitted by the Airport Operator had raised queries and sought clarification on the essentiality of the capital expenditure and had been provided the necessary documents such as project cost estimates, technical Consultant's report, design, drawings, plans, inspection report issued by various authorities etc., substantiating the capital expenditure proposed by the Airport Operator in the MYTP.

The Authority's consultant had also conducted a site visit on 2nd December 2023 for an independent assessment of the physical progress and to review the CAPEX.

Further, the Authority by themselves and through their consultant have analyzed each project from the perspective of requirement and cost efficiency very minutely which is reflected in the Authority's comments in the Consultation Paper as well.

Given the above steps taken by the Airport Operator and Authority, we feel there is no need to do another separate study on efficiency of capex.

7.8.8 TKIAL's response to HPCL, RBML and IOCL's comment regarding Hydrant system at Airport is as follows:

We would also like to specify that the users of the Fuel Farm Facility & Fuel Hydrant (i.e. Oil Marketing Companies) have requested the Authority to consider the requirement of Fuel Hydrant in this control period as part of their comments to CP. Hence, we humbly request the Authority to consider allowing capitalization of Fuel Hydrant facility in TCP as submitted by us.

7.9 Authority's analysis of Stakeholders' comments regarding CAPEX, Depreciation and RAB for the Third Control Period

7.9.1 The Authority has noted TKIAL's comments regarding domain specific expertise:

Consultants, which comprises a team of financial experts, aviation expert and other team members, engaged by the Authority have interacted multiple times with TKIAL in seeking clarifications/ additional details and documentation etc. The consultants have also carried out a thorough review of the BOQs, drawings and the submissions made by TKIAL. The Authority's Independent Consultant has interacted with the technical team of TKIAL on the aspects of airport planning, traffic estimation and its short, mid and long-term impact on Airport Economics as provided in the Concession Agreement.

Further, the site visit was carried out by a team, one of whom also possesses an Engineering degree by qualification and is qualified to carry out a review with respect to the CAPEX works proposed by TKIAL.

The proposed CAPEX has not been linked with the expected outturn of traffic and is multifold as compared to other airports which handle similar traffic levels. TKIAL has projected a capex to the tune of Rs. 4,026.52 crores for handling traffic of six (6) Mn in the last tariff year of the control period i.e. FY 2026-27. This approach of the Airport Operator is not in the overall interest of the stakeholders of the airport. It appears that

the CAPEX has been projected by TKIAL without linking it with the mandate provided under Schedule B of the Concession Agreement.

The Authority notes that the additional cost estimated for capex as submitted by TKIAL is not aligned with the current traffic footfall wherein the passenger and ATM traffic has just overtaken the pre-COVID levels in FY 2023-24.

The Authority has considered various applicable factors such as current capacity, traffic estimates, normative cost benchmarks, need assessment etc. together with the need for modular development of facilities as mandated by the Concession Agreement and has rationalized the Capital Expenditure proposed.

Airport operator should be careful while proposing any Capex considering the passenger profile, economic factors etc.so that the aspect of cost relatedness of ICAO principle may not be breached that user should only pay for the services availed by them.

7.9.2 The Authority notes TKIAL comments regarding the Cargo Terminal cost. The Authority had given its detailed views on the same at Consultation stage (Refer Para 7.3.91 of this order). Further, nowadays, cargo terminals are being constructed with prefab structures. This will reduce the cost substantially. Hence, the Authority does not see any reason to increase the cost at this stage. Cost will be trued up on the basis of actuals, subject to evaluation of efficiency and reasonableness.

7.9.3 The Authority has analyzed TKIAL's comment and the Oil Marketing Companies' comment on Fuel Hydrant Facility. Considering the International flight mix, the need to bring efficiency by laying the hydrant line together with the other development activities, hydrant line is necessary at TVM. Further, it is observed that RFP/ Tender for Hydrant facility is yet to be floated by TKIAL. Hence, the Authority decides to allow this project on actual incurrence subject to efficiency and reasonableness.

7.9.4 With respect to TKIAL's comment on Return on Land, the same will be based on the Order issued by the Authority with respect to Return on Land (Refer Order No. 42/2018-19). The Authority will review all components of cost incurred and return, in line with the said Order, at the time of true up, subject to evaluation of efficiency and reasonableness. Similarly, Project of Airport Boundary wall and new airside perimeter road, after shifting the boundary wall will be allowed on incurrence basis subject to efficiency and reasonableness.

7.9.5 The Authority has reviewed the comments submitted by TKIAL regarding soft cost:

The Authority had already undertaken a detailed analysis of the Costs claimed by AO towards Technical services, PMC, Contingencies, etc., and based on the same, proposed 8% of allowable Aero CAPEX in the Consultation Paper. For other PPP airports such as HIAL, BIAL, DIAL costs pertaining towards various technical services, preliminaries, pre-operatives, insurance/statutory payment, contingencies, etc. had been considered in the past in the range of 8% - 11% of the project costs. The Authority is of the view that 16% claimed by the Airport Operator is not justified and does not consider the efficiencies. The Authority clarifies that the 8% allowed on Aero CAPEX is in addition to the cost of Independent Engineer (whose roles and responsibilities has been defined in Clause 24.1, 24.2 and Schedule L of the Concession Agreement) which has been considered while determining ARR of TKIAL for the Third Control Period. The Authority has also taken into consideration the need for rationalization of CAPEX at TKIAL based on the evaluation of various factors. After considering all the above factors, the Authority does not see any merit in TKIAL's comments and decides not to change its proposal considered at the Consultation stage (Refer para 7.3.143).

The Authority notes that TKIAL has stated that the soft cost as submitted by it should be allowed based on past orders in other airports. In this regard, the Authority notes the following:

Table 153: Asset head wise analysis and observation regarding soft cost

Asset Head	Items	Analysis and Observations
Air Side works	Airside/landside drain work, Apron, Fuel farm Storage farm, airside improvement work, security gates etc.	On airside works, PMC charges are in the range of 1% to 3%
Bought out items	IOCL and BPCL Fuel Asset procurement, Equipment for Fuel Farm, Electric vehicles, DG retro fitting, Triturator, Oil water separator, Runway rubber removal machine, Firefighting equipment, Body scanner, Bousers, Cargo related, Trolleys etc.	Items are purchased on Supply, Installation, Testing & Commissioning (SITC) basis. Soft costs are not applicable on such items
Contingencies		TKIAL has included contingencies also in soft cost. Contingencies are not applicable after commissioning of assets.

As per AERA Act, AERA is required to take into consideration the capital expenditure incurred and timely investment in improvement of airport facilities. It is imperative that costs spent by AO is efficient and justified.

Hence taking an overall view, soft cost @ 8% of total Aeronautical capital expenditure is reasonable and justified.

7.9.6 The Authority has taken note of TKIAL's comments regarding the re-adjustment (reduction) of 1% of non-completed project costs in the ARR/target revenue. The Authority has drawn inference from other PPP airports, regarding a trend amongst airport operators, where capital projects are proposed in one Control Period and the same is postponed to the next Control Period. The Authority is of the view that such a practice is not in the interest of airport users as they start paying higher tariffs in anticipation of enhanced services against the proposed capital expenditure, which is eventually postponed to next Control period by TKIAL.

The Authority notes that TKIAL has done due diligence while proposing the capitalization schedule upon which tariffs are determined in the Third Control Period. Thus, the contention of AO to not readjust ARR if projects are not completed, is not justified. Accordingly, the Authority decides to readjust (reduce) 1% of the uncapitalized project cost from ARR/target revenue during true-up exercise of the Fourth Control Period if any particular project is not capitalized as per the capex schedule approved in the tariff order. Airports in India are a public utility. The Authority has to consider and balance the interests of all the stakeholders and not only that of the Airport Operator.

As already stated in the Consultation Paper, the Authority clarifies that in case there is delay in completion of the project beyond the approved timeline given in the Tariff Order due to any reason beyond the control of AO or its contracting agencies and is justified, the same would be considered by the Authority at the time of tariff determination of the Fourth Control Period.

Further, the Authority notes that the airport users pay a considerable price to avail services at the airport and any delay beyond its extended date of completion of the projects would result in the Airport Operator getting an undue advantage at the expense of the airport user as the Airport Operator would be able to recover the cost of investments without the investments happening in the first place or the investment not culminating in asset capitalization and the public i.e Airport passengers would start to pay for the assets which are not created

on the expense of airport users. This would be a direct violation of cost relatedness and transparency as per ICAO principles.

The Authority has considered this rationale consistently in past for other similar airports, to provide for an adjustment cost to the extent of 1% of the uncapitalized project cost while determining RAB in the case of delay in capitalization of the project beyond the stipulated dates.

The Authority considers that such a provision would ensure that efficiency standards are maintained by the Airport Operator and would dis-incentivize AO from allowing the project getting delayed beyond the committed timelines for implementation of the project thereby ensuring efficiency in the cost incurrence. The same is a balancing exercise which ensures that the Airport Operator meets the commitment to complete the Project as per the schedule mentioned in the Tariff Order.

The Authority also notes that stakeholders like FIA have supported its view in this regard as can be seen from their comment as given below.

"We agree with AERA's proposal that an adjustment of 1% (or higher of the project cost from the ARR, as deemed fit), is made by AERA for capital expenditure projects is/are not completed/capitalised as per the approved capitalisation schedule other than those affected solely by the adverse impact of COVID-19. Such adjustments can be made by AERA during the tariff determination for the Fourth Control Period."

7.9.7 The Authority has examined TKIAL's comment with respect to the Terminal Building ratio. It is noted that the area identified for Non-Aeronautical activities are based on the scope for commercial activity and there are no specific restrictions stipulating that the area allocated for a particular non-aeronautical activity must be at a particular location (except on account of consideration of safety and security). Accordingly, the area used for Non-Aeronautical activities cannot be considered as fixed locations.

In the absence of any specific unit area and costs being mentioned in the Concession Agreement, the norms as per the IMG recommendations are the most appropriate basis for the purpose of tariff determination and the same has been considered accordingly.

Further, the Authority would like to state that for similar size of airports, the Authority had determined Terminal Building ratio of 90:10. This is the uniform approach followed by the Authority for the relevant Control Periods of these Airports and the same has been considered in the Tariff Order for the Second Control period as well.

The Authority noted TKIAL's comments on Shared-Till model. As per paragraph 5.2.1.(b)(i) of AERA Guidelines "The assets that substantially provide amenities /facilities/ services that are not related to, or not normally provided at an airport, may be excluded from the scope of RAB". The demarcation between Aeronautical and Non-aeronautical activities has been clearly defined in the AERA Guidelines. On this basis. AERA includes/excludes the capital items from the RAB and determines the tariff for the Airport, which is uniformly followed across all Major Airports.

The Authority has examined the comments of AO regarding the length, breadth and height of the Terminal Building. The Authority is of the view that the ceiling height are part of the overall plan of the terminal building considering various factors, while the height used for commercial activities are based on the specific requirements of those vendors and not based on any other restriction. Further, the area used for commercial activities are leased based on the floor area only and hence the allocation of terminal building area based on

the floor area utilized for Non-Aeronautical activities is the appropriate basis for allocation of common assets and the related common expenses.

Further, AERA does not agree with the argument of TKIAL that in the Terminal Building, all the assets should be considered as Aeronautical. If that is so, TKIAL should forgo the 70% Non-Aeronautical revenue, which TKIAL would be enjoying from the Non-aeronautical assets. The Authority would also like to note the following with respect to comments submitted by TKIAL:

- As per tariff guidelines 2011 for Airport Operators the tariff for an airport needs to be calculated as per single till methodology, according to which all building block of ARR are considered 100% as Aeronautical.
- The Authority, in order to adopt uniform tariff policy across all major airports, had amended its tariff guideline to the extent of adoption of Hybrid Till instead of Single Till prescribed in the guidelines vide order 14/2016-17 dated 23rd January 2017. The Hybrid Till in principle considers only aeronautical portion of OPEX and CAPEX as pass through in tariff with 30% cross subsidy from Gross Non-Aero Revenue.
- The revenue, cost and assets are interlinked and should be aligned in accordance with the till methodology adopted for tariff determination. Thus, as part of asset allocation exercise, the Authority would require identification and allocation of Assets and OPEX into Aero and Non-Aero.
- FIA, in its comments as put forward in Para 7.7.17 has supported the Authority's view (in fact suggested higher TBLR) in this regard as reproduced below

  "FIA submits that AERA has considered the Terminal Building Ratio ('TBLR') of 90:10 for Third Control Period.

  However, considering that Trivandrum is tourist destination, while being the most populous city in Kerala, have potential of higher non-aero revenue, the nonaeronautical ratio proposed by AERA appears to be on the lower side.

  Further, as observed by AERA itself, in comparison to the other similar PPP airports such as DIAL, MIAL, BIAL etc., the TBLR was considered above 10%.

  Hence, keeping in view the above-mentioned facts, TKIAL shall better utilize such aspects and space towards increasing their non-aeronautical activities.

  We request AERA to allot the best possible ratio towards NAR as deemed appropriate. In view of that, we request AERA to consider the highest possible nonaeronautical allocation in the case of TKIAL (preferably higher than 10%)."

7.9.8 The Authority has noted the comments of TKIAL regarding depreciation rates and hereby clarifies that it had provided detailed justification for not considering the recommendations of TKIAL's Independent Expert for adopting a shorter useful life of the assets (refer para 7.5.7 of this Tariff Order).

The Authority notes that the Authority's Order on the Useful Life of Airport Assets was issued after due consultation process and is being uniformly applied in all airports.

Also, certain stakeholders like FIA have commented that the Terminal Building and the Aprons have useful life as long as sixty (60) years and ninety-nine (99) years respectively at international airports like London Heathrow, Sydney airport and Amsterdam airport (refer Para 7.7.18). However, the Authority has taken a balanced approach and provide for the useful lives to be considered between 30 and 60 years with due reasoning.

Therefore, the Authority sees no reason to deviate from its proposal given at the Consultation stage.

7.9.9 The Authority has examined the comments of TKIAL on financing allowance:

The Authority considers that providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an Airport Operator and may require revisiting the return on equity allowed to Airport Operators as the investment in the asset class will then be equated to risk free rate of return. Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred if debt is used for funding projects.

Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The AO is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity. TRV is a brownfield airport, therefore, the operations at TRV are stabilized which reduces the construction and traffic risk as compared to a greenfield airport. Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, Airport Operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for Financing Allowance in initial stages to such greenfield airports. It may be further noted that the Authority has never provided Financing Allowance in the case of brownfield airports in its any of the Tariff Orders.

Further, Financing Allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted only on the debt portion of the proposed capital expenditure.

It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports cannot be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, in a scenario where TKIAL brings in additional investments, the airport facilities are mobilized and enabled to other parts of the airport, which remains functional, and TKIAL keeps enjoying the charges from the users. In the case of TKIAL, since the proposed projects include mobilization of existing operations, the Airport ought to be considered as a brownfield airport, which in the opinion of the Authority, would make TKIAL not eligible for an allowance on the equity portion of newly funded capital projects. Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt. Further the Authority opines that Financing allowance should be provided only on the debt borrowings availed for execution of a project.

AERA Guidelines, 2011 does not specifically state that Financing Allowance is to be provided on both equity and debt portion of the capital expenditure. The proviso to Section 13 (I) (a) states that "different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii) of Section 13 (I) (a)".

Based on the above, the Authority is of the view that there is no reason to deviate from the proposal made by it regarding Financing Allowance at Consultation Stage (Refer para 7.3.147). Therefore, the Authority sees no merit in TKIAL's contention.

7.9.10 The Authority notes the comments of AO on true up of IDC at the time of tariff determination for the next Control Period. The Authority hereby clarifies that the IDC on the debt portion of the total value of the Aeronautical CAPEX will be considered at the time of true up of the Third Control Period, while determining tariff of the next Control Period, based on actual capitalization of the assets.

The Authority has carefully reviewed the details provided by TKIAL with respect to the Aircraft stands. The Authority had detailed the analysis for considering lesser number of stands at the Consultation stage (Refer Para 7.3.62 of the Tariff Order). The Authority notes that the planning for additional stands should involve the optimum utilization of the existing stands at all periods and optimal planning of flight schedules.

The Authority also notes that the Terminal-1 re-construction proposed by TKIAL considers appropriate planning on the number of stands required therein and hence, the deficiency if any, will also be for a temporary period only.

Further, the Authority notes that the actual number of stands required depends on various factors and not only based on the number of million passengers in the airport. Also, in the data provided by TKIAL of the comparison across other airports, the number of stands per MPPA is varied, which indicates that there are many factors required to be considered for the same.

Hence, the Authority decides to consider the number of stands proposed by it at Consultation Stage as part of the Capital Expenditure for the period. However, TKIAL may construct additional parking stands if operationally required and the cost of such additional parking stands will be considered on an incurrence basis, at the time of true up, based on evaluation of reasonableness and efficiency.

7.9.11 The Authority notes the comments made by TKIAL with respect to normative cost and has the following view:

GST

The Authority notes the comments from TKIAL with respect to the computation of GST. The Authority has considered an estimate of Rs. 1,00,000 including service tax as applicable to be reasonable normative benchmark for terminal building in FY 2021. The Authority has updated this estimate considering GST at 18% instead of the applicable service tax rate of 12% earlier (refer Table 107 and Table 115 of this Tariff Order). Hence the Authority does not see any reason to change the estimate considered by it at the Consultation stage.

Inflation

The Authority notes that it has been consistently applying WPI inflation rates as published by Reserve Bank of India as a constant benchmark for the purpose of the estimation. Accordingly, the Authority has considered the same for the purpose of estimating Capital Expenditure in the case of TKIAL also. The Authority notes that 87th Round Report dated 5th April 2024 is the latest available on inflation and the Authority proposed to consider the same for estimation purposes.

The Authority will review the actual costs incurred at the time of MYTP evaluation of the next control period and true up based on review of efficiency and reasonableness.

Regarding AO's comments on AERA's Order No. 43/2021-22 dated 15th March 2022 pertaining to Kolkata Airport, the Authority hereby clarifies that the Normative Cost derived from AAI's estimated cost excluding GST and certain other items (cost per sqm of piling work) was only 58,340 (for FY 2021-22) and the Normative Cost benchmark of AERA (including GST) is much more. Based on the above normative cost benchmark, AERA had accepted the cost projected by AAI.

7.9.12 The Authority has examined the comments of FIA on the useful life of the Terminal Building and the response of TKIAL. As per Order No. 35/2017-18 dated 12th January 2018, the Authority has given the option to airport operators to decide the useful life for terminal buildings as either 30 years or 60 years. The AO, based on its assessment, has submitted the useful life for terminal building as 25 years, which the Authority has revised to 30 years, in line with its consideration of useful life of the Terminal Building of other similar airports and as per the requirement of the aforementioned Order No. 35/2017 -18.

7.9.13 The Authority has noted FIA's detailed comments regarding taxes charged on FIC and ITP levied by the Airports. The Authority would like to highlight that taxes are levied by the Ministry of Finance and are beyond AERA's domain.

7.9.14 The Authority notes FIA's request to not allow the Fuel Farm Tariff. The Authority provides the flexibility to TKIAL to consider different elements of charging which will then be evaluated by the Authority. For reasons stated above, the Authority cannot allow/ disallow a charge, only from the perspective of possible tax optimization.

7.9.15 For FIA's comments on higher TB ratio, Authority's analysis detailed in Para 7.9.7 may be referred to.

7.9.16 The Authority has examined the comments of FIA on putting on hold capex proposals and conducting an independent study on the efficient capital expenditure in the Third Control Period and the response of TKIAL.

In this regard, the Authority has examined in depth the CAPEX proposals submitted by TKIAL for the Third Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential from safety/ security/ operational requirements or necessitated by the terms of the Concession Agreement. It is also noteworthy to mention that Clause 24.1, 24.2 and Schedule L of the Concession Agreement also mandated the Roles and Functions of the Independent Engineer which includes review, inspection, monitoring of the construction works and determining cost of such works/services and their reasonableness. Therefore, the Independent Engineer has been appointed by AAI to review the capital projects at TKIAL in accordance with the above-mentioned terms of the Concession Agreement.

7.9.17 The Authority also notes that there has been no revision of Capex estimates by TKIAL.

7.9.18 The Authority notes that the requirement for an independent study will depend upon the size of the airport, scale of operations and consideration of any specific requirements therein.

7.9.19 The Authority has noted the comments of FIA and the response of TKIAL on application of normative norms for assessing capital expenditure projects of TKIAL. The Authority would like to note that, as stated in the Consultation Stage (Refer paras 7.3.41, 7.3.63 and notes to Table 107, Table 115) it has already made adjustments, wherever necessary, on the basis of inflation adjusted normative cost.

The Authority also notes that it has considered a normative cost of Rs. 1,00,000 per sqm for FY 2020-21 in some of the recent tariff orders of Ahmedabad, Lucknow, Patna, etc. based on the superior specifications, processes and the architectural features of modern Terminal Buildings. Further, the Authority feels that as the

work on Terminal Building projected by TKIAL would be carried out over the Third Control Period, it would be reasonable and justifiable to derive the project cost based on inflation-adjusted normative cost up to FY 2026-27 (using WPI inflation index) to address the time value of money.

The Authority reiterates that it has examined in depth the CAPEX proposals submitted by TKIAL for the Third Control Period, sought clarifications on the essentiality and the reasonableness of the proposed CAPEX and has considered only such capital expenditure that are essential for safety/ security/ operational requirements or necessitated by the terms of the Concession Agreement.

7.9.20 The Authority notes FIA's comment on imposing 1% or higher re-adjustment of ARR/ Target Revenue on delayed capital additions. The Authority has decided to consider imposing 1% re-adjustment of ARR / Target Revenue on delayed capital additions in the Third Control Period, as also stated in para 7.9.6 in this Tariff Order.

7.9.21 The Authority notes that after issuance of the Consultation Paper, RBI has issued the Results of 87th Round of Survey of Professional Forecasters on Macroeconomic indicators dated 5th April 2024, hence the Authority has derived the inflation adjusted normative rates based on the inflation as per Table 169 and the same is as follows:

Table 154: Details of Inflation-adjusted Normative rates derived by the Authority

Year	Inflation (%)	Inflation adjusted normative rates (Rs.)	Inflation adjusted normative cost @18% GST*
Base Amount		1,00,000	1,05,357
FY22	7.14%	1,07,140	1,12,880
FY23	9.42%	1,17,233	1,23,513
FY24	-0.70%	1,16,412	1,22,648
FY25	3.10%	1,20,021	1,26,450
FY26	3.70%	1,24,461	1,31,129
FY27	3.70%	1,29,067	1,35,981

**Note:*

Inflation adjusted base amount (inclusive of 12% GST) (A) = *Rs. 1,00,000 per sqm*
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112)* = *Rs. 89,286 per sqm*
*Add GST @ 18% (refer para 7.3.41(1) i)c) (C=B*18%)* = *Rs. 16,071 per sqm*
Normative cost including GST (D = B+C) = *Rs. 1,05,357 per sqm*

7.9.22 Based on the above details, Terminal-II upgradation and expansion cost as decided by the Authority is as given below:

Table 155: Cost decided by the Authority towards T-II upgradation and expansion

(Rs. in crores)

Particulars	UoM	Rate	Quantities	Amount	Remarks
New Structure	Sqm	1,38,000	13,000	179.40	Inflation adjusted normative cost inclusive of 18% GST and 5% for extra over approved rates for working in operational areas
Expansion for BMA	Sqm	70,000	6,500	45.50	
Terminal Modification	Sqm	75,000	43,500	326.25	Tentative rate estimate considered
Total				**551.15**	

Note – The cost of Rs. 551.15 crores decided by the Authority for T-II upgradation and expansion is arrived at by considering a reduction of Rs. 128.36 crores on TKIAL's submission of Rs. 679.51 crores (refer Table 103). Reduction in cost is on account of various factors as detailed above, including certain elements of costs considered twice by TKIAL, reduction in allowance for extra over approved rates for working in operational areas etc.

7.9.23 The Authority has derived the inflation adjusted normative rates for Apron based on the inflation as per Table 169 and the same is as follows:

Table 156: Inflation-adjusted normative rate considered for Apron

Financial Year	WPI Index*	Inflation %**	Inflation adjusted Cost	Inflation adjusted normative cost @18% GST
FY16	109.70		4,700***	4,952
FY17	111.60		4,781	5,038
FY18	114.90		4,923	5,187
FY19	119.80		5,133	5,408
FY20	121.80		5,218	5,498
FY21	123.40		5,287	5,570
FY22		7.14%#	5,664	5,968
FY23		9.42%	6,198	6,530
FY24		-0.70%	6,155	6,484
FY25		3.10%	6,345	6,685
FY26		3.70%	6,580	6,933
FY27		3.70%	6,824	7,189

** Source: Office of The Economic Adviser, Government of India (https://eaindustry.nic.in)*

*** Source: Reserve Bank of India Publications (https://www.rbi.org.in/Scripts/Publications.aspx/publication=BiMonthly)*

**** Base amount as per Order No.7/2016-17 dated 13th June 2016 which is inclusive of prevalent tax of 12%*

Note:

Inflation adjusted base amount (inclusive of 12% GST) (A) = Rs. 4,700 per sqm
*Inflation adjusted base amount (exclusive of 12% GST) (B=A*100/112) = Rs. 4,196 per sqm*
*Add GST @ 18% (refer para 7.3.41(1) i)c) (C=B*18%) = Rs. 755 per sqm*
Normative cost including GST (D = B+C) = Rs. 4,952 per sqm

 # Instead of considering the inflation rate of 12.97% for FY 2021-22 (as per press release dated 18th April 2022 by Dept. for Promotion of Industry and Internal Trade, Government of India), the Authority has considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%), which works out to 7.14%

7.9.24 Based on the above details, the cost towards Terminal-II Apron as decided by the Authority is as given below:

Table 157: Cost towards Terminal-II Apron decided by the Authority

(Rs. in crores)

Particulars	Ref	Rate (Rs.)	Quantities	Amount
Expansion of Terminal-II apron (Area includes HOS, Transition pavements, demolition & new pavements)				
Normative cost Including GST	A	6,685	59,887	40.04
Cost items which were not part of Normative Costing				
Demolition	B			8.20
Excavation till Sub-Grade	C			7.53
Additional PQC	D			7.28
Aeronautical Ground Lighting	E			6.27
Drainage	F			3.47
Extra cost over approved rates for working in Operational areas @5%	G			2.40
Total	**H=Sum(A to G)**			**75.19**
Proposed by the Authority	I=H*50%			37.60
Submitted by TKIAL (Table 114)	J			81.75
Variance	**K=J-I**			**44.15**

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7.9.25 The Authority, based on its review of actual CAPEX incurred by TKIAL in FY 2023-24 (submitted by TKIAL vide email dated 12th April 2024) has shifted capitalization of certain projects proposed for FY 2023-24 at Consultation Stage by one year.

7.9.26 Based on the above factors, the Authority has determined the revised capital expenditure, depreciation and RAB, which it decides to consider for the Third Control Period of TRV, as follows:

Table 158: Aeronautical Capital Expenditure as proposed at the Consultation Stage and as decided by the Authority for the Third Control Period

(Rs. in crores)

Ref. No.	Project Detail	FY of capitalization as per		Aeronautical CAPEX as per		Variance (A-B)	Remarks
		Consultation Stage	Order Stage	Consultation Stage (A)	Order Stage (B)		
A	**Terminal Building**						
A.1	Upgradation of Existing Terminal Building (T-I)	2025	2025	19.01	18.71	0.3	Variance is due to change in inflation rate considered
A.2	Construction of New Domestic Terminal (T-I)	-	-	-	-	-	
A.3	Upgradation & Expansion of Terminal Building (T-II)	2026	2026	582.70	570.74	11.96	Variance is due to change in inflation rate considered
	Sub-Total (A)			**601.71**	**589.45**	**12.25**	
B	**Runway, Taxiway and Apron**						
B.1	Airside/Landside Drain Network (3.5m W x 2 m D)	2027	2027	139.81	137.24	2.57	Variance is due to change in inflation rate considered
B.2	Development of RESA for RWY 32	2025	2025	0.54	0.54	0.01	Variance is due to change in inflation rate considered
B.3	Grading of runway, taxiway strips and other critical areas in operational area.	2024	2024	9.92	11.60	-1.68	Variance is due to the work being completed and therefore the actual cost being considered
B.4	GSE Staging - (Rigid Pavement)	2025	2025	2.48	2.44	0.04	Variance is due to change in inflation rate considered
B.5	Sustaining / Minor Capex Works	2023, 2024, 2025	2023, 2024, 2025	7.68	7.98	-0.3	Variance is due to the change in inflation rate considered and due to some of the work being completed and hence the actual cost being considered.

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Ref. No.	Project Detail	FY of capitalization as per		Aeronautical CAPEX as per		Variance (A-B)	Remarks
		Consultation Stage	Order Stage	Consultation Stage (A)	Order Stage (B)		
B.6	Expansion of Terminal-II apron (Area includes HOS, Transition pavements, demolition & new pavements)	2025	2025	43.11	42.02	1.1	Variance is due to change in inflation rate considered
	Sub-Total (B)			**203.54**	**201.81**	**1.73**	
C	**Runway Recarpeting**						
C.1	Runway and taxiway micro/ re surfacing and associated works	-	-	-	-	-	
	Sub-Total (C)			-	-	-	
D	**GA Terminal Building, Apron & Taxiway**						
D.1	Construction of Code C Taxiway for GA Apron (Activity includes demolition items)	-	-	-	-	-	
D.2	Construction of General Aviation (GA) Apron (Area includes HOS, Transition pavements, demolition & new pavements)	-	-	-	-	-	
D.3	GA Terminal	-	-	-	-	-	
	Sub-Total (D)			-	-	-	
E	**CNS/ATM**						
E.1	Airside Improvement Works	2024, 2025	2024, 2025	7.85	7.73	0.12	Variance is due to change in inflation rate considered
E.2	ATC Tower and Technical Block	-	-	-	-	-	
	Sub-Total (E)			**7.85**	**7.73**	**0.12**	
F	**Cargo Complex & Equipment**						
F.1	Interim ICC and DCC equipment	2023, 2025	2023, 2025	6.50	6.70	-0.20	Work completed therefore actual cost considered
F.2	International Cargo Centre (ICC)	2026	2026	62.62	61.55	1.07	Variance is due to change in inflation rate considered
	Sub-Total (F)			**69.12**	**68.25**	**0.87**	
G	**Fuel Infrastructure & Hydrant System**						
G.1	IOCL & BPCL Asset procurement	2025	2025	10.75	10.57	0.18	Variance is due to change in inflation rate considered

Ref. No.	Project Detail	FY of capitalization as per		Aeronautical CAPEX as per		Variance (A-B)	Remarks
		Consultation Stage	Order Stage	Consultation Stage (A)	Order Stage (B)		
G.2	Dead stock of Product	2025	2025	5.65	5.56	0.09	Variance is due to change in inflation rate considered
G.3	Equipment cost	2025	2025	16.66	16.38	0.28	Variance is due to change in inflation rate considered
G.4	Fuel hydrant line	-	-	-	-	-	
G.5	Fuel storage farm	2026	2026	157.66	154.96	2.70	Variance is due to change in inflation rate considered
	Sub-Total (G)			**190.71**	**187.46**	**3.25**	
H	**Boundary Wall**						
H.1	Airport Boundary Wall	-	-	-	-	-	
H.2	New Airside Perimeter after shifting boundary	-	-	-	-	-	
H.3	Perimeter Intrusion Detection System (PIDS)	-	-	-	-	-	
	Sub-Total (H)			-	-	-	
I	**Other Buildings**						
I.1	New Airside Security Gate - 1,2,3	2025, 2026, 2027	2025, 2026, 2027	1.76	1.73	0.03	Variance is due to change in inflation rate considered
I.2	Security equipment for Gates	2027	2027	1.87	1.84	0.03	Variance is due to change in inflation rate considered
I.3	Upgradation of Airside gates- Crash Gates, Morcha construction at gate 6, 10, 11	2027	2027	1.84	1.82	0.02	Variance is due to change in inflation rate considered
I.4	Airport Administration Building	2026	2026	48.02	47.19	0.83	Variance is due to change in inflation rate considered
I.5	Sustaining / Minor Capex Works	2023, 2024, 2025, 2027	2023, 2024, 2025, 2027	15.79	15.99	-0.20	Variance is due to the change in inflation rate considered, shifting of the capitalization date and due to some of the work being completed and therefore the actual cost being considered.
	Sub-Total (I)			**69.28**	**68.57**	**0.71**	

Ref. No.	Project Detail	FY of capitalization as per		Aeronautical CAPEX as per		Variance (A-B)	Remarks
		Consultation Stage	Order Stage	Consultation Stage (A)	Order Stage (B)		
J	**IT**						
J.1	Strategic Projects	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	17.21	17.02	0.19	Variance is due to change in inflation rate considered
J.2	Sustaining / Minor Capex Works	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	13.29	13.18	0.11	Variance is due to the change in inflation rate considered, shifting of the capitalization date and due to some project's work completed and therefore the actual cost being considered
	Sub-Total (J)			**30.50**	**30.20**	**0.30**	
K	**Environment Related Projects**						
K.1	Airside Fuel/ EV Charging Station (30KW charging points 3 nos; 2 fuel dispensing units and associated facilities)	2025	2025	2.36	2.32	0.04	Variance is due to change in inflation rate considered
K.2	Airport Owned Electric Vehicles Procurement	2023, 2024, 2025	2023, 2024, 2025	6.08	6.09	-0.01	Variance is due to the change in inflation rate considered. Shifting of the capitalization date
K.3	Other Environment Related	2024, 2025, 2026	2024, 2025, 2026	9.52	9.39	0.13	Variance is due to the change in inflation rate considered, shifting of the capitalization date and due to some of the work being completed and therefore the actual cost being considered.
K.4	DG Retro fitting	2024, 2025, 2026, 2027	2025, 2026, 2027	3.15	3.13	0.02	Variance is due to the change in inflation rate considered and

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Ref. No.	Project Detail	FY of capitalization as per		Aeronautical CAPEX as per		Variance (A-B)	Remarks
		Consultation Stage	Order Stage	Consultation Stage (A)	Order Stage (B)		
							shifting of the capitalization date
K.5	Triturator	2025	2025	3.83	3.77	0.06	Variance is due to change in inflation rate considered
K.6	Solid Waste Management - Landside	2024	2025	0.48	0.49	-0.01	Variance is due to the change in inflation rate considered and shifting of the capitalization date
K.7	Solid Waste Management Plant at T-II	2024	2025	0.60	0.61	-0.01	Variance is due to the change in inflation rate considered and shifting of the capitalization date
	Sub-Total (K)			**26.02**	**25.79**	**0.23**	
L	**Sustaining / Minor Capex Works**						
L.1	Oil Water Separators (OWS)	2026	2026	12.75	12.53	0.22	Variance is due to change in inflation rate considered
L.2	1 Runway Rubber Removal Machine	2024	2024	7.39	5.67	1.72	Work completed therefore actual cost considered
L.3	Fire Fighting Equipment and facilities	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	34.27	33.70	0.57	Variance is due to change in inflation rate considered
L.4	Trolleys	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	7.08	6.84	0.24	Variance is due to change in inflation rate considered
L.5	Other Works	2023, 2024, 2025, 2026, 2027	2023, 2024, 2025, 2026, 2027	40.08	40.30	-0.22	Variance is due to the change in inflation rate considered, shifting of the capitalization date and due to some of the work being completed and therefore the actual cost being considered.
	Sub-Total (L)			**101.57**	**99.04**	**2.53**	
M	**Capex Considered for RAB by the Authority (Sum[A:L])**			**1,300.30**	**1,278.31**	**21.99**	

7.9.27 To summarize, based on the above detailed discussions, the Authority proposed to consider aeronautical capital expenditure of Rs. 1,278.31 crores as addition to the RAB for the current control period at the order stage as against Rs. 1,300.30 crores as aeronautical addition to RAB at the Consultation Stage. The difference in the two amounts is mainly due to the following changes, adjustments, revisions and rationalization carried out by the Authority:

A. Deferring of projects incl. projects allowed on incurrence basis – decrease of Rs. 1.65 crores
B. Consideration of only partial amount of the Base Cost – increase of Rs. 4.16 crores
C. Indexation as a result of change in inflation – increase of Rs. 19.08 crores
D. Soft Cost – increase of Rs. 1.91 crores
E. IDC/Disallowance of Financing Allowance – decrease of Rs. 0.12 crores
F. Allocation Ratio – decrease of Rs. 1.40 crores

7.9.28 Based on the changes detailed above, the Depreciation and Average RAB decided by the Authority are as given below.

Table 159: Depreciation decided by the Authority for the Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Terminal Building	6.00	6.32	6.80	16.31	25.51	**60.94**
Runway, Taxiway and Apron	8.64	8.87	9.93	10.78	13.07	**51.30**
Cargo building	-	-	-	1.03	2.05	**3.08**
Cargo Equipment	0.13	0.30	0.40	0.45	0.45	**1.72**
Boundary wall	0.17	0.17	-	-	-	**0.34**
Software	0.02	0.00	0.00	-	-	**0.03**
IT equipment	1.45	2.47	3.41	4.34	5.10	**16.77**
Security equipment	0.20	0.20	0.30	0.41	0.42	**1.52**
Plant and Machinery	8.05	8.24	10.50	13.33	14.21	**54.34**
Other Buildings	1.72	1.81	2.22	3.37	4.23	**13.35**
Access Road	2.55	0.78	-	-	-	**3.33**
Fuel	-	-	1.08	4.75	7.33	**13.17**
Furniture & fixtures	0.51	0.61	1.16	1.73	2.20	**6.22**
Vehicles	0.44	0.68	1.09	1.56	1.65	**5.41**
Office equipment	0.87	0.54	0.29	0.28	0.17	**2.16**
Total	**30.75**	**31.01**	**37.19**	**58.33**	**76.39**	**233.67**

Table 160: RAB decided by the Authority for the Third Control Period

(Rs. in crores)

Particulars	Ref.	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Opening RAB (Table 67)	A	457.94	458.38	470.59	635.01	1,429.32	
Additions	B	31.19	43.22	201.61	852.64	149.65	**1,278.31**
Depreciation	C	30.75	31.01	37.19	58.33	76.39	**233.67**
Closing RAB	**D = A + B - C**	**458.38**	**470.59**	**635.01**	**1,429.32**	**1,502.58**	
Average RAB	**E = (A + D) / 2**	**458.16**	**464.49**	**552.80**	**1,032.16**	**1,465.95**	

7.10 Authority's decisions regarding CAPEX, Depreciation and RAB for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following regarding CAPEX, Depreciation and Regulatory Asset Base for the Third Control Period.

7.10.1 To consider the Terminal Building ratio of 90%:10% in line with the Study on Allocation of Assets, IMG norms and as approved for other similar Airports.

7.10.2 To allow IDC during the Third Control Period and not to allow Financing Allowance as mentioned in para 7.3.147.

7.10.3 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 158.

7.10.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period.

7.10.5 To consider GST on RAB/CWIP and Stamp Duty on actual incurrence basis, as detailed in para 7.3.150 and 7.3.149 respectively.

7.10.6 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Fourth Control Period (as explained in para 7.3.150).

7.10.7 To true up the Aeronautical Capital expenditure based on actuals, after evaluating efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.

7.10.8 To adopt Aeronautical Depreciation as per Table 159 for the Third Control Period.

7.10.9 To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.

7.10.10 To consider average RAB for the Third Control Period for TRV as per Table 160.

7.10.11 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control period.

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8 FAIR RATE OF RETURN (FRoR) FOR THE THIRD CONTROL PERIOD

8.1 TKIAL's submissions regarding Fair Rate of Return (FRoR) for the Third Control Period

Cost of Equity

8.1.1 TKIAL had adopted the Cost of equity as computed by the Technical Expert engaged for determining Cost of Equity for Chaudhary Charan Singh International Airport, Lucknow. The study has indicated a cost of equity of 17.11%, 17.28% for different scenarios during the Third Control Period.

8.1.2 Based on the same, TKIAL has submitted 17.30% as Cost of Equity for Thiruvananthapuram International Airport, Thiruvananthapuram.

8.1.3 TKIAL submitted the following assumptions for estimating the Cost of equity:

- Risk-free rate was calculated by taking the 10-year average daily yield, for 10-year Government of India (GoI) securities i.e., 7.57%
- Asset beta was derived based on regressed beta computed for comparable listed airports (weighted) and adjusted for appropriate leverage to determine the levered Equity beta.
- Although various debt-equity (leverage or gearing) ratios had been analyzed, the assumed leverage for computation of Cost of equity was the normative approach and standards adopted in earlier tariff determination exercises of the Authority, i.e., debt-equity ratio of 48:52. For such leverage ratio, the Equity beta was computed ranging from 1.35 – 1.38.
- An average Equity Risk Premium was computed by analyzing a list of studies and standard market indices. Accordingly, Equity risk premium over risk-free rate was computed as 7.06%.

Table 161: Cost of equity computation submitted by TKIAL for the Third Control Period

Particulars	Value
Risk free rate	7.57%
Equity beta	1.38
Equity risk premium	7.06%
Cost of equity	**17.30%**

Cost of Debt

8.1.4 TKIAL had considered Cost of Debt for the Third Control Period at 12%.

8.1.5 The audited financial statements of TRV (Kerala) International Airport Limited (TKIAL) for the year ended 31st March 2023 disclosed that it has issued long-term secured, non-convertible redeemable debentures to its shareholder group company, Adani Airport Holdings Limited, in order to raise funds at interest rate of 12% p.a. Further, it also raised two inter-corporate deposits from the same shareholder group company at interest rates of 12.25% p.a. and 12% p.a. respectively with varying repayment periods.

8.1.6 Adani Airport Holdings Limited announced that it raised a 3-year External Commercial Borrowing (ECB) facility from a consortium of Standard Chartered Bank and Barclays Bank PLC. The "all in" borrowing cost of this facility is 12.10% p.a., the breakdown of which is provided in the table below.

Table 162: Breakdown of all-in borrowing cost of TRV submitted by TKIAL

Parameters	Value
Secured Overnight Financing Rate (SOFR) reference	2.28%
Spread over SOFR	4.25%
Withholding tax gross up (at 5% of SOFR + spread)	0.33%
One-year forwarding Dollar-Rupee hedge cost (mandatory as per RBI guidelines)	4.51%
Other Charges	0.73%
All-in Cost of External Commercial Borrowing	**12.10%**

8.1.7 It was mentioned that a part of the proceeds raised from this facility are being on-lent to TKIAL for the purpose of financing its capital expenditure at the rate of 12.25% p.a. For the purposes of computation of weighted average cost of capital, cost of debt has been assumed as 12% p.a.

Fair Rate of Return

8.1.8 Based on the Cost of equity, Cost of debt and gearing ratio, TKIAL has submitted the following FRoR for the Third Control Period:

Table 163: FRoR submitted by TKIAL for the Third Control Period

Particulars	%
Cost of Debt	12.00%
Cost of Equity	17.30%
D/E Ratio	48:52
FRoR	**14.76%**

8.2 Authority's examination regarding Fair Rate of Return (FRoR) for the Third Control Period at Consultation Stage

Cost of Equity

8.2.1 The Authority had commissioned independent studies for the evaluation of cost of capital separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL through a premier institute, namely Indian Institute of Management (IIM) Bangalore and proposed to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of TRV for the Third Control Period.

8.2.2 The Authority believes that the Cost of Equity for the purpose of determination of FRoR has to be fairly consistent across PPP airports so that there is uniformity of evaluation of their inherent financial risk, and compensation for the same in the form of return on RAB. The independent study reports have drawn from the international experience of airports and their conclusions have been evaluated to the extent comparable with TRV in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The average Cost of equity arrived at by the independent study reports is 15.18%.

8.2.3 The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of equity.

8.2.4 Based on the above reports, the Authority proposed the Cost of equity of 15.18% for TRV for computation of the Fair Rate of Return for the Third Control Period.

Cost of Debt

8.2.5 The Authority noted that TKIAL has considered Cost of debt at 12% for the Third Control Period based on its current borrowing rate from a related party and based on Adani Airport Holdings Limited's all-in borrowing cost of 12.10%.

8.2.6 Since the Airport has not obtained any credit rating from an external rating agency, there is no direct comparable entity or market data for determining cost of debt for TRV.

8.2.7 However, the Authority recommends that the Airport bring in further efficiencies in its cost of borrowing by leveraging its parent entity's financial strength in order to reduce the interest rates. This suggestion is also in keeping with the spirit of PPP whereby it is expected that the financial strength of PPP airports will be maintained at an optimal level and their cost of capital will be within reasonably allowable limits. TKIAL should avail the synergies and benefits owed to it by its strong shareholding and balance sheet of its Parent companies and therefore work towards bringing down the cost of debt to the same level as other PPP airports.

8.2.8 The Authority also notes that the average cost of debt of the other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL is 8.96%.

8.2.9 Accordingly, the Authority hac considered the Cost of Debt of 9% for the computation of Fair Rate of Return. The Authority also directed TKIAL to ensure that Related Party transactions, if any, with respect to borrowing of funds are benchmarked with most optimum rates available and is well justified.

Fair Rate of Return

8.2.10 The FRoR as recalculated by the Authority after considering the analysis discussed above is summarized in the table below:

Table 164: FRoR proposed by the Authority for the Third Control Period

Parameters	Value
Cost of equity	15.18%
Cost of debt	9.00%
Weighted average gearing of equity	52.00%
Weighted average gearing of debt	48.00%
Fair Rate of Return	**12.21%**

8.2.11 With respect to the Notional gearing ratio of 48:52, the Authority would like to reiterate that FRoR is computed on the basis of cost of equity and Cost of Debt. It had determined the Cost of Equity based on the IIM Bangalore's independent study reports for other PPP Airports whereas the Cost of Debt was computed after considering the average bank lending rate of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of December 2022 and the Cost of Debt of five other PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. Since the debt equity mix had been decided by the Authority considering the efficient capital structure and the interest of all the Stakeholders, the notional gearing ratio of 48: 52 will not be trued up during the tariff determination for the next Control Period.

8.3 Stakeholders' comments regarding FRoR for the Third Control Period

8.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding Fair Rate of Return (FRoR) for the Third Control Period. The comments of the stakeholders are presented below.

TKIAL's comments on FRoR for the Third Control Period

8.3.2 TKIAL's comments regarding cost of equity are as follows:

As per AERA Guidelines. AERA is expected to estimate cost of equity by using CAPM for each AO subject to consideration of such factor as the Authority may deem fit. However, in the instant CP, AERA has not estimated the cost of equity for TKIAL. Rather it has taken reference from Cost of Equity calculated for other PPP Airports and applied it to TKIAL. This is not in line with the AERA Guidelines.

Extract from the AERA Guidelines

"5.1.3 Cost of Equity

*Cost of Equity – The Authority shall estimate the cost of equity, for a Control Period, **by using the Capital Asset Pricing Model (CAPM)** for **each Airport Operator**, subject to the consideration of such factors as the Authority may deem fit."*

TKIAL had adopted the study undertaken by LIAL through the services of Price Waterhouse Coopers Services LLP (PwC) on evaluating the applicable Cost of Equity (CoE). Based on this study, the AO considered the CoE as 17.30%.

The methodology used to compute the CoE of LIAL (as well as TKIAL) is the Capital Asset Pricing Model (CAPM), as mentioned in AERA Guidelines. The three components to be estimated in the CAPM are (a) the beta of the CCSIA, (b) the risk-free rate and (c) the equity risk premium. Following assumptions related to above three components which appropriately capture the risks of CCSIA have been used to calculate the CoE:

- *Identification of comparable airports: Various airports were identified which are listed on stock exchanges across the globe or have regulated betas. A set of airports were removed from the list because of either lack of data for the required time period or unreliable data.*
- *Determination of equity and asset beta for the selected airports: Beta is indicative of the systematic risk of the project. In order to calculate this, the analysis regresses the movement of the stock prices (of respective airports) on the movement of an index representing the market portfolio. The beta values pertaining to this regression are called the 'equity' betas. Once the equity beta is calculated, the analysis 'un-levers' the beta (i.e., purges off the effects of the capital structure) by using the Hamada equation. Unlevered beta is called the 'asset' beta for the respective airports.*
- *Computing the proximity scores for each airport and asset beta of CCSIA: Once the asset betas have been computed, quantifiable assessment has been undertaken for identified airports to determine the proximity/ relevance scores. All the airports have been compared with Lucknow airport based on the following airport characteristics:*
  - *Regulatory Environment*
  - *Operational Structure*
  - *Payment Structure*
  - *Ownership Structure*

Numeric values of 1 to 3 have been assigned to each factor wherein lower the score, more comparable is the airport to CCSIA. Furthermore, an inverse of the proximity scores is used to calculate the 'asset' beta of CCSIA.

- ***Re-lever the asset beta to obtain the equity beta:*** *The asset beta of the CCSIA is re-levered using the Hamada equation to obtain the equity (re-levered) beta. As the re-levered beta is a function of D/E or gearing ratio, the beta value changes whenever the D/E or gearing ratio changes. A gearing ratio of 48:52 is considered. This has been derived from the gearing ratios set by the regulators at different comparable international airports.*
- ***Risk Free Rate****: An average of daily yield for 10 years of the 10-year Government of India security has been considered as the risk-free rate.*
- ***Equity Risk Premium****: To avoid any bias, an average of equity risk premiums computed by a list of studies and standard market indices are taken for the analysis. The list of the same is provided as follows:*
  - *Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds.*
  - *Forward looking ERP of India as estimated in a study conducted in April 2019 by Grant Thornton*
  - *ERP published by Incwert Valuation Chronicles in June 2020*
  - *ERP computed based on Nifty 50*
  - *ERP computed based on Sensex.*

As is clear from above, a well-defined systematic approach which appropriately captures the risks specific to CCSIA has been used for computing reasonable rate of CoE for CCSIA.

Further we would like to point out that IIM B study considered 12 airports, out of which only two airports belong to developing countries. Airports in developing markets are exposed to each of these risks differently when compared to developed markets. Following are the risks which the airports in developing market have to face:

- ***Demand Risk*** *– Apart from the economic conditions which affect demand, demand for air travel is also highly elastic with respect to air fare in India and other developing economies. Any increase or decrease in air fare due to fuel prices or other input costs results in relatively higher traffic volatility.*
- ***Counterparty Risk*** *– Airports in developing countries typically derive a major part of their revenue from aeronautical services, as against the developed markers where non-aeronautical revenue is higher.*
- ***Regulatory Risk*** *– Regulations in developing countries are still evolving and are not stable.*

Asset beta of airports in developing countries is consistently higher than the asset beta of airports in developed economies. This can be demonstrated by the data provided in the IIM B study in which the asset beta for Sydney airport is 0.40 whereas the asset beta for Airport of Thailand is 0.86. This shows the quantum of variation in risk perception between developed and developing countries.

Study done by PwC includes airports from both developed economies like France, Spain and Switzerland and developing economies like Mexico, Malaysia, Thailand. Following are the asset betas of various airports as per study:

S.No	Airport Operator	5 year asset beta on 5 year average D/E R	5 year asset beta on latest D/E R
1.	Sydney Airport Holdings Private Limited	0.662	0.719
2.	Auckland International Airport Limited	1.020	1.052
3.	Flughafen Zurich	0.955	0.838
4.	Groupe Aeroports De Paris	0.622	0.922
5.	Aena	0.102	0.121
6.	Asur (Aeropuerto Del Sureste)	1.309	1.340
7.	Kobenhavns Lufthavne	0.433	0.416
8.	Grupo Aeroportuario Del Centro Norte S.A.B. De C.V. ADR	0.958	1.020
9.	Grupo Aeroportuario Del Pacifico, S.A.B. De C.V	1.430	1.428
10.	Aeroporto Guglielmo Marconi Di Bologna S.P.A	0.542	0.649
11.	Fraport Ag	0.695	0.669
12.	Airport Of Thailand Public Limited Company	0.992	1.002
13.	Malaysia Airport Holdings Berhad	0.843	0.893
14.	Flughafen Wien Ag	0.627	0.610
15.	Grupo Aeroportuario Del Sureste	0.457	0.455

As is evident from table above, asset betas of airports in Mexico like Grupo Aeroportuario Del Centro Norte, Grupo Aeroportuario Del Pacifico, in Thailand like Airport of Thailand have asset betas of more than 1.

Further, we would like to give reference to para 15.6.2 of the Cochin Airport's Second Control Period Tariff Order No.7/ 2017-18 wherein Authority has taken the stance that newer airports which have higher risks need to be adequately compensated by higher cost of equity and one size does not fit all. Contents of the order are reproduced below

> 15.6.2. Cost of Equity: – The Authority notes that DIAL and HIAL started operations recently as compared to CIAL and the Authority has taken a slightly higher cost of equity presuming that newly started companies have a greater risk. The Authority notes that Cochin is a well-established airport paying dividends and the risk profile is very low, investment are not heavy, cost is lower, traffic is stabilized and there is no volatility. The authority opines that "One size fits all" view for calculating CoE is not appropriate since each Airport is unique. The Authority also notes from a

The same point is again acknowledged by the Authority in Tariff Order No 08/2021-22 for CIAL for the Third Control Period. The relevant extract is provided as: -

> 4.6.20. The Authority has noted CIAL's comments regarding cost of equity for the Second Control Period. However, it would not be prudent to compare CIAL with other private airport operators like DIAL and HIAL which have started operations more recently as compared to CIAL. The Authority had noted at the time of determining tariffs for the Second Control Period that it is reasonable to presume that newer companies would have a greater risk when compared to a well-established, investment-light and dividend-paying airport like Cochin International Airport. This is also evident from the high contribution

TKIAL is a new Concession Agreement and by the logic of the Authority, TKIAL has to have higher return than the Cochin Airport (CIAL).

We hereby request AERA to accept the CoE as submitted by TKIAL in the MYTP supported by an in-depth study conducted by an independent consultant PwC as per CAPM methodology prescribed under AERA Guidelines."

8.3.3 TKIAL's comments regarding cost of debt are as follows:

TKIAL has considered Cost of debt at 12% for the TCP based on its current borrowing rate from Adani Airport Holdings Limited (AAHL) which in turn has availed borrowing from global institutions like Standard Chartered Bank, Barclays Bank PLC, Canara Bank, Siemens and Union bank.

However, the Authority has proposed the cost of borrowing to be considered at 9% p.a. being the average of the other five PPP airports viz. DIAL, MIAL (Mumbai), GHIAL, BIAL and CIAL (ranges from 7.80% to 10.30%).

It is to be noted that AERA has allowed cost of debt of over 12% in the FCP for various PPP airports.

Refer Para 84 TDSAT judgement of BIAL dated 16th December 2020

*84. BIAL is aggrieved by the tariff order for the first control period because the Authority has maintained a ceiling in respect of cost of debt for **Rupee Term loan at 12.5%.***

Refer Para 14.5 from FCP tariff order dated 20th April 2012 for DIAL

Decision No. 12. Decision on Cost of Debt (for years 2011-12, 2012-13 and 2013-14)

*12.a. The Authority decided to consider **the actual cost** of Rupee Term Loan, paid by DIAL for the years 2009-10 and 2010-11 for the period 2011-12 to 2013-14. **The cost of debt is taken at 12.17% pa.***

It is to be noted that TCP tariff orders of above-mentioned PPP airports were issued during the period from December 2020 to August 2021. The interest rates have increased significantly in India and globally after the same which are explained in detail in subsequent paragraphs. Hence, comparing the same with current TKIAL`s cost of debt is not logical. The change in the global and domestic interest rates after the said period is provided in the following paragraphs:

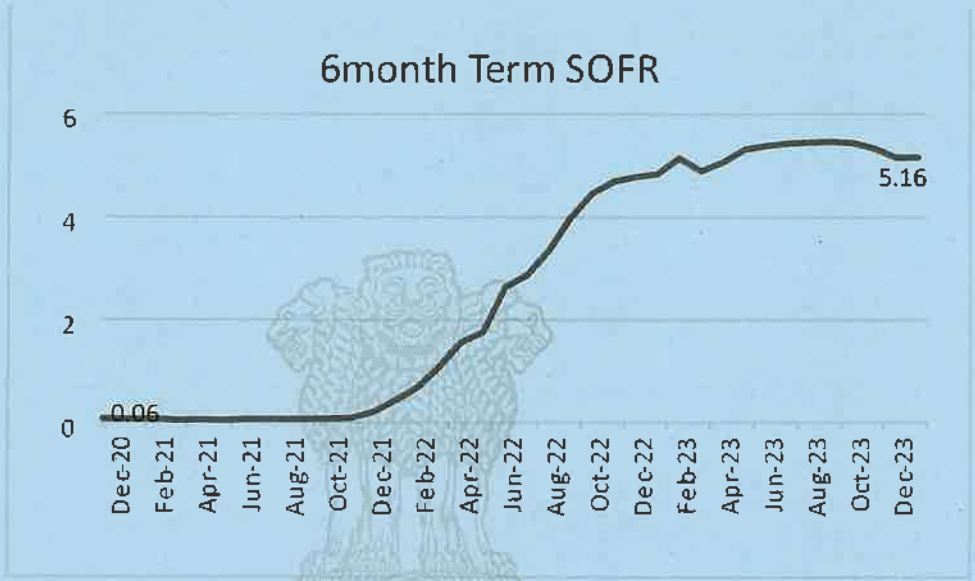
- *Global Increase in Interest Rates:*

Given the changing economic scenarios across the globe the central banks of the countries have been increasing their benchmark rates. Below chart details 10 years US Treasury movement, where it is evident that the benchmark rates have been increasing constantly leading to increase credit spreads and cost of the borrowing globally:



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- *Secured Overnight Financing Rate (SOFR), has also increased materially (~5.10%) in the said period:*

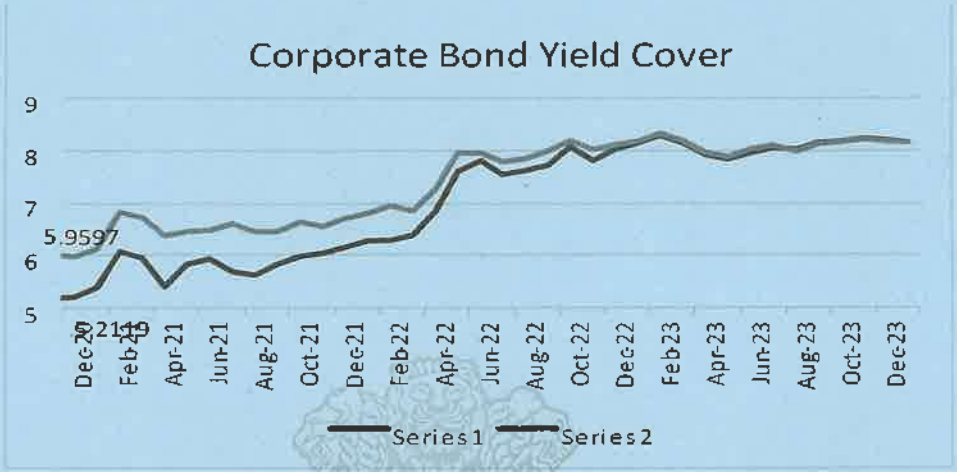


- *Increase in Domestic Interest Rates in India:*

Since May-2022, the Reserve Bank of India has increased Repo Rate by 2.50% leading to cost of domestic borrowing becoming dearer in India. Following chart depicts increasing trend in 10-year Indian government securities yields:



Following chart depicts increasing trend in 5-year and 3-year AA rated corporate bond yields:



- ***Uncertainty in Geo-Political Scenario:***

Geopolitical tensions and higher uncertainty. Russia's actions and the responses of other countries have sharply increased the level of geopolitical risk, weakening confidence and likely heralding a period of high policy uncertainty. The war could destabilize the region further because of uncertainty about potential escalation, spillovers of economic and political stresses to other countries, and additional sanctions or other policy responses. The risk of large-scale cyber security events linked to heightened geopolitical tensions – including attacks targeting public infrastructure and financial systems – has also increased. High policy uncertainty is associated with weaker investment and trade as firms seek to hedge against adverse outcomes.

- ***Higher inflation and accelerated monetary policy tightening:***

The inflationary pressures caused by surging commodity and food prices may accelerate monetary policy tightening, heighten the risk of stagflation, and increase poverty and inequality. Market-based measures of long-term inflation expectations in the United States and Germany have reached their highest levels on record. While the U.S. Federal Reserve was expected to implement several policy, rate increases this year even before the war, higher inflation and inflation expectations may warrant a steepening of this monetary tightening cycle. Similar pressures may emerge in the euro area and in EMDEs. Global financial conditions have already tightened considerably since February. A further tightening will put pressure on EMDEs with preexisting financial vulnerabilities such as elevated debt, large foreign currency denominated debts, sizeable near-term debt rollover requirements, and twin current account and fiscal deficits. EMDE commodity importers with weaker credit ratings are especially susceptible to escalating financial strains.

Impact on Financial Markets

Equity volatility has spiked, especially in Europe, while debt and equity flows have turned sharply negative and sovereign spreads have risen for commodity importers.

- ***Equity market volatility has risen markedly:***

Equity volatility in the United States (as proxied by the VIX Index) also increase substantially in the month following the start of the war, though has since declined somewhat. Global stock prices fell sharply in early March but have largely recovered.

- ***Sovereign borrowing costs have increased:***

U.S. 10-year government bond yields have risen considerably, reflecting a range of factors including higher expected inflation. Spreads on EMDE bonds have not widened significantly on average, although bond issuance by EMDEs across February-March was weaker than in the same period of any year since 2016. EMDE-wide averages mask substantial divergence between groups. Excluding Russia, Ukraine and Belarus, sovereign spreads are lower for commodity exporting EMDEs since the eve of the invasion, but substantially higher for commodity importers. Debt and equity flow since February 2022 have generally remained positive in LAC and strengthened in MNA—both commodity exporting regions—while turning sharply negative in other regions.

Rationale of Cost of Debt at TRV:

- *Considering the current profile of operation and outlook, the rating of TRV will be lower than the investment grade. Interest Rate by lenders is fixed on the risk profile, Cashflow generating capacity, other parameters including credit rating both internal (by Lenders) and by Rating Agencies.*
- *The option of raising funds at TRV was not possible without Corporate Guarantee support from Adani Group. Borrowing with Corporate Guarantee of Adani Group in turn amounts to Borrowing at Holding Company level.*
- *We would also like to highlight the fact that the Borrowing costs for Government owned Entity and Private Sectors entity are different. Lenders are more comfortable in lending to Government entity since repayment is backed by sovereign guarantee. (which carries highest Rating). Whereas in case of private sectors, lending comfort is driven from Industry outlook, cashflow generating capabilities, external and internal rating.*
- *The linking of cost of debt with Weighted Average Lending Rate of Public Sector banks and commercial banks of Dec-2022 as given in the CP is not appropriate because of the following reasons:*
  a. *Weighted Average Rate means average rate across Rating grades (AAA to BB) and loan duration. It ignores the basic premise of lending rate which is based on external rating and internal rating and duration of specific loan.*
  b. *A major portion of borrowings by PSU Bank is to State and Central Government Companies and Departments which carries lower interest considering that those are considered as Sovereign rating.*
  c. *The interest rate for lending for priority sectors (which constitutes Agriculture and other Areas) have concessional rate of Interest under various schemes of State and Central Government.*
  d. *With inclusion of all the above, the average rates become lower. Comparing the said average with a private corporate borrowing rate will not be appropriate.*
  e. *The Authority has referred to outdated Dec-22 publication whereas the CP is released in February 2024. Based on the latest information the benchmark lending rates have already been raised.*
- *To have efficiencies in terms of quantum, maturities, and interest rates, borrowing at AAHL was availed in the form of External Commercial Borrowings for funding requirement of various Airports.*
- *Further AAHL combined with Airport SPVs is domestically rated as A+/Stable by India Ratings, which at TRV Level will be lower than investment grade.*
- *The transition of the Airport from AAI to TRV happened during the COVID impacted period. This has negatively affected the revenue and cash flow of TRV and its credit worthiness.*

- *We believe that TRV will be able to demonstrate the competitive advantage of Private sector in the operation of Airport which will in turn be reflected in the borrowing cost going forward. Keeping this in mind, we at present have locked up rates of borrowing for a period of 3 years only to enable us to take advantage of reduced ROI going forward with synergy of operations.*

Considering the fact that the debts raised by AO are as per RBI guidelines from reputed global Banks, reducing the cost by AERA than the actual rate of borrowing by the AO is not in line with AERA Guidelines and, according to us, is arbitrary and prejudicial to the interest of AO and airport development.

Further, Clause 5.1.4 of the AERA Guidelines – 'Cost of Debt', categorically lays down that the Authority shall consider forecasted cost of "existing debt" based on a review of its sources, procedures and the methods used for raising such funds. In the instant CP, the Authority has noted the actual cost of debt of AO is 12% which should have been considered as per AERA Guidelines.

As per the MIAL TDSAT Order for SCP and TCP, it has been decided that actual cost of borrowing should be considered by AERA. Refer Para 313, 320 and 321 of the TDSAT Order

"313. This contention of respondent no.1 is not accepted by this Tribunal mainly for the reason that there cannot be a fixed cost of debt for the entire 3rd Control Period of five years which is from 2019-2024. The cost of debt which is actually incurred by the appellant should have been considered by AERA. The cost of debt depends upon marginal cost of funds based lending rate and the time period within which the loan is to be repaid. Inflation is one of the most important factor for determination of market forces for further determination of MCLR rates. Moreover, the spread for the time within which loan is to be repaid depends upon the credit profile of the entity.

*320. In view of this, **actual cost of debt shall be allowed by AERA for 3rd Control Period especially looking to the provisions of Section 13(1)(a)(i) of the AERA Act, 2008. For the ready reference, Section 13(1) of AERA Act, 2008** reads as under: - "POWERS AND FUNCTIONS OF THE AUTHORITY*

13. Functions of Authority. - (1) The Authority shall perform the following functions in respect of major airports, namely: - (a) to determine the tariff for the aeronautical services taking into consideration-- (i) the capital expenditure incurred and timely investment in improvement of airport facilities; (ii) the service provided, its quality and other relevant factors; (iii) the cost for improving efficiency; (iv) economic and viable operation of major airports; (v) revenue received from services other than the aeronautical services; (vi) the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise; (vii) any other factor which may be relevant for the purposes of this Act: Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii); (b) to determine the amount of the development fees in respect of major airports; (c) to determine the amount of the passengers service fee levied under rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934 (22 of 1934); (d) to monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorised by it in this behalf; (e) to call for such information as may be necessary to determine the tariff under clause (a); (f) to perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act." (Emphasis Supplied)

321. In view of the aforesaid provision, AERA ought to have allowed actual cost of debt incurred by the appellant especially looking to the fact that debt availed by this appellant is from reputed lenders."

Looking at above facts and TDSAT judgement, it is evident that the cost of borrowing of 12% requested by TKIAL is reasonable, comparable and as per actuals funding raised through third party. We hereby request the Authority to consider the same.

Other stakeholders comment on FRoR the Third Control Period

8.3.4 FIA's comments on reasonableness of FRoR for the Third Control Period is as follows:

FIA submits that, only reasonable Fair Rate of Return (FRoR) to airport operators should be provided.

It is observed that AERA has considered FRoR of 12.21%, which is based on cost of equity and cost of debt to the airport operator, for the Third Control Period.

However, while such fixed/ assured return favours the service provider/airport operators, but it creates an imbalance against the airlines, which are already suffering from huge losses and are bearing the adverse financial impact through higher tariffs.

Due to such fixed/assured returns, Airport Operators have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns. Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines.

Without prejudice to the above, we request AERA to consider:

1) *In the present scenario any assured return on investment to any service providers like TKIAL, in excess of five (5) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after tax based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks.*
2) *consider the fact that airport industry in India has been established, hence the risk is lower as this is a cost-plus margin business; and*
3) *to review the financial closures details, debt to equity ratio based on actual weighted average rather than a notional percentage.*
4) *And, in case AERA is unable to accept our recommendation mentioned above, AERA is requested to conduct an independent study for determination of FRoR to be provided to Airport operator. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators.*

8.3.5 DIAL's comments on cost of equity and cost of debt are as follows:

1. ***Cost of Equity:*** *AERA considered cost of equity of Thiruvananthapuram Airport as average of cost of equity of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit. We suggest the regulator conduct a specific study for Airport as each Airport has specific risk due to competition, catchment area and demography of passenger, connectivity, quantum of passenger etc.*
2. ***Cost of Debt:*** *AERA considered cost of debt of Thiruvananthapuram Airport as average of cost of debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall consider the forecast for*

future cost of: (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt. Hence, cost of debt to considered at Actual.

8.4 TKIAL's responses to Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Third Control Period

8.4.1 TKIAL's response to FIA's comments on Reasonable FRoR for the Third Control Period is as follows:

As per AERA methodology, return on RAB is one of the important building blocks for tariff determination. As claimed by FIA, this is not fixed or an assured return. As per AERA guidelines, the Authority must determine the Fair Rate of Return (FRoR) for a Control Period as its estimate of the weighted average cost of capital for an Airport Operator. Any business is viable only if it generates an adequate return equivalent to its cost of capital as it helps to repay its obligations and give returns to shareholders commensurate to the risks involved in the project.

As per AERA guidelines, FRoR has to be computed using cost of equity which is to be determined using the CAPM method and cost of debt as per actuals for airport operator. FRoR has no linkage with fixed deposit rates. Linking it to the rate of interest on FD is devoid of any merits.

With respect to the issue of independent study, we would like to state that TKIAL had the Cost of Equity of 17.30% which is derived based on an independent study for Lucknow airport. We request the Authority to use the same for calculation of FRoR.

8.5 Authority's analysis of Stakeholders' comments regarding Fair Rate of Return (FRoR) for the Third Control Period

8.5.1 The Authority has carefully examined the comments of TKIAL and DIAL and the methodology of computation of Cost of Equity as employed by TKIAL's consultant.

The Authority believes that the Cost of Equity for the purpose of determination of FRoR has to be fairly consistent across PPP airports so that there is uniformity of evaluation of their inherent financial risk, and compensation for the same in the form of return on RAB. Determination of Cost of Equity of TKIAL as an individual entity, based on its intrinsic traffic and financial factors does not adequately justify the financial and operational strength and reputation of Adani Enterprises Limited, which is its ultimate shareholding entity. In this regard, TKIAL is comparable to the owners of other PPP airports which have been used as reference point for computation of Cost of Equity for TKIAL.

Further the Authority expects AO to bring in necessary efficiencies in the operational and financial management of the concerned airport, in line with the other PPP airports.

The Authority is of the view that the studies sponsored by the respective Airport Operators, including the one by LIAL, always have an inherent conflict of interest. Thus, these studies have to be undertaken by an independent and reputed agency. In this context, the study conducted by IIM-Bangaluru, engaged by AERA for determining Cost of equity for representative airports would be the basis of determining FRoR since the reputation of the organization and its independence vis-a-vis private airport operators is incontrovertible.

The Authority also notes that the Stakeholders including FIA has commented that lower return should be provided to TKIAL.

While the Authority has noted the various risks listed out by the Airport Operator, the Authority does not agree with this submission of TKIAL. It is also to be noted that airport operators in India have certain inherent advantages and protections built into the tariff determination process and airport management, some of which are highlighted below:

- India has a robust regulatory environment wherein the tariff determination methodology incorporates adequate return on airport operator's gross fixed assets investment, as well as O&M expenses and other building blocks in setting tariff.
- The tariff determination mechanism also ensures the true up of building blocks on actual basis subject to efficiency and reasonableness in the tariff determination process. There is a well-documented, stable and publicly notified regulatory regime for tariff determination and the proceedings are conducted in a transparent manner in compliance with the AERA Act and other relevant guidelines issued from time to time.
- The Government of India, through the Ministry of Civil Aviation and various regulatory bodies, provides adequate support and guidance on all operational, safety, connectivity and stakeholder related matters.
- Similarly, the relevant State Governments help TKIAL by the way of allotment of land free of cost or on concessional rates in many of the cases and take responsibility for road or other modes of connectivity to the airports.

The FRoR has to be computed in a consistent manner taking into account long-term business and financial risk parameters, which are reasonably applicable to the industry as a whole. It would not be appropriate for short-term factors to influence the computation of components of FRoR. It would also not be prudent to prejudge future risk probabilities arising from competitive dynamics, and to incorporate these into the FRoR computation.

Further, the Authority notes that other stakeholders such as FIA have commented on the need to reduce the Fair Rate of Return, as detailed below:

1. *In the present scenario any assured return on investment to any service providers like TKIAL, in excess of five (5) % (including those on past orders) will be onerous for the airlines, i.e., being at par with reasonable returns on other investments after tax based on the current economic situation of worldwide run-away inflation coupled with rising and historic interest rates offered by banks.*
2. *Consider the fact that airport industry in India has been established hence the risk is lower as this is a cost-plus margin business;*

The Authority has not adopted 'one size fits all' approach as alleged by TKIAL instead it has considered submissions of the stakeholder, independent studies, reference to date available and other relevant factors as deemed fit in arriving at the decision. The Authority would also like to point out that a standard, consistent and coherent approach of the Authority would bring transparency, efficiency, and certainty in the process of tariff determination. Power is vested upon the Authority to determine different tariff structures for different airports keeping in mind the relevant factors and the stipulations contained in Section 13(1) (a) of the AERA Act. Thus, the Authority has discretion to either apply similar tariff structure or different ones qua airports, provided it acts within the mandate of Section 13(1) (a).

The Authority notes that since there are no listed airports in India, the Authority has looked at nearby airports and determined the applicable Cost of Equity for the airport.

The Authority also notes that TRV is an established brownfield airport and has been in operation since 1st November 1935 and has consistent traffic growth. This provides for a greater base for recovery of investment made by the airport operator. Hence, there is no risk for TKIAL in this regard.

In view of the above, the Authority does not see any reason to revise the Cost of Equity determined for TKIAL.

8.5.2 The Authority has noted the comments of TKIAL and DIAL regarding Cost of Debt and has the following views.

The cost of debt for airport operators forms a vital part of the Return on Capital Employed / Fair Rate of Return provided to the airport operators on the investment towards creation of the capital assets w.r.t. the airport project.

It is imperative that the cost of debt that is considered in the calculation of WACC is reflective of the current cost of debt that the airport operator incurs towards debt financing the airport infrastructure.

The following aspects has been considered while arriving at the efficient cost of debt to be provided as part of the FROR:

- Cost of debt financing in the Indian / International context is usually linked to the External Credit Rating of the Airport Operator/ Project SPV. As a result, any cost of debt actually incurred if it must be deemed efficient should be factored in the External Credit Rating (ECR) of the entity. Usually Banks/ FIs mark a spread over and above their benchmark lending rate (usually published as Marginal Cost of Lending Rate i.e. MCLRs) as the interest rate for funding specific projects. This spread is linked to the ECR of the Borrower, which in this case is the airport operator. AERA has followed a similar assessment to arrive at the cost of debt to be provided to the airport operator.
- Debt must be a senior secured debt raised from financial institutions/ banks private /public or foreign at an arm's length basis. There could be instances wherein the debt raised is subordinated to senior debt and would hence incur a higher cost and thereby be deemed inefficient. Such an inefficient cost may not be the right indicator of the actual cost of debt and hence appropriate adjustment has to be carried out while allowing such cost in the tariff determination process.
- There have also been instances wherein senior secured debt have been advanced by promoter/ promoter entities in which case the arm's length criteria could be questioned. It is pertinent to note that similar to the above case such costs also could not be deemed to be efficient and hence adequate adjustments are to be carried out to ensure that the costs considered are reflective of the efficient cost. AERA doesn't encourage related party transactions and insists on transparency and arm's length criteria in the interest of the public.
- Airport Operators currently in the country, barring a few exceptions have managed to retain an ECR of A and above. In some cases where the airport is yet to establish a steady stream of positive cash flows on account of the emerging nature of operations, the debt servicing is backed by the strength of the promoter entities which is also factored by the ECR rating agencies. As a result, considering the prevalent MCLRs which are in the range of 8.45%- 8.55%, an interest rate of 9% is usually considered as the cost of debt for these airport operators. However, given the expected softening of rates globally, and the impetus to promote economic growth as inflations fears have slowed down, the MCLRs are expected to gradually

reduce over the next 2-3 years bringing down the cost of borrowing further. AERA wants Airport Operators to improve ECR by bringing in efficiency and transparency which in turn will reduce MCLRs.

- Arriving at the cost of debt through assessment of the debt raising capacity of the airport operator rather than providing the actual cost of debt as submitted by the airport operator would benefit the airport stakeholders in the long run. The Airport operators would strive to be more efficient in their fund-raising endeavors rather than taking comfort from the true up option available to them considering the actual cost of debt.
- AERA has already been following a similar exercise while arriving at the leverage ratios wherein a D:E ratio of 48:52 has been considered rather than the actual debt: equity (D:E) ratio which is in the range of 80:20 for most of the airport operators. Considering an efficient cost of debt rather than the actual cost of debt will be consistent with the stand taken for the leverage ratios used to calculate the FROR.
- The Authority reiterates that TKIAL is bound to avail the synergies and benefits owed to it by its strong shareholding and balance sheet support from its parent companies and thereby work towards bringing down the Cost of Debt to the same levels as other PPP airports.
- The Authority notes that for other PPP Airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL, the average Cost of Debt works out to 8.95%. The Authority has considered a reasonable cost of borrowing of 9%, above the prevailing lending rate of banks. It would not be possible to comment on the future trends of interest rate movements at this time.
- Further, it may also be noted that as the traffic growth and the associated revenue from Aeronautical and Non-aeronautical services improve, and the capital expenditure projects, as approved by the Authority are completed and start to yield benefits, it is expected that the debt profile of TKIAL is bound to improve and its inherent financial risk, as reflected in the Cost of Debt will reduce to the levels of other PPP airports.
- The Authority notes that Cost of Debt proposed by the Authority in BIAL, DIAL and MIAL respectively in the TCP is 7.85%, 9.87% and 10.30%. This is considerably less than the 12% quoted by TKIAL. Further, it is not correct to compare the current interest rate with that in FY 2011-12, 2012-13 & 2013-14.
- The Authority also notes that TKIAL has availed borrowing from Adani Airport Holdings Limited (AAHL), one of its promoter companies, in the form of redeemable Non-Convertible Debentures (NCD) and Inter Corporate Deposits. Considering that this transaction is a Related Party Transaction and that the rate of interest is not in line with the industry standards, therefore it may not be appropriate to consider the same as benchmark interest rate on such borrowings.
- The credit rating for AAHL is A+ as per CRISIL while that for other PPP airports BIAL, DIAL, MAIL and GHAIL are AA+, AA-, AA- and AA+ respectively. TKIAL/AAHL should ensure that it improves the credit rating so as to avail loans at lower interest rates.
- Also, the Authority notes that other comparable Indian companies are able to obtain debt at lower rates of interest as can be seen from the below analysis.

  As per the Debenture issued from FY22 to FY25 (till 3rd May'24) (BSE), the weighted average yield is as given below:

Table 165: Weighted Average Yield computed based on the Debenture issued

Particulars	Wt. Average (%)	
	A+	AA- & AA+
All cases	10.56	9.10
All excl. Maturity period less than 5 years	9.95	9.29
Maturity Period between 5-10 years	**9.95**	**9.33**

As can be seen above, the wt. avg. yield is 9.95% for A+ rating debentures and 9.33% for AA– and AA+ rating debentures.

Similarly, on comparing the corporate bond transactions (BSE) in FY 2023-24, the following weighted average yield was obtained:

Table 166: Weighted Average Yield based on corporate bond transactions in FY 2023-24

Particulars	Wt. Average	
	A+	AA- & AA+
All cases	9.80	9.01
All excl. Maturity period less than 5 years	9.46	8.27
Maturity Period between 5-10 years	**9.46**	**8.52**

As can be seen above, the wt. avg. yield is 9.46% for A+ rating debentures and 8.52% for AA– and AA+ rating debentures.

It is also worthwhile to note that the above market data includes companies who don't have any certainty in their revenue unlike an Airport Operator whose revenue is assured by the Regulator. Despite this higher risk, their rates are only between 8%-10%, unlike 12% as requested by TKIAL.

- The Authority has also reviewed the SBI MCLR Rates during the period from FY 2021-22 to FY 2023-24 and notes that these rates are closer to the cost of debt considered by the Authority than the 12% rate proposed by TKIAL. The same can be seen in the figure below.

Figure 2: Change in SBI MCLR during the period from FY 2021-22 to FY 2023-24



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- Considering that other entites as per the above analysis are obtaining borrowings at better rates in the Indian Market, TKIAL should make use of this opportunity to avail loans in India than as Foreign Debts where additional spreads mandated by RBI increase the effective interest rate.

The Authority further notes that other stakeholders have commented on the cost of debt required to be considered lower. The Authority also notes that the loan taken by TKIAL is for a short period of 3 years.

The Authority expects TKIAL to exercise its best endeavor to undertake the financing towards capital expenditure at competitive rates as in other PPP airports and take all steps as detailed above, with support from its Parent company to optimize the Cost of Debt and follow all requisite procedures of financing including following all Government guidelines, obtaining efficient credit rating etc. in order to ensure that debt is contracted at optimum rates to ensure that the users of the airport are not burdened.

In view of the above, the Authority does not see any reason to deviate from its stand as proposed in the Consultation stage (Refer Para 8.2.9) on the Cost of Debt determined for TKIAL.

8.5.3 The Authority has examined the comments of FIA on the reasonableness of the Fair Rate of Return (FRoR) and the counter comments of TKIAL for the same and has the following views.

- With respect to FIA's suggestions to limit the FRoR in order to avoid burdening the airlines, the Authority is of the view that an airport infrastructure is a capital-intensive business and require investment with a long-term perspective wherein investors desire a stable return on equity. Further, the Authority would like to emphasize that a pre-determined return on investments is part of the regulated business such as Airports.
- Regarding FIA's comment which states that, "*In the present scenario any assured return on investment to any services providers like TKIAL in excess of five (5) %...*", the Authority is of the view that the Airport is a long-term asset whereas the cause of the current economic situation is a short-term phenomenon and will likely not have a long-term impact. The FRoR is computed based on the mix of Cost of Equity and Cost of Debt. Further, the Authority is of the view that it is not pragmatic or fair to cap the FRoR and compare it with bank deposit rates. Bank deposit rates and commercial lending rates are two different things altogether. Similarly, AERA on the other hand, does not agree with the high return on equity claimed by the Airport Operators. Thus, AERA takes a balanced view in the interest of all stakeholders in the Aviation sector.
- With respect to FIA's comment on the Notional Gearing ratio of 48:52, the Authority would like to reiterate that FRoR is computed on the basis of Cost of Equity and Cost of Debt. It had determined the CoE based on the IIM Bangalore independent study reports for the other PPP Airports. As per the same study, the average gearing ratio of international airports of 48% can be used to a proxy for the gearing ratio to estimate the Cost of Equity and Fair Rate of Return. Meanwhile the Cost of Debt was computed after considering the average bank lending rate of public sector banks and scheduled commercial banks and the Cost of Debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. Since the debt equity mix had been decided by the Authority considering the efficient capital structure and the interest of all the Stakeholders, the notional gearing ratio of 48: 52 will not be trued up during the tariff determination for the next Control Period.
- The Authority has noted FIA's comments on conducting an independent study for determination of FRoR for TKIAL and notes that the Authority had commissioned independent studies for the evaluation of Cost of Equity separately, in case of each PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL

through a premier institute, namely IIM Bangalore and had used the study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of TKIAL for the Third Control Period.

8.5.4 Based on the above facts, the Authority decides to consider the Fair Rate of Return consistent with its proposal made in this regard in the Consultation Paper No. 25/2023-24. The Fair Rate of Return considered by the Authority for the Third Control Period is as given in Table 164.

8.6 Authority's decisions regarding Fair Rate of Return (FRoR) for the Third Control Period

Based on the materials before it and its analysis, the Authority decides the following with respect to FRoR for the Third Control Period

8.6.1 To consider the Cost of equity at 15.18%.

8.6.2 To consider the notional debt to equity (gearing) ratio of 48:52 in line with target gearing ratio being considered in case of other PPP airports.

8.6.3 To consider cost of debt of 9% for the Third Control Period.

8.6.4 To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

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9 INFLATION FOR THE THIRD CONTROL PERIOD

9.1 TKIAL's submission regarding Inflation for the Third Control Period

9.1.1 TKIAL had submitted an inflation rate of 5% for projecting the operating expenses including utility expenses, rates & taxes, independent engineer fees and fuel farm O&M expenses.

9.1.2 TKIAL had forecasted their inflation for the Third Control Period by considering the mean Wholesale Price Index (All Commodities) of 10.4% for FY 2022–2023 and 5% every year from FY 2023–2024 onwards. This estimation was in accordance with the results of the RBI survey of professional forecasters on macroeconomic indicators released on 7th December 2022.

Table 167: Inflation rates submitted by TKIAL for the Third Control Period

Particular	FY23	FY24	FY25	FY26	FY27
WPI Inflation	10.40%	5.00%	5.00%	5.00%	5.00%

9.2 Authority's examination regarding Inflation for the Third Control Period at Consultation Stage

9.2.1 The Authority had examined TKIAL's submission regarding inflation to be considered during the Third Control Period and noted that TKIAL has considered WPI from the RBI's 79th round of survey. However, the Authority proposed to consider the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 85th released on 8th December 2023 published by the Reserve Bank of India (RBI).

9.2.2 Accordingly, the Authority proposed to consider the actual Wholesale Price Index (All Commodities) inflation in FY 2022-23 and the mean of Wholesale Price Index inflation forecast (All commodities) for FY 2023-24 till FY 2026-27 as given in the 85th Round of survey of professional forecasters on macroeconomics indicators of RBI, for the Third Control Period for TRV.

9.2.3 The Authority assumed that the inflation rate would be stable and remain constant from FY 2024-25 till FY 2026-27. Accordingly, the following table shows the inflation rates as proposed by the Authority for the Third Control period:

Table 168: Inflation rates proposed by the Authority for the Third Control Period at Consultation Stage

Particular	FY23	FY24	FY25	FY26	FY27
WPI Inflation	9.42%	0.30%	3.80%	3.80%	3.80%

9.3 Stakeholder's comments regarding Inflation for the Third Control Period

9.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding Inflation for the Third Control Period. The comments of the stakeholders are presented below.

Other stakeholders' comments regarding Inflation for the Third Control period

9.3.2 FIA's comment on revision of Inflation rate is as follows:

"FIA submits that as per report published by Ministry of Finance dated 8th December 2023, the WPI inflation rate is 5.39%. Accordingly, we request AERA to revise the inflation rate."

9.4 TKIAL's responses to Stakeholder's comments regarding inflation for the Third Control Period

9.4.1 TKIAL's response to FIA's comment on revision of Inflation rate is as follows:

We are also of the opinion that the WPI inflation for FY23-24 should not be a mere 0.3% while the general cost escalation is 4 to 5% as per various long-term O&M contracts entered into with various vendors. Accordingly, we request the Authority to consider inflation of at least 5% for FY 23-24 and onwards.

9.5 Authority's analysis of Stakeholder's comments regarding inflation for the Third Control Period

9.5.1 The Authority has reviewed the comments of FIA and TKIAL's response on Inflation and is of the view that the practice of considering the mean of WPI inflation forecasts (All Commodities) as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators" is uniformly followed by AERA across all airports. Accordingly, the Authority will consider the rates as published by the Reserve Bank of India (RBI) in the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators - Round 87th released on 5th April 2024 in this Order. The Authority considers that the inflation rate would be stable and remain constant for FY 2025-26 and FY 2026-27.

9.5.2 Based on the above, the Authority has decided to consider inflation rates for the Third Control Period as shown in the table below.

Table 169: Inflation rates decided by the Authority for the Third Control Period

Particular	FY23	FY24	FY25	FY26	FY27
WPI Inflation	9.42%	-0.70%	3.10%	3.70%	3.70%

9.6 Authority's decisions regarding inflation for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following with respect to Inflation for the Third Control Period:

9.6.1 To consider the inflation rate as per Table 169.

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10 OPERATIONS AND MAINTENANCE (O&M) EXPENSES FOR THE THIRD CONTROL PERIOD

10.1 TKIAL's submission of Operation and Maintenance Expenses for the Third Control Period

10.1.1 TKIAL in its MYTP submission had stated that the Aeronautical Operation and Maintenance (O&M) expenses for the Third Control Period have been estimated based on the following assumptions:

- **Expansion of TRV**: TKIAL would be undertaking the upgradation and expansion of the existing Terminal-II, which is expected to be operationalized in FY 2025-26. The expansion will result in an increase in the total Terminal area from 59,300 sqm to 63,000 sqm as given in the table below.

Table 170: Details of the change in the Terminal Building area as projected by TKIAL

Particulars (sqm)	Existing	FY 26
Terminal-I	15,800	-
Terminal-II	43,500	63,000
Total	**59,300**	**63,000**
% increase		***6.24%***

- **Inflation**: TKIAL has considered inflation as per the 79th round of RBI forecaster survey dated December 2022 for all expenses.
- **Base Year**: FY 2022-23 was considered as the base year and the relevant growth percentages were applied to the same. TKIAL had estimated the expenses for FY 2022-23 by extrapolating the expenses incurred for the 9 months period from April 2022 to December 2022.
- **Fuel Operating Expenses**: TKIAL had projected the O&M expenses for the 4 tariff years of the Third Control Period starting from FY 2023-24 till FY 2026-27 based on the assumption that the operations will commence from July 2023 onwards, i.e., for a nine-month period in FY 2023-24. TKIAL intends to outsource the Fuel Farm's day-to-day operations and management for a fee. TKIAL plans to begin operations by hiring refuellers/bowsers for the first year of operation, by which time they anticipate receiving new refuellers/bowsers.
- **Cargo Operating Expenses**: TKIAL has estimated cargo expenses for the Third Control Period based on the fact that they started domestic cargo operations from August 2022 and the assumption that they will start the international cargo operation from 1st April 2023. Further, Cargo expenses have been increased Y-o-Y by 10% for the remaining three (3) tariff years of the Third Control Period.
- TKIAL had also submitted that considering airports have high fixed costs associated with the provision and maintenance of infrastructure and services such as safety and security (these are incurred regardless of traffic levels) there is limited scope to curtail costs when facing a downturn in demand.

10.1.2 TKIAL had submitted the following categories of O&M expenses in its MYTP submission.

Table 171: Category wise O&M expenses claimed by TKIAL in the MYTP for the Third Control Period

Type of Expense	Expense Category
O&M expenses	Manpower costs: AAI employees
	Manpower costs: TKIAL employees

Type of Expense	Expense Category
	Utility Expenses
	IT expenses
	Rates & taxes
	Security expenses
	Corporate Support Service expenses
	Administrative Expenses - Collection charges on UDF
	Administrative Expenses - Others
	Insurance
	R&M
	Other operating expenses
	Independent Engineer Fees
	Runway recarpeting
Fuel Operating expenses	O&M Expenses
	Bowser Rental
Cargo Operating expenses	Inhouse salary cost
	O&M Cost
	Customs Cost Recovery

10.1.3 The above expenses do not include Concession Fee, since it is not considered as part of Aeronautical O&M Expenses, as per Clause 27.1.2 of the CA, which states as follows:

"The Monthly Concession Fee paid/ payable by the Concessionaire to the Authority under and pursuant to the terms of this Agreement shall not be included as a part of costs for provision of Aeronautical Services and no pass-through would be available in relation to the same."

10.1.4 TKIAL has considered all O&M expenses as 100% Aeronautical.

10.1.5 The Aeronautical O&M expenses including Fuel and Cargo Operating Expenses submitted by TKIAL for the Third Control Period are as given below.

Table 172: Aeronautical O&M expenses submitted by TKIAL for Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
O&M expenses						
Manpower costs: AAI employees	69.04	75.94	73.33	67.36	74.10	**359.77**
Manpower costs: TKIAL employees	14.16	32.18	51.12	64.89	76.13	**238.48**
Utility Expenses	14.28	15.60	17.18	19.84	21.81	**88.72**
IT expenses	6.00	12.00	14.00	16.87	17.72	**66.59**
Rates & taxes	1.00	1.05	1.10	1.23	1.29	**5.67**
Security expenses	6.77	8.70	10.06	11.63	12.50	**49.67**
Corporate Support Service expenses	15.00	30.00	35.00	40.00	42.00	**162.00**
Administrative Expenses Collection charges on UDF	0.86	1.11	1.28	1.40	1.51	**6.17**
Administrative Expenses - Others	15.00	36.00	39.60	43.56	47.92	**182.08**
Insurance	2.06	2.57	3.90	5.14	6.94	**20.61**
R&M	28.85	34.17	46.53	83.32	117.18	**310.04**
Other operating expenses	19.00	28.50	32.92	38.09	40.94	**159.45**
Independent Engineer Fees	3.78	3.78	3.78	3.97	4.17	**19.49**
Runway recarpeting	-	-	25.90	30.33	27.38	**83.61**
Total O&M expenses (A)	**195.82**	**281.60**	**355.71**	**427.63**	**491.58**	**1,752.35**
Fuel Operating expenses						

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
O&M Expenses	-	8.53	12.07	13.17	14.29	**48.06**
Bowser Rental	-	1.20	1.26	-	-	**2.46**
Total Fuel O&M expenses (B)	-	**9.73**	**13.33**	**13.17**	**14.29**	**50.52**
Cargo Operating expenses						
Inhouse salary cost	-	1.00	1.35	2.39	2.86	**7.61**
O&M Cost	1.44	1.95	2.64	9.34	11.16	**26.53**
Customs Cost Recovery	-	1.80	1.98	2.18	2.40	**8.35**
Total Cargo O&M expenses (C)	**1.44**	**4.75**	**5.97**	**13.91**	**16.42**	**42.50**
Finance Charges (D)	-	37.02	-	-	-	**37.02**
Annual Fees for Performance Bank Guarantee (E)	0.40	0.40	0.40	0.40	0.40	**2.00**
Working Capital Interest (F)	0.67	3.42	8.27	11.81	13.26	**37.43**
Total Aeronautical O&M expenses (A+B+C+D+E+F)	**198.33**	**336.92**	**383.69**	**466.93**	**535.95**	**1,921.81**

10.1.6 The growth rates assumed by TKIAL for total Aeronautical O&M expenses have been presented in the table below:

Table 173: Growth rates for total Aeronautical O&M expenses submitted by TKIAL for the Third Control Period

Expense Category	Basis	FY 23	FY 24	FY 25	FY 26	FY 27
O&M expenses						
Manpower costs: AAI employees	Y-o-Y	10.00%	10.00%	10.00%	10.00%	10.00%
Manpower costs: TKIAL employees	Y-o-Y	10.00%	10.00%	10.00%	10.00%	10.00%
Utility Expenses - Electricity Charges	Inflation	-	5.00%	5.00%	5.00%	5.00%
Utility Expenses - Water and Fuel Charges	Passenger	-	28.49%	15.52%	9.45%	7.47%
IT expenses	Employee	-	100.00%	16.67%	14.29%	5.00%
Rates & taxes	Inflation	-	5.00%	5.00%	5.00%	5.00%
Security expenses	Passenger	-	28.49%	15.52%	9.45%	7.47%
Corporate Support Service expenses	Employee	-	100.00%	16.67%	14.29%	5.00%
Administrative Expenses – Collection charges on UDF	Passenger	-	28.49%	15.52%	9.45%	7.47%
Administrative Expenses – Others	Y-o-Y	-	10.00%	10.00%	10.00%	10.00%
Insurance	Y-o-Y	-	10.00%	10.00%	10.00%	10.00%
R&M	Y-o-Y	-	10.00%	10.00%	10.00%	10.00%
Other operating expenses	Passenger	-	50.00%	15.52%	9.45%	7.47%
Independent Engineer Fees	Inflation	-	-	-	5.00%	5.00%
Runway recarpeting*						
Fuel Operating expenses						
O&M Expenses	Inflation	-	-	5.00%	5.00%	5.00%
Bowser Rental	Inflation	-	-	5.00%	5.00%	5.00%
Cargo Operating expenses						
Inhouse salary cost	Y-o-Y	-	-	10.00%	10.00%	10.00%
O&M Cost	Y-o-Y	-	-	10.00%	10.00%	10.00%
Customs Cost Recovery	Y-o-Y	-	-	10.00%	10.00%	10.00%

** Amortized over a 5-year period*

10.1.7 In addition to the above growth rates, TKIAL has considered a onetime increase of 6.24% in FY 2025-26 considering the increase in terminal building area as given in para 10.1.1 for Utility, Rates & Taxes, IT, Security and Other Operating expenses.

10.1.8 TKIAL had also considered a return on the unamortized portion of runway recarpeting expense at 14.76% FRoR commencing from FY 2024-25.

10.2 Authority's examination of Operation and Maintenance (O&M) Expenses for the Third Control Period at Consultation Stage

10.2.1 The Authority had examined the Operation and Maintenance expenses based on the following parameters:

A. Consideration of actual expenses for FY 2022-23 and revision in growth rates of various expenses
B. Re-allocation of the expenses into aeronautical, non-aeronautical and common.
C. Rationalization of Employee Head Count

10.2.2 The Authority also noted that TRV is a brownfield airport and has been in operation since 1985. The Authority has accordingly considered rationalization of costs in certain categories considering that these were operated at optimal level of costs by AAI earlier.

Allocation of O&M expenses to Aeronautical and Non-Aeronautical activities

Manpower expenses of AAI employees

10.2.3 TKIAL had considered the Manpower Expenses of AAI employees as 100% Aeronautical as this expense is considered as pass through in the determination of Aeronautical charges as per Clause 6.5 read with Clause 28.4.3 of the Concession Agreement. The Authority, in this regard examined the extract of the relevant clauses of the Concession Agreement which reads as under:

- Clause 6.5.1. states that:

  "(i) "Select Employees" shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period.

  The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI.

  (ii) "Joint Management Period" shall mean the period commencing from the COD and ending on the date which is I (one) calendar year after the COD.

  (iii) "Deemed Deputation Period" shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom."

- Clause 6.5.4 states that:

  "The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period."

- Clause 6.5.10 states that:

"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the "Deficit Employees"), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs").

(ii) The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges."

- Clause 28.4.3. states that:

"The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder."

10.2.4 The Authority, on review of the above clauses of the CA, proposed to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' as Common since the Manpower of AAI is used for both Aeronautical and Non-aeronautical activities. Accordingly, the Authority proposed to apportion the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' to Aeronautical activities in the ratio of 98.89%:1.11% (Aeronautical: Non-aeronautical) based on department-wise Employee Headcount of AAI employees as of March 2023 (refer Table 178).

10.2.5 In respect of the Manpower Expenses of AAI employees relating to 'Deficit Employees' after the expiry of the Deemed Deputation Period, the Authority proposed to consider the same as 100% pass through as mandated by Clause 6.5.10. of the CA.

Manpower expenses of employees of TKIAL

10.2.6 TKIAL had considered the Manpower Expenses of its own employees as 100% Aeronautical. However, the Authority notes that the manpower expense should be allocated based on the Employee Head Count Ratio for TKIAL employees considering the department and nature of work performed. The EHCR is computed as the 5-year average ratio after considering the Employee Head Count projected for TKIAL for the entire Third Control Period from FY 2022-23 till FY 2026-27.

It is pertinent to note here that the Authority had rationalized the aeronautical Employee Headcount of TKIAL and derived the Aeronautical EHCR for each tariff year as well as 5-year average of such ECHR i.e., 96.44%:3.56% (refer Table 182) for the entire Third Control Period.

Utility expenses

10.2.7 The Authority noted that TKIAL had allocated the Electricity expenses after netting off the proposed recoveries to be made from the Concessionaires for Non-aeronautical activities and that TKIAL has considered the resulting net Electricity expenses as 100% Aeronautical. The Authority noted that this allocation is consistent with that followed in similar airports and proposed to consider the same. TKIAL has considered the Water & Fuel charges as 100% Aeronautical. However, the Authority proposed to apportion the Water & Fuel charges in the Gross Block ratio of 97.57%:2.43% (Aeronautical: Non-aeronautical). The Gross Block ratio is computed as the 5-year average for the period from FY 2022-23 to FY 2026-27 of the Third Control Period (refer Table 145).

IT expenses, Security expenses and Insurance expenses

10.2.8 The Authority noted that TKIAL had considered the expenses towards IT, Security and Insurance as 100% Aeronautical. However, the Authority proposed to apportion the IT expenses, Security expenses and Insurance expenses in the Gross Block ratio of 97.57%:2.43% (Aeronautical: Non-aeronautical). The Gross Block ratio is computed as the 5-year average for the period from FY 2022-23 to FY 2026-27 of the Third Control Period (refer Table 145).

Administrative expenses

10.2.9 The Authority noted that TKIAL had considered Administrative Expenses including the Collection charges as 100% Aeronautical. The Authority accepts TKIAL's allocation of collection charges on UDF as 100% Aeronautical as it is relating to the expenses incurred for the collection of an Aeronautical charge. For the other administrative expenses, the Authority is of the view that the expenses which are administrative in nature should be apportioned in the Gross Block ratio of 97.57%:2.43%. The Gross Block ratio is computed as the 5-year average for the period from FY 2022-23 to FY 2026-27 of the Third Control Period (refer Table 145).

Corporate Support Service expenses

10.2.10 The Authority observed that TKIAL had considered Corporate Support Service expenses as 100% aeronautical. TKIAL has engaged an Independent Consultant to conduct a Study on the allocation of Corporate Costs of both the Holding Companies of TKIAL. TKIAL had shared a Note on the Study report which provides the types of services/costs that have to be allocated to TKIAL, along with the basis of allocation of such costs.

TKIAL had derived the allocable CSS expense based on the study. However, the basis for allocation of the costs towards Aeronautical and Non-aeronautical activities was not provided in the Study report. The Authority was of the view that in the absence of an appropriate basis, the CSS expenses is to be allocated in the revised Employee Headcount ratio, i.e., 96.44%:3.56% (based on 5-year average ratio of TKIAL employees derived as shown in Table 182) as also mentioned in the Study on Opex (refer Annexure 3 of Chapter 17 of this Tariff Order).

Expenses towards Repairs & Maintenance, Rates & Taxes and Other operating expenses

10.2.11 The Authority noted that TKIAL has considered Repairs and Maintenance, Rates and Taxes and Other Operating expenses (which includes Housekeeping, Horticulture and Hiring expenses) as 100% Aeronautical in its submission. However, the Authority proposed to re-allocate these expenses in the Terminal Building ratio of 90%:10% (refer para 7.4.4).

Amortization of runway recarpeting expenses, Fuel and Cargo Operating expenses

10.2.12 TKIAL had considered the expense towards Amortization of Runway Recarpeting, Fuel and Cargo Operating expenses as 100% Aeronautical. The Authority found this allocation to be reasonable and proposed to consider the same. Further, the Authority noted that the classification of Fuel and Cargo expenses as 100% Aeronautical is as per Section 2(a) of the AERA Act 2008.

10.2.13 The Authority's proposal for allocation of O&M expenses of TRV as compared to that submitted by TKIAL had been summarized in the table below:

Table 174: Allocation of O&M expenses for TRV proposed by the Authority for the Third Control Period

Expense Category	Allocation as per TKIAL	Allocation as per the Authority	Allocation %*
Manpower costs: AAI employees (Up to Deemed Deputation Period)	Aeronautical	EHCR - AAI Employees	98.89%
Manpower costs: AAI employees (Deficit Employee Cost)	Aeronautical	Aeronautical	100.00%
Manpower costs: TKIAL employees	Aeronautical	EHCR - TKIAL Employees	96.44%
Utility Expenses - Electricity Cost	Aeronautical	Aeronautical	100.00%
Utility Expenses - Water & Fuel Cost	Aeronautical	GBR	97.57%
IT expenses	Aeronautical	GBR	97.57%
Rates & taxes	Aeronautical	TBLR	90.00%
Security expenses	Aeronautical	GBR	97.57%
Corporate Allocation	Aeronautical	EHCR - TKIAL Employees	96.44%
Administrative Expenses - Collection charges on UDF	Aeronautical	Aeronautical	100.00%
Administrative Expenses - Others	Aeronautical	GBR	97.57%
Insurance	Aeronautical	GBR	97.57%
R&M	Aeronautical	GBR	97.57%
Other operating expenses	Aeronautical	TBLR	90.00%
Independent Engineer Fees	Aeronautical	Aeronautical	100.00%
Runway recarpeting	Aeronautical	Aeronautical	100.00%
Fuel O&M expenses	Aeronautical	Aeronautical	100.00%
Cargo O&M expenses	Aeronautical	Aeronautical	100.00%

**The ratio for EHCR – TKIAL Employees and GBR as given in the table is the 5-year average ratios for the period from FY 2022-23 till FY 2026-27.*

One time escalation claimed by TKIAL

10.2.14 One time escalation claimed by TKIAL for various expenses in FY 2025-26 was analyzed by the Authority. The Authority noted that TKIAL had claimed a one-time increase of 6.24% in line with the proposed increase in the area of the Terminal Building. However, the Authority was of the opinion that the increase in the expenses will not be directly proportional to the increase in the Terminal Building area, due to technological innovation, advancements and economies of scale. Hence, the Authority proposed to consider 2/3rd (i.e., 4.16%) of the escalation rates claimed by TKIAL (6.24%) for expenses such as Utilities, IT, Security and Other Operating expenses. However, for Rates & Taxes, the Authority proposed to consider the one-time escalation at 6.24% as claimed by TKIAL due to increase in terminal building area as mentioned in Table 175. As per Authority's proposal, the expansion of Terminal-II by 19,500 sqm is expected to be capitalized in FY 2025-26 (refer Para 7.3.41(iii)(h)). The Authority expects this expanded portion of Terminal-II to be fully operationalized in FY 2026-27. Therefore, the Authority proposed to consider one time increase in FY 2026-27 as against the FY 2025-26 consider by TKIAL in its submission. The details of escalation rates submitted by TKIAL and that proposed by the Authority for all the aforementioned expenses are shown in the table below:

Table 175: Projected Terminal Building area submitted by TKIAL

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27
Terminal-I	15,800	15,800	15,800	-	-
Terminal-II	43,500	43,500	43,500	63,000	63,000
Terminal Area in sqm	**59,300**	**59,300**	**59,300**	**63,000**	**63,000**

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27
% increase		*0.00%*	*0.00%*	*6.24%*	*0.00%*

Table 176: One-time escalation as claimed by TKIAL and proposed by the Authority

One-time Escalation	Claimed by TKIAL	Proposed by the Authority
Year of escalation	**FY 2025-26**	**FY 2026-27**
Utility expenses	6.24%	4.16%
IT expenses	6.24%	4.16%
Rates & taxes	6.24%	6.24%
Security expenses	6.24%	4.16%
Other operating expenses	6.24%	4.16%

10.2.15 The submission made by TKIAL regarding various operational expenses and their growth over the Third Control Period were analysed by the Authority and its proposals for such expenses are as elaborated below:

Manpower Expenses

The Authority, on its examination of TKIAL's submission towards Manpower expenses noted the following:

10.2.16 **Manpower Expenses of AAI employees** – TKIAL had projected the expense towards Select Employees of AAI employees across all the five (5) tariff years in the Third Control Period as per Clause 6.5.1 of the Concession Agreement entered into between AAI and the Airport Operator, the extract of which has been provided under para 10.2.3.

- TKIAL had claimed Manpower Expenses for 'Select Employees' (refer the table below for the department wise list) till the end of the Deemed Deputation Period. 'Deficit Employee Cost' has been computed at 60% of 'Select Employees' cost as stated in Clause 6.5.10 of the Concession Agreement for the remaining portion of the Third Control Period.
- TKIAL had considered an escalation of 10% Y-o-Y towards Manpower Expenses of AAI employees.
- The department-wise list of 'Select Employees' of AAI deputed at TRV as of March 2023 is as shown below:

Table 177: List of department-wise Select Employees of AAI deputed to TRV as of 31st March 2023

Department	Employee Count in Mar'23
Aircraft Rescue and Fire Fighting (ARFF)	94
Terminal and Operation	23
Engineering and Maintenance	74
Security	1
Information Technology	12
Human Resources and Admin (HRA)	58
Finance	7
Commercial	2
Total Manpower	**271**

- The Authority noted that TKIAL has considered all employees, irrespective of their department, as aeronautical employees. However, the services rendered by these employees are to both aeronautical and non-aeronautical areas of the airport. The Authority therefore had reclassified the employees in line with the classification proposed by the Study on Opex (refer Table 70 of the Study) and recomputed the EHCR as shown in the table below.

Table 178: Allocation of department-wise Select Employees of AAI deputed to TRV as of 31st March 2023 into Aeronautical and Non-Aeronautical

Department	Employee Count in Mar'23	Allocation
Aviation Rescue and Fire Fighting (ARFF)	94	Aeronautical
Terminal and Operation	23	Aeronautical
Engineering & Maintenance	74	Aeronautical
Security	1	Common
Information Technology	12	Common
Human Resources and Admin	58	Common
Finance	7	Common
Commercial	2	Non-Aeronautical
Total Manpower Requirement	**271**	
Allocation		
Aeronautical	191	
Non-Aeronautical	2	
Common	78	
Total	**271**	
Common Employee Allocation		
Common Aeronautical employees	77	
Common non-aeronautical employees	1	
Total Common employees	**78**	
Head Count after allocation of Common employees		
Total Aeronautical employees	268	
Total non-aeronautical employees	3	
Total employees	**271**	
Aeronautical %	**98.89%**	
Non-Aeronautical %	1.11%	
EHCR	**98.89:1.11**	

- The Authority noted that the Manpower Expense of AAI employees are accounted by TKIAL, based on the invoice raised by AAI for the 'Select Employees' deputed to TRV, on a monthly basis. TKIAL has arrived at an average annual per employee cost of approximately Rs. 25 lakhs per annum (which includes the estimated cost of retirement benefits for such employees) for FY 2022-23 based on the extrapolation of monthly employee cost incurred by TKIAL from April 2022 to December 2022.
- The Authority also noted that the Manpower Expenses of AAI employees were considered as 100% Aeronautical expenses by TKIAL.
- The Authority proposed to consider the Manpower Expenses of AAI employees up to 'Deemed Deputation Period' and after the expiry of such period the expenses relating to 'Deficit Employee cost' according to the explanation provided in the relevant clauses of the Concession Agreement for such expenses. The Authority also proposed to allocate the expenses into Aeronautical and Non-aeronautical based on the explanation in para 10.2.4 and para 10.2.5.
- Further, the Authority observed that TKIAL has submitted vide e-mail dated 19th July 2023, that they have incurred actual Manpower expenses for AAI employees amounting to Rs. 63.14 crores for FY 2022-23, as compared to estimate of Rs. 69.04 crores submitted as part of the MYTP. The Authority noted that TKIAL has considered the same as 100% Aeronautical which the Authority proposed to re-allocate based on the prescribed allocation ratio of 98.89%:1.11% (refer para 10.2.4) which works out to Rs. 62.44 crores for FY 2022-23. The Authority proposed to consider the average annual employee cost for FY 2022-23,

determined based on the actual expense incurred, for estimating the Manpower cost for remaining four (4) tariff years, i.e., FY 2023-24 to FY 2026-27.

- TKIAL has submitted vide reply to query dated 10th January 2024 that the number of Select Employees after excluding AAI employees who have retired or are separated from AAI as on 31st December 2023 was 298. The Authority proposed to consider the same while determining the Deficit Employee Cost during the current control period.
- Further, the Authority proposed to revise the 10% Y-o-Y increase in Manpower costs claimed by TKIAL to 6% for the remaining four (4) tariff years of the Third Control Period as approved by the Authority for other similar airports.
- The details of Manpower expenses of AAI employees claimed by TKIAL and proposed by the Authority are summarized in the table below.

Table 179: Manpower expenses of AAI Employees claimed by TKIAL and proposed by the Authority for Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Manpower Cost - AAI Employees	69.04	75.94	73.33	67.36	74.10	**359.77**
Growth rate	*10.00%*	*10.00%*	*10.00%*	*10.00%*	*10.00%*	
As per the Authority						
Manpower Cost - AAI Employees	62.44	66.19	59.31	49.67	52.65	**290.25**
Growth rate		*6.00%*	*6.00%*	*6.00%*	*6.00%*	

Note – The Manpower cost for the FY 2022-23 is based on actuals incurred by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.4.

10.2.17 **Manpower Expenses of TKIAL** – TKIAL had submitted the following increase in the total employee headcount and projected salary cost per employee per annum:

- Increase in Employee Headcount – TKIAL had projected an increase in Total Employee Headcount from 150 at the end of FY 2022-23 to 400 at the end of the Third Control period. The table below depicts the department wise employee head count, and the justification provided by TKIAL for the projected increase in head count during TCP.

Table 180: Department-wise Head Count of Employees as per TKIAL's MYTP submission for the Third Control Period

S. No.	Department	2023	2024	2025	2026	2027	Justification
1	Chief Airport Officer (CAO) Office	2	3	3	4	4	As per the Concession Agreement, Clause 6.5.3. AAI employees with designation over DGM and above have been transferred out by AAI and they are not associated with the Airport after 3 months from COD. Accordingly, Airport Director and all HODs have been transferred out and are not working at TRV Airport CAO (Chief Airport Officer) is responsible for overall operations and management of the Airport. The department is akin to the erstwhile Office of the Airport Director.

S. No.	Department	2023	2024	2025	2026	2027	Justification
							He is supported by 2 staff for analysis, reviews, KPI management, regular review, action taken follow-ups, stakeholder management, etc. 1 Resource is anticipated to be added as Personal Assistant to take care of the Office functioning of CAO
2	Chief Operating Officer office	1	1	2	3	3	The Chief Operating Officer is in charge of Airside and Terminal Operations and is responsible for ensuring efficient & effective operations and smooth passenger and user experience. He is supported by 2 associates in monitoring and managing the operations.
3	Regulatory	1	1	1	1	1	1 person planned for co-ordination related to AERA and regulatory matters
4	Airline Marketing		1	1	2	2	2 persons planned for dealing with Airlines including management of slots to increase ATM
5	Environment & Sustainability	1	2	2	2	2	As per Clause 18.1.1 (o) of CA, TKIAL is expected to protect and conserve the environment. Also, there is a requirement to get the Environment Audit done as per Clause 18.13. Accordingly, the manpower requirement has been considered.
6	Air Cargo	1	3	3	4	4	TKIAL is handling its own cargo facility as the AAICLAS facility has been carved out. Accordingly, inhouse manpower for monitoring of operations is considered.
7	Airside Management	26	40	42	44	44	TKIAL is responsible for maintaining and operating Airside including Runway, Taxiways, Approach Areas, Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services. During the period AAI operated the airport, additional resources were utilized from other departments. The composition is as below: a. Head Aero Operations - (1 Headcount) Lead the Airside Operations, Apron control, AOCC and ARFF for TIA. b. AOCC (1 Lead and 12 Associates) - Responsible for allocation of resources such as parking bay or aerobridge, check-in counter and baggage belts, and also control the Flight Information Display System (FIDS) for the passengers. c. Baggage Make up Area (BMA) / BHS / BBA Operations - 1 lead supported by 3 Shift Managers - Responsible for ensuring availability of systems round the clock. d. In charge Airside Operations supported by 4 Duty managers and 12 Airside Executives - Round-the-clock operations. Inspects and patrols all airport facilities, grounds, and properties to ensure regulatory compliance. Prepares detailed reports of daily operations, unusual incidents/accidents, hazardous conditions, and inspections.

S. No.	Department	2023	2024	2025	2026	2027	Justification
							e. Aerodrome Licensing and DGCA Compliance - 1 lead with 2 associates required for handling and responding to DGCA queries. Documentation and coordination for meetings with respect to observations and their compliance. Continuous monitoring and follow-up of Civil Aviation Requirement (CAR). Handling DGCA inspection and License renewal processes f. ADP/AVP Management - 1 lead supported by 2 associates - Responsible for vehicle movements at the airside and authorizing driving permits for airside vehicle movement. g. Wildlife & Hazard Mgmt. - 1 lead supported by 2 associates - Responsible for monitoring and recording wildlife activities at the airport and mitigation plan
8	Aviation Safety	1	5	5	5	5	Aviation Safety includes developing and reviewing safety program for Users, including response to hijacking of aircraft, correction of safety violations and deficiencies and all other actions necessary to provide a safe environment in accordance with Concession Agreement. Also, as per Concession Agreement Clause 18.15.4, "The Concessionaire shall establish an Airport Safety Management Unit ("ASMU") to be functional from COD and designate one of its officers to be in-charge of the ASMU. Such an officer shall have specialist knowledge and training in Airport system safety by having attended a course conducted by a reputed organization on the subject." Composition includes 1 Aviation Safety Head, supported by 1 resource and 3 manpower for shift duties
9	Occupational Safety (OHS)	1	2	3	4	4	Composition includes 1 OHS Head, supported by 3 manpower for shift duties
10	Aircraft Rescue and Fire Fighting (ARFF)	5	95	105	116	116	TKIAL has carried out an internal assessment on ARFF Task Resource Analysis and as per the assessment done, there is a requirement for 116 employees in ARFF for category 9. Based on the same, AO has projected total manpower requirement per shift as 29. This resulted in a total manpower requirement of 116 for 4 shifts. AAI had 94 "Select Employees" at TRV but TKIAL is expected to deploy additional manpower to fulfill the desired requirement.
11	Screeners (Including Shift-In-Charge & Manager)	54	54	54	73	73	TKIAL has inline baggage handling systems which requires specialized Screening manpower. Previously, AAI used to do it through an outsourced agency. However, TKIAL has decided to insource the function with its own manpower.
12	Terminal and Operation	14	23	33	33	33	TKIAL is expected to maintain and improve the quality of service to passengers. In that connection, TKIAL will deploy various positions of Terminal Managers, Duty Managers, Shift In charge,

S. No.	Department	2023	2024	2025	2026	2027	Justification
							Protocol services. Two terminals T-I and T-II will have addition of various Passenger Processing Systems and also there will be addition in terminal area. The composition is as below: a. Head Terminal Operations - (1 Headcount) Lead Reports to Chief Airport Officer and is responsible for Terminal (Domestic & International), Passenger Service, Facilities and Horticulture Management. b. Terminal Operations (1 Head, 3 Shift Managers and 12 Associates) - Responsible for the Passenger Experience at T-I and T-II. Works in coordination with CISF/Airlines and ensures that the passenger flow is seamless in Terminals. c. Protocol Services & Guest Relations (1 Head, 3 Shift Managers and 6 Associates) - Responsible to facilitate the movement of VIPs with smooth Check-in, VIP Lounge services, Security Check and Boarding after proper coordination with airlines, CISF – Terminal I & Terminal II. d. Facilities Management - (1 Head supported by 2 Associates) - Handles the Facilities and Upkeep team at the airport to maintain the TRV airport facility (Terminal-I, II and Land Side) at the highest standards. The role will ensure high standards of cleanliness. e. GA Terminal Manager - (1 Head and 2 Associates) - to manage the terminal operations at GA terminal once commissioned
13	Horticulture	1	2	3	4	4	As part of environmental sustainability measures to develop TIA as a green airport, statutory requirements of tree transplantation/plantation and to create natural ambience befitting a landmark international airport, the manpower requirement has been considered.
14	Quality	1	3	4	5	5	Under Clause 23.1 of the concession Agreement, TKIAL is obligated to monitor and measure quality of service on the parameters prescribed in the Concession Agreement. Further, as per the Concession Agreement, TRV is expected to maintain relevant ISO certification and other quality certifications for all the facilities controlled and managed by TKIAL. Composition includes 1 Quality Expert and 2 Project Manager for Schedule H and ASQ, 1 Resource for Implementation of ABEM and 1 Complaint Management and Redressal
15	Engineering & Maintenance	6	16	30	34	34	Currently, AAI has approx. 70 Engineering & Maintenance employees. TKIAL is expected to outsource some of the non-core activities. Second there will be new facilities added and increase in Terminal Area, Increase in

S. No.	Department	2023	2024	2025	2026	2027	Justification
							Airside Facilities, increase in landside facilities, Utilities etc., there will be requirement of more manpower in Engineering and Maintenance department to cater to these increased facilities. Considering all the above factor, TKIAL is expected to consolidate the function and will have only 34 people on-roll which will be a mix of Civil, Technical, Mechanical, Electrical including shift engineers and leads in respective disciplines and Maintenance Planning & Scheduling team.
16	Land department			1	1	1	1 resource planed in later half of TCP to liaise with various authorities (AAI, Local authorities, State Govt Departments) for the purpose of acquisition of land and related matters.
17	Fuel Farm (Location in Charge) and shift managers		1	3	3	3	TKIAL has planned to acquire the existing fuel facilities from OMCs and accordingly, inhouse manpower for monitoring of operations is considered.
18	Techno Commercial (Procurement department)	3	6	6	6	6	AAI does not have any local purchase department at site. All the procurement at AAI is done centrally through tendering process. Techno commercial function is responsible for procurement of various requirement of user department, management of contract, RFP issue, onboarding of vendor, etc. Composition includes 1 HoD, 4 Buyers (1 each for Operations, Projects, Services and Operations Capex) + 1 resource for Managing Stores operations while the Stores operations may run on SLA basis.
19	Corporate communication	2	3	3	3	3	Corporate Communications and Managing social media have been a critical function. The Head will be supported by 2 resource to support through Print, Digital and External Stake Holder Management.
20	Corporate Affairs	1	1	2	2	2	Position required to interact with various state government, local municipalities, utility boards, local police etc. on a day-to-day basis. The Lead is supported by a relevant resource.
21	Security	9	12	13	14	14	AAI has been running Security only as Pass Section. However, there are various activities which need to be performed by TKIAL like CISF Documentation, Airport Security Program, Kerbside Management, Traffic Management, Airport Operator Security Control Room, Security System Maintenance, Encroachment outside and perimeter area, Intelligence and Vigilance Gathering, Avsec Training and Compliances, Landside Operations, BCAS Compliance requirements. TKIAL has planned for on-roll 14 employees with following composition: 1 CSO, 2 Pass Section, 2 Avsec Audit and Compliances, 4 Loss Prevention and Automation,

S. No.	Department	2023	2024	2025	2026	2027	Justification
							4 landside operations, 1 Security Risk Assessment and Process compliance.
22	Legal	1	2	3	3	3	Composition includes 1 HoD and 2 Team Members to monitor and manage various contractual compliances including compliance with Concession Agreement
23	Information Technology	3	4	5	7	7	IT is a backbone of Aviation, and all the critical systems need to be running with zero downtime. Critical systems include Airport Operational Data Base (AODB), FIDS, PDAs, SAP, Business Analytics, Integration with ATC, VGDS, Radio Sets, Desktops, Laptops, Billing Software, Document Management System, Access Control System etc. Currently, AAI has 15 employees in the Information technology team to support the IT functioning of the Airport. We have rationalized the in-house resource requirement and considered 7 in-house employees as few of the activities will be outsourced. Composition includes 1 HoD, 1 for IT Initiatives, 2 Cyber Security and 3 for Infra and Application team.
24	Human Resources and Admin	6	8	8	9	9	From the current deployment of 6 resources the following will be added. 1 Support to HR operations, 1 Resource for Admin function, 1 Resource to support ER/Compliance and 1 resource to support Employee welfare and engagement activities
25	Finance	4	6	7	8	8	Composition includes 1 HoD, and support staff for various functions under finance and accounts (which will include monitoring and control over various activities including Accounts Receivable, Accounts Payable, Monthly/Quarterly/Annual Account Closing, GST and TDS related reconciliations & compliance, MIS and Control)
26	Commercial	5	5	6	8	8	These resources are planned for various co-ordination & other activities relating to management and monitoring over various concessionaires including the master concessionaire
27	Digital	1	1	2	2	2	2 resources planned for various digital initiatives to enhance passenger experience and provide seamless integration of various touchpoints including digital initiatives, process automation, digital transformation, passenger journey mapping etc. like Digi Yatra
	Total Manpower Requirement	**150**	**300**	**350**	**400**	**400**	

- The Authority noted that TKIAL had estimated significant increase in number of employees mainly towards functions relating to Airside management, Terminal and Operation, Engineering & Maintenance,

Aircraft Rescue & Fire Fighting (ARFF), Security and Inline Baggage Screening System (ILBS) considering the projected growth in traffic, operationalization of the new Terminal-II in FY 2025-26 and that the deemed deputation period of the 'Select Employees' deputed by AAI expires in the FY 2024-25 with no Select Employee accepting the offer made by TKIAL.

- The Authority also noted that TKIAL considers 50% of the employees as being Executives and the remaining 50% as being non-Executive.
- In this background, the Authority examined the Aeronautical Employee Head Count of TRV for the period from FY 2016-17 to FY 2019-20 (pre-COVID year) and noted that the 4-year average employee headcount was 334. The details of the same are given in table below:

Table 181: Aeronautical employee head count of TRV for the period from FY 2016-17 to FY 2019-20

Particulars	FY 17	FY 18	FY 19	FY 20	4-year Avg.
Aeronautical Employee Head Count	357	335	330	314	**334**

Note – Refer Table 10 of Study on Opex.

- The Authority also notes that TKIAL has projected an increase in employee count based on the estimated completion of upgradation & expansion of T-II in FY 2024-25 and operationalization from FY 2025-26.
- The Authority also examined the growth projected in Passenger traffic and ATM during the Third Control Period for TRV (refer Table 95) and noted that the traffic is expected to reach pre-COVID level during the FY 2023-24. However, the following factors were to be considered:

  i. The capitalization of the new terminal T-I was expected only in the next control period.
  ii. The full operationalization of the expanded terminal T-II was expected in FY 2026-27
  iii. There are existing employees of AAI i.e., 'Select Employees' deputed to TRV and
  iv. The previous airport operator, namely, AAI had been maintaining the prescribed ASQ rating of TRV with the aforementioned employee headcount (refer Table 181).

  Based on the above, the Authority was of the view that despite the positive growth projected in Passenger traffic and ATM, the Aeronautical Employee Head Count projected by TKIAL (which was estimated at 400 towards the end of the Third Control Period), was not justified and the same need to be rationalized.

- Also, the Authority noted that TKIAL has submitted the actual employee count for FY 2022-23 as 108 employees. The Authority proposed to accept the same.
- TKIAL vide response to query dated 8th January 2024 had submitted the actual employee count as on 31st December 2023 as 139. This includes one (1) employee of the Air Cargo department which was excluded during EHCR computation. The Authority proposed to consider the same as the employee head count for FY 2023-24.
- The Authority had analysed the Employee Headcount projected vis-à-vis the functions of each department mentioned in Table 180 and proposed the following revisions in Aeronautical Employee Headcount projected by TKIAL for the Third Control Period:

  i. Security department – The Authority noted that TKIAL will be outsourcing certain activities pertaining to the Security department. Hence, the Authority proposed to consider only 50% of the Aeronautical Employee Headcount of the Security department, projected by TKIAL, for the last three tariff years of the Third Control Period.

ii. Airside Management – The Authority noted that the Headcount projected by TKIAL for all the tariff years was on the higher side considering that the requisite facility and manpower for ground handling (outsourced) and VDGS system is already in place. Further, the activity of bird chasing has been outsourced by TKIAL. However, considering the increase projected in the ATM traffic during post-pandemic recovery in the current Control Period, the Authority proposed to increase the number to thirty (30) employees, thirty-five (35) employees and forty (40) employees respectively in the last three tariff years as against 42, 44 and 44 employees respectively estimated by TKIAL.

iii. Terminal Operations department – The Authority observed that the number of Employee Headcount projected by TKIAL for this department was on the higher side considering that there are existing employees of AAI (i.e., 'Select Employees' deputed to TRV) at the Airport during the deemed deputation period and hence, the Authority proposed to consider 75% of the Aeronautical Employee Headcount of Terminal Operations department, projected by TKIAL, for the third tariff year of the Third Control Period. For the remaining two tariff years of TCP, the Authority proposed to consider the number of employees as submitted by TKIAL as the Deemed Deputation Period will end in FY 2024-25.

iv. Engineering & Maintenance department – The Authority noted that there are existing employees of AAI (i.e., 'Select Employees' deputed to TRV) at the Airport during the deemed deputation period similar to Terminal Operations department and hence the Authority proposed to consider 75% of the Aeronautical Employee Headcount of Engineering & Maintenance department, projected by TKIAL, for the third tariff year of the Third Control Period. For the remaining two tariff years of TCP, the Authority proposed to consider the number of employees as submitted by TKIAL as the Deemed Deputation Period will end in FY 2024-25.

v. Inline Baggage Screening system (ILBS) – The Authority noted that TKIAL has proposed deploying 54 employees in FY 2024-25 and 73 employees each for FY 2025-26 and FY 2026-27 in this department. The Authority proposed to rationalize the headcount such that the number of employees increases at the same rate as the growth in traffic during the three tariff years.

vi. Air Cargo department – The Authority noted that TKIAL had computed cargo operation expenses including cost of manpower. At the same time, TKIAL had computed personal cost by including the cargo employees. On enquiry, TKIAL, vide replies to query dated 10th November 2023, has informed that both these costs relate to the same set of employees. Therefore, the Authority proposed to not consider the employees related to Air Cargo while determining the manpower and proposed to consider these employees cost in the computation of cargo operating expenses.

- Based on all the above factors, the Aeronautical Employee Headcount proposed by the Airport Operator and considered by the Authority and the revised Employee Headcount Ratio derived for the Third Control Period is shown in the table below.

Table 182: Revised Aeronautical Employee Head Count of TKIAL and the EHCR proposed by the Authority for the Third Control Period

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Allocation
As per TKIAL						
Total employee head count	150	300	350	400	400	
As per the Authority						
Chief Airport Office (CAO office)	2	2	3	4	4	Aeronautical

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Allocation
Chief Operating Officer office	-	-	2	3	3	Common
Regulatory	-	-	1	1	1	Aeronautical
Airline Marketing	-	-	1	2	2	Aeronautical
Environment & Sustainability	-	1	2	2	2	Common
Air Cargo	-	-	-	-	-	Aeronautical
Airside Management	22	20	30	35	40	Aeronautical
Aviation Safety	-	-	5	5	5	Aeronautical
Occupational Safety (OHS)	1	-	3	4	4	Aeronautical
Aircraft Rescue and Fire Fighting (ARFF)	2	2	105	116	116	Aeronautical
Screeners (Including Shift-In-Charge & Manager)	39	43	50	55	60	Aeronautical
Terminal and Operation	8	21	25	33	33	Aeronautical
Horticulture	1	2	3	4	4	Common
Quality	1	1	4	5	5	Aeronautical
Engineering & Maintenance	4	15	23	34	34	Aeronautical
Land department	-	-	1	1	1	Non-Aeronautical
Fuel Farm (Location in Charge) and shift managers	-	-	3	3	3	Aeronautical
Techno Commercial (Procurement department)	4	5	6	6	6	Common
Corporate communication	1	1	3	3	3	Common
Corporate Affairs	1	1	2	2	2	Common
Security	4	7	7	7	7	Common
Legal	-	1	3	3	3	Common
Information Technology	1	2	5	7	7	Common
Human Resources and Admin	5	5	8	9	9	Common
Finance	6	5	7	8	8	Common
Commercial	5	4	6	8	8	Non-Aeronautical
Digital	-	-	2	2	2	Aeronautical
Total employee head count	**107**	**138**	**310**	**362**	**372**	
Allocation						
Aeronautical	79	104	255	299	309	
Non-Aeronautical	5	4	7	9	9	
Common	23	30	48	54	54	
Total	**107**	**138**	**310**	**362**	**372**	
Common Employee Allocation						
Common Aeronautical employees	22	29	47	52	52	
Common Non-Aeronautical employees	1	1	1	2	2	
Total Common employees	**23**	**30**	**48**	**54**	**54**	
Head Count after allocation of Common employees						
Total Aeronautical employees	101	133	302	351	361	
Total non-aeronautical employees	6	5	8	11	11	
Total employees	**107**	**138**	**310**	**362**	**372**	
Aeronautical %	**94.39%**	**96.38%**	**97.42%**	**96.96%**	**97.04%**	
5-year avg. EHCR					**96.44%**	
Total Aeronautical employees (AAI + TKIAL)	369	401	352*	351	361	
Total non-aeronautical employees (AAI + TKIAL)	9	8	8*	11	11	

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Allocation
Total employees (AAI + TKIAL)	378	409	360	362	372	
Aeronautical % (AAI + TKIAL)	97.62%	98.04%	97.78%	96.96%	97.04%	
5-year avg. EHCR (AAI + TKIAL)					97.49%	

**The total Aeronautical and Non-Aeronautical employee head count for FY 2024-25 was computed as the average of the opening and closing employee head count*

- Salary cost projected per employee per annum – TKIAL had categorized the employees into Executive and Non-Executive in the ratio 50%:50%. The average employee cost for the above categories of employees was considered at Rs. 0.21 crores and Rs. 0.05 crores per annum respectively in FY 2022-23. The average employee costs for the remaining four (4) tariff years of the Third Control Period was projected to increase by 10% Y-o-Y.
- Subsequently, TKIAL vide email dated 4th August 2023, submitted the actual month-wise employee count and average salary per employee split between Executive and Non-Executive for FY 2022-23. Based on the analysis of the actuals for FY 2022-23, the Authority proposed to consider the average employee cost for Executive and Non-Executive employees as Rs. 0.20 crores and Rs. 0.05 crores respectively. The Authority also proposed to rationalize the growth rate by considering only 6% Y-o-Y increase for all four (4) tariff years, starting from FY 2023-24 in line with what has been considered for Manpower Expenses of AAI employees.
- Further, the Authority observed that TKIAL has submitted vide e-mail dated 24th July 2023, that they have incurred actual Total Manpower Expenses of TKIAL's employees amounting to Rs. 10.36 crores in FY 2022-23 as against the estimated amount of Rs. 14.16 crores. The Authority noted that TKIAL has considered the same as 100% Aeronautical which the Authority proposed to re-allocate based on the prescribed allocation ratio of 96.44%:3.56% (refer para 10.2.6) which worked out to Rs. 9.99 crores, which the Authority proposed considering for FY 2022-23. However, the Authority proposed to consider the average annual employee cost as given in the above paragraph along with a Y-o-Y growth of 6% from FY 2023-24 for the computing the Manpower expenses of TKIAL employees for the remaining four tariff years, i.e., FY 2023-24 to FY 2026-27.
- The details of Manpower expenses of TKIAL employees claimed by TKIAL and that proposed by the Authority are summarized in the table below.

Table 183: Manpower Cost of TKIAL Employees claimed by TKIAL and proposed by the Authority for TCP

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Aeronautical employee count	150	300	350	400	400	
TKIAL employee cost	14.16	32.18	51.12	64.89	76.13	**238.48**
Growth rate	*10.00%*	*10.00%*	*10.00%*	*10.00%*	*10.00%*	
As per the Authority						
Aeronautical employee count	101	133	302	351	361	
TKIAL employee cost	9.99	14.62	28.38	45.17	52.21	**150.37**
Growth rate		*6.00%*	*6.00%*	*6.00%*	*6.00%*	

Note – The Manpower cost for the FY 2022-23 is based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.6.

10.2.18 The employee cost proposed by the Authority for the Third Control Period based on revised Aeronautical Employee Headcount, cost and ratio analysed above is shown below.

Table 184: Manpower expenses of Aeronautical Employees proposed by the Authority for the Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
AAI employee cost	69.04	75.94	73.33	67.36	74.10	**359.77**
TKIAL employee cost	14.16	32.18	51.12	64.89	76.13	**238.48**
Total employee cost	**83.20**	**108.11**	**124.45**	**132.25**	**150.23**	**598.24**
As per the Authority						
AAI employee cost (refer Table 179)	62.44	66.19	59.31	49.67	52.65	**290.25**
TKIAL employee cost (refer Table 183)	9.99	14.62	28.38	45.17	52.21	**150.37**
Total employee cost	**72.43**	**80.81**	**87.69**	**94.84**	**104.86**	**440.63**

Utility Expenses

The Authority examined the expenses towards Utilities and noted the following.

10.2.19 **Electricity expenses:** Airport Operator had projected the Electricity cost based on the following assumptions:

- Total units consumed for the FY 2022-23 were considered at 1.75 crores and is escalated in subsequent years for the TCP based on the increase in area of the terminal building.
- Net recoveries from the concessionaires were considered at approximately 6% for FY 2022-23 based on the actual consumption for the 9 months period from April 2022 to December 2022. It was considered at 7% in FY 2023-24 and FY 2024-25, and 8% in FY 2025-26 and FY 2026-27
- The per unit rate was considered at approximately Rs. 8.50 in FY 2022-23 based on the average rate for the 9 months period from April 2022 to December 2022. This rate was escalated Y-o-Y at 10%

10.2.20 The Authority compared the actual Electricity costs (net of recoveries) for FY 2022-23 of Rs. 12.74 crores with the projected cost of Rs. 13.98 crores. The Authority observed that the actuals expense incurred in FY 2022-23 appeared to be reasonable and to allow Rs. 12.74 crores towards the Electricity expenses for FY 2022-23. The Authority further proposed to apply Y-o-Y increase towards inflation (Table 168) for the next four (4) tariff years on the derived expenses of FY 2022-23.

10.2.21 TKIAL had also proposed an additional one time increase of 6.24% in FY 2025-26 due to an increase in terminal area because of refurbishment of existing terminals. The Authority, based on its view detailed in para 10.2.14, proposed to consider an additional increase of 4.16% in the Electricity costs in FY 2026-27 in line with the revised Capitalization Schedule proposed by the Authority.

10.2.22 **Water and Fuel charges:** TKIAL had projected the Water and Fuel charges for FY 2022-23 as Rs. 0.30 crore and had proposed to consider a Y-o-Y increase of 28.5% in FY 2023-24, 15.5% in FY 2024-25, 9.5% in FY 2025-26 and 7.5% in FY 2026-27 based on projected passenger growth for the Third Control Period. The Authority examined the actual expenses of Rs. 0.47 crores incurred by TKIAL in FY 2022-23 towards Water and Fuel charges as against Rs. 0.30 crores projected in the MYTP and proposed to consider the actuals (i.e., Rs. 0.47 crores) for FY 2022-23. Also, the Authority proposed to apply Y-o-Y increase towards inflation for the remaining four (4) tariff years on such actual expenses, as per Table 168.

10.2.23 The Authority also proposed to allocate the water and fuel charges into Aeronautical and Non-Aeronautical based on the Gross Block ratio.

10.2.24 As mentioned in the above paragraph for the Electricity expenses, the Authority proposed to allow the one-time increase of 4.16% in the FY 2026-27 towards the increase in area of the Terminal Building in line with the revised Capitalization Schedule proposed by the Authority.

10.2.25 The details of Utility expenses claimed by TKIAL and proposed by the Authority are summarized in the table below.

Table 185: Utility expenses claimed by TKIAL and proposed by the Authority for the Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Electricity Cost	13.98	15.22	16.74	19.35	21.29	**86.58**
Water & Fuel Expense	0.30	0.39	0.45	0.49	0.52	**2.14**
Total Utility expenses	**14.28**	**15.60**	**17.18**	**19.84**	**21.81**	**88.72**
As per the Authority						
Electricity Cost	12.74	12.78	13.06	13.41	14.50	**66.50**
Water & Fuel Expense	0.46	0.46	0.48	0.50	0.54	**2.44**
Total Utility expenses	**13.20**	**13.24**	**13.54**	**13.91**	**15.04**	**68.94**

Note – The Utility cost for the FY 22-23 is based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.7.

IT Expenses, Rates & Taxes and Security Expenses

10.2.26 TKIAL had claimed Y-o-Y increase for IT Expenses, Rates & Taxes and Security Expenses as per the table below.

Table 186: Y-o-Y increase in IT Expenses, Rates & Taxes and Security Expenses as submitted by TKIAL for the Third Control Period

Particulars	Base	FY 23	FY 24	FY 25	FY 26	FY 27
IT expenses	Employee Growth	-	100.00%	16.67%	14.29%	5.00%
Rates & taxes	Inflation Growth	-	5.00%	5.00%	5.00%	5.00%
Security expenses	Passenger Growth	-	28.49%	15.52%	9.45%	7.47%

10.2.27 TKIAL had also considered an additional increase of 6.24% during FY 2025-26, due to the proposed increase in the Terminal Building area, for the aforementioned expenses.

10.2.28 The Authority examined the actual expenses incurred by TKIAL during FY 2022-23 for the aforementioned expenses as tabulated below. The Authority proposed to consider the same for FY 2022-23.

Table 187: Comparison of Projection vs Actuals for FY 2022-23

(Rs. in crores)

Particulars	FY 23 projections in MYTP	FY 23 actuals as per TKIAL	FY 23 as per the Authority
IT expenses	6.00	4.50	4.50
Rates & taxes	1.00	0.55	0.55
Security expenses	6.77	8.03	8.03

10.2.29 In respect of the Y-o-Y growth rate claimed by TKIAL, the Authority proposed to revise the same as per inflation rates proposed in Table 168 across the remaining four (4) tariff years of the Third Control Period.

10.2.30 Further, the Authority proposed to allow one-time escalation towards increase in area of the Terminal Building for the aforementioned expenses as mentioned in para 10.2.14 above. Also, the Authority proposed to allocate the expenses into Aeronautical and Non-Aeronautical based on the ratios as given in Table 174.

10.2.31 IT Expenses, Rates & Taxes and Security Expenses claimed by TKIAL and allowed by the Authority are summarized in the table below:

Table 188: IT expenses, Rates & taxes and Security expenses claimed by TKIAL and proposed by the Authority for the Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
IT expenses	6.00	12.00	14.00	16.87	17.72	**66.59**
Rates & taxes	1.00	1.05	1.10	1.23	1.29	**5.67**
Security expenses	6.77	8.70	10.06	11.63	12.50	**49.67**
As per the Authority						
IT expenses	4.39	4.40	4.57	4.74	5.12	**23.22**
Rates & taxes	0.50	0.50	0.52	0.54	0.59	**2.65**
Security expenses	7.84	7.86	8.16	8.47	9.14	**41.46**

Note – The expenses for the FY 2022-23 are based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.8 and 10.2.11.

Corporate Support Service expenses

10.2.32 TKIAL had claimed Corporate Support Service expenses of Rs. 15.00 crores towards support services received from the Holding Companies, namely AEL and AAHL, for the FY 2022-23 and projected 100% increase in FY 2023-24, 16.7% in FY 2024-25, 14.3% in FY 2025-26 and 5% in FY 2026-27 during the Third Control Period.

10.2.33 The Authority observed from the note provided by TKIAL, that it has engaged an Independent Consultant to conduct a Study on Corporate Cost allocation and based on the Study Report, they have submitted the following with respect to corporate cost allocation:

- AEL provides various strategic functions/activities like corporate finance, legal, central procurement, green initiative, ESG, Information technology, human resource management, etc., and also includes various leadership functions. AAHL through its corporate structure, provides expertise and specialist domain knowledge in Airports Operation, Airside Management, Master Planning, Designing, Airport Development, Airport Regulatory, Hospitality, Customer management, Cargo Development and management, Airline Marketing, Non-Aeronautical etc.
- AEL and AAHL incur costs at the corporate level to provide these services and support to various Group Companies (including Airports) and Airport companies. The major composition of these costs includes salaries and administrative costs. These costs (except shareholders services and non-Aeronautical services) are recovered by AEL and AAHL through a pre- determined, appropriate allocation method.
- Similar corporate cost allocation process is used by other private airport operators' holding entities, such as GMR Infrastructure Limited (GIL) and GMR Airports Limited (GAL), which provide corporate administration services to DIAL and GHIAL, and their costs are allocated based on suitable drivers. Similarly, AAI also allocates its Central Head Quarters (CHQ) / Regional Head Quarters (RHQ) costs to various airports based on appropriate cost drivers.

10.2.34 The Authority further examined the actual costs allocated to TRV for FY 2022-23 and observed that the same was Rs. 16.55 crores as compared to the projection of Rs. 15 crores claimed in TKIAL's MYTP submission. The detailed break-up of the actual cost along with the basis of allocation submitted by TKIAL for the FY 2022-23 was as follows:

Table 189: Details of Actual Corporate Allocation cost incurred with allocation basis submitted by TKIAL for FY 2022-23

(Rs. in crores)

Department	Allocation Key (Basis)	Admin Cost	Personnel cost	Total
AAHL				
Human Resources & Admin	Ratio of Number of Employees of a Special Purpose Vehicle (SPV) to Total Adani Group Employees	0.47	1.87	**2.34**
Finance	Ratio or Debt raised for a SPV to total Debt raised for Airport Group	0.09	0.34	**0.43**
Operations (Airline Marketing, Operation, Security, HSE, Regulatory)	Ratio of Per PAX Revenue of SPV to total Per PAX Revenue	1.05	4.18	**5.23**
Information Technology	Ratio of Number of IT users in a SPV to total IT users in all airports	0.12	0.46	**0.58**
Inhouse Legal Team	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.03	0.12	**0.15**
Cargo Development	Ratio of Per PAX Revenue of a SPV to total Per PAX Revenue of all airports	0.02	0.07	**0.09**
C. E.O Office	Ratio of Per PAX Revenue of SPV to total Per PAX Revenue	0.37	1.47	**1.84**
Total	**A**	**2.15**	**8.51**	**10.66**
AEL				
HR & Admin	Ratio of Number of Employees of a SPV to Total Adani Group Employees	0.77	1.57	**2.34**
Finance, Tax & Internal Audit	Ratio of Debt raised for a SPV to total Debt raised for Adani Group, Ratio of Turnover of a SPV to Total Group Turnover and Ratio of Full Time Equivalents (FTE) allocated to a SPV to total FTEs	0.19	0.39	**0.58**
IT	Ratio of Number of IT users in a SPV to total Group users	0.52	1.05	**1.57**
Legal	Ratio of Legal Budget of a SPV to Total Legal Budget of all airports	0.01	0.02	**0.03**
CMD Office & Support Staff	Ratio of a SPV Profit Before Tax (PBT) to Group PBT and Airport budgeted expenditure to Total budgeted expenditure	0.45	0.92	**1.37**
Procurement	Ratio of Turnover of a SPV to Total Group Turnover	-	-	-
Land & Estate	Ratio of a SPV PBT to Group PBT	-	-	-
Total	**B**	**1.94**	**3.95**	**5.89**
Grand Total	**A+B**	**4.09**	**12.46**	**16.55**

10.2.35 TKIAL had submitted that the activities of certain Functions such as Finance, HR & Admin and IT are performed both centrally at Corporate (AEL, AAHL) and at individual Airports. The same has been detailed as follows:

- **Activities performed at corporate level:** These are strategic, decision-making activities that are carried out across the Group such as:
  - Designing policies and procedures, benchmarking, and standardization of processes across the Group
  - Monitoring annual budgeting process
  - Implementation of ERP for the Group (particularly Finance and HR functions)
  - Reviewing performance of the Group and providing guidance to Group Companies
  - Maintaining Adani Airports Information Repository, standards in software development and networking.
  - Identifying new revenue generating IT services, technologies, and solutions.
- **Activities performed at the Airport:** These are operational in nature which includes:
  - Recording of Financial data in ERP
  - Preparation of monthly MIS for presenting it to corporate team
  - Financial due diligence of various proposals.
  - Conducting interviews at site level for hiring of manpower and managing manpower at the site.
  - Executing Performance appraisal process and providing feedback to corporate team.
  - Executing day-to-day IT requirements at the Airport.
  - Maintaining airport related IT assets such as AODB, FIDS, software used in AOCC, etc.
  - Support HO/Corporate IT team in the areas of IT Strategy, delivery, and Governance.

10.2.36 The Authority noted that AEL on an overall basis, extends support and guidance to various Group Companies and AAHL provides support to the Airport Companies, which are essential for the sustainable operations of the business. The major composition of the costs of these services includes salaries and administrative costs that are recovered by AEL and AAHL through an appropriate allocation method. Further, this process is consistent with the approach followed by other PPP airports such as DIAL, GHIAL etc. for allocation of corporate costs to the Airports. Based on the above factors, the Authority considers the apportionment of costs of AEL and AAHL to TKIAL as reasonable.

10.2.37 The actual cost allocated to TKIAL for FY 2022-23 is Rs. 16.55 crores. The Authority notes that the actual cost submitted for FY 2022-23 was Rs. 16.53 crores and therefore proposed to consider same as compared to the projected cost of Rs. 15.00 crores. However, the Authority observes that the aforementioned projected cost includes the allocated costs of legal team of AEL and AAHL, which is in addition to the cost of employees of Legal department available at TRV, already considered under the manpower expenses of TKIAL (refer Table 182 above) and is not justified. Hence, the Authority proposed to exclude Rs. 0.18 crores from the Corporate Allocation cost submitted by TKIAL and allow the remaining amount of Rs. 16.35 crores for FY 2022-23.

10.2.38 Further the Authority observed that Salary cost constitutes the major portion of the Corporate Cost and hence, the Authority proposed to rationalize the increase claimed by TKIAL to 6% Y-o-Y across all the remaining four (4) tariff years in the Third Control Period, which is in line with the increase proposed for Manpower expenses in Table 183.

10.2.39 The details of Corporate Allocation Expense claimed by TKIAL and proposed by the Authority are summarized in the table below:

Table 190: Corporate Allocation expenses claimed by TKIAL and proposed by the Authority for the Third Control Period at Consultation stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Corporate Allocation	15.00	30.00	35.00	40.00	42.00	**162.00**
As per the Authority						
Corporate Allocations	15.77	16.72	17.72	18.78	19.91	**88.91**

Note – The Corporate Allocation expenses for the FY 2022-23 is based on actuals reported by TKIAL after deducting the costs incurred by the inhouse legal department and applying the prescribed allocation ratio proposed by the Authority in para 10.2.10.

Administrative Expenses – Collection Charges on UDF

10.2.40 The Authority notes that while TKIAL has projected the Administrative Expenses – Collection Charges on UDF for FY 2022-23 as Rs. 0.86 crores, the actual expense incurred was only Rs. 0.63 crores. Hence, the Authority proposed to consider the actuals for FY 2022-23.

10.2.41 Further the Authority proposed to consider the increase in Collection charges for UDF in line with the growth in Passenger traffic proposed for the Third Control Period for TKIAL, as per Table 95.

10.2.42 The details of Administrative Expenses – Collection charges on UDF claimed by TKIAL and proposed by the Authority are summarized in the table below:

Table 191: Administrative expenses (collection charges on UDF) claimed by TKIAL and proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Administrative Expenses - Collection Charges on UDF	0.86	1.11	1.28	1.40	1.51	**6.17**
As per the Authority						
Administrative Expenses - Collection Charges on UDF	0.63	0.78	0.86	0.99	1.06	**4.33**

Administrative Expenses - Others

10.2.43 TKIAL had projected Rs. 15 crores for FY 2022-23 with an increase of 10% Y-o-Y (includes increase due to inflation at 5% and 5% for any contingency for change in scope, overtime and escalation) for Administrative and General Expenses towards consultancy expenses, advertisement, travel, audit, printing & stationery, office expenses, communication costs and business promotion. The Authority notes that TKIAL has actually incurred Administrative and general expenses of Rs. 14.26 crores for FY 2022-23 as compared to the projection of Rs. 15 crores in the MYTP. Accordingly, the Authority proposed to consider the actuals for FY 2022-23.

10.2.44 The Authority also noted that TKIAL had considered an increase of Rs. 21 crores in FY 2023-24 from the previous year's expense. On enquiry, TKIAL informed vide reply to query dated 3rd September 2023, that *"The increase in admin expenses is due to expected increase in professional fees for various activities for improvement in passenger experience and operations."* The Authority proposed not to consider this increase in expense as no detailed rationale had been provided by the Airport Operator.

10.2.45 The Authority proposed to consider inflationary effect as per Table 168, on such actual administrative expenses across the remaining four tariff years in the Third Control Period, in line with the other similar airports.

10.2.46 The details of Administrative Expenses claimed by TKIAL and proposed by the Authority have been summarized in the table below:

Table 192: Administrative expenses claimed by TKIAL and proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Administrative Expenses – Others	15.00	36.00	39.60	43.56	47.92	**182.08**
As per the Authority						
Administrative Expenses – Others	13.92	13.96	14.49	15.04	15.61	**73.02**

Note – The Administrative expenses for the FY 2022-23 is based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.9.

Insurance

10.2.47 The Authority had examined the expense claimed by TKIAL towards Insurance and noted the following:

i. **Insurance on Opening Net block of assets** – TKIAL had claimed Rs. 2.00 crores in FY 2022-23 and an increase of 10% Y-o-Y (including 5% towards inflation) for Insurance expenses on the Opening Net block of Assets. The Authority noted that the actual cost incurred in FY 2022-23 is Rs. 1.82 crores for FY 2022-23 and proposed to consider the same for FY 2022-23. The Authority also proposed to consider Y-o-Y escalation based on the inflation rate proposed in Table 168. Further, the Authority had derived the Aeronautical expenses by applying the Gross Block Ratio as per Table 174.

ii. **Insurance on New Capital Expenditure** – TKIAL has also claimed Insurance expense at the rate of 0.10% of the new additions to the gross block assets for each tariff year. The Authority reviewed the same and proposed to consider the expense at the same rate of 0.10% on the revised gross block of capitalized Aeronautical Assets that are proposed as part of RAB (refer Table 152).

10.2.48 The details of insurance expenses claimed by TKIAL and proposed by the Authority are shown below:

Table 193: Insurance expenses claimed by TKIAL and proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Insurance on Opening Block of Assets	2.00	2.20	2.42	2.66	2.93	**12.21**
Insurance on Assets added during the Second Control Period	0.06	0.37	1.48	2.48	4.01	**8.40**
Total Insurance expense	**2.06**	**2.57**	**3.90**	**5.14**	**6.94**	**20.61**
As per the Authority						
Insurance on Opening Block of Assets	1.78	1.78	1.85	1.92	1.99	**9.32**
Insurance on Assets added during the Second Control Period	-	0.06	0.24	1.12	1.31	**2.74**
Total Insurance expenses	**1.78**	**1.84**	**2.09**	**3.04**	**3.30**	**12.06**

Note – The Insurance expenses for the FY 2022-23 was based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.8.

R&M Expenses

10.2.49 The Authority examined the expenses towards Repairs and Maintenance and noted that the same has been categorized as towards Civil, Electrical, Plant and machinery, Electronics and Others.

i. **Repairs and Maintenance on Opening Net block of Assets** – TKIAL has claimed Rs. 28.85 crores in FY 2022-23 towards Repairs and Maintenance for Opening gross block of Assets and an increase of 10% Y-o-Y (including expected increase in inflation by 5% and another 5% allowance provided for any contingency for change in scope, overtime, escalation etc.).

ii. **Repairs and Maintenance on New Capital Expenditure** – TKIAL had also claimed Repairs and Maintenance expense at the rate of 3% of the opening gross block of new assets for each tariff year.

10.2.50 The Authority as part of its review, noted that the actual R&M expense incurred by TKIAL for FY 2022-23 is Rs. 25.26 crores (lower than TKIAL's estimate of Rs. 28.85 crores in the MYTP) and proposed to consider the same.

10.2.51 The Authority was of the view that TRV is a brownfield airport, wherein Capital Additions have been newly proposed for the Third Control Period. The newly constructed/installed assets need lesser maintenance than the already commissioned ones in use. The Authority, therefore, proposed to consider actuals for FY 2022-23 and restrict the total repairs and maintenance expenses claimed by TKIAL to 6% of the Opening Net block of Aeronautical Assets for the respective FYs.

10.2.52 The amount claimed by TKIAL, and the estimate proposed by the Authority is shown in the table below:

Table 194: Repairs and Maintenance on Opening Net block of Assets claimed by TKIAL and Proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
R&M on Opening Block of Assets	28.85	31.73	34.91	38.40	42.24	**176.13**
R&M on Assets added during the TCP	-	2.43	11.62	44.92	74.95	**133.92**
Total R&M expenses	**28.85**	**34.17**	**46.53**	**83.32**	**117.18**	**310.04**
As per the Authority						
Opening RAB during the TCP (A)	457.94	458.55	489.59	627.23	1,443.02	
6% of Opening RAB (B)	27.48	27.51	29.38	37.63	86.58	**208.58**
R&M as submitted by TKIAL (C)	24.64	34.17	46.53	83.32	117.18	**305.84**
Revised R&M expenses (MIN[B,C])	**24.64**	**27.51**	**29.38**	**37.63**	**86.58**	**205.75**

Note – The expenses for the FY 2022-23 were based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.11.

Other Operating Expenses

10.2.53 TKIAL had claimed Other Operating Expenses of Rs. 19 crores in FY 2022-23 towards housekeeping and upkeep expenses (includes cleaning & housekeeping Services, pest control services, cleaning of public toilet, providing biomedical waste management services, garbage collection services etc.), horticulture expenses and outsourced manpower/hire charges (includes Operations of Bird Scarers for Wildlife Hazard Management (WHM), customer service executive, guest relation executive etc. and a trolley management O&M contract) and an increase of 50.00% in FY 2023-24, 15.52% in FY 2024-25, 9.45% in FY 2025-26 and 7.47% in FY 2026-27. Further, TKIAL had sought a one-time increase of 6.24% in FY 2025-26 due to refurbishment of existing terminal.

10.2.54 The Authority noted that TKIAL has incurred actual expenses of Rs. 17.96 crores for FY 2022-23 as against the projected amount of Rs. 19.00 crores in the MYTP. It was observed that the majority of the actual expenses have been incurred towards MESS, ESS, maintenance of Terminal area and horticulture expenses for which TKIAL has already issued the LOA / Contract to the third-party vendor. Considering the same, the Authority proposed to consider the actual expenses of Rs. 17.96 crores for FY 2022-23 and the base cost of the LOA/Contracts issued of Rs. 19.99 crores for FY 2023-24. However, in respect of Y-o-Y growth rate claimed, the Authority notes that TKIAL has sought increase in line with the increase in passengers. The Authority notes that these costs do not increase in line with growth in traffic. Hence, the Authority proposed to consider increase for future years in line with the rate of inflation proposed in Table 168 together with the increase towards Terminal Area increase as proposed in para 10.2.14.

10.2.55 Based on the above, the Authority's proposal for Other Operating Expenses as against TKIAL's submission were as shown below:

Table 195: Other Operating Expense claimed by TKIAL and proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Other operating expenses	19.00	28.50	32.92	38.09	40.94	**159.45**
As per the Authority						
Other operating expenses	16.16	17.99	18.67	19.38	20.92	**93.12**

Note – The Other Operating Expenses for the FY 2022-23 is based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.11.

Independent Engineer Cost

10.2.56 TKIAL has claimed Independent Engineer Cost of Rs. 3.78 crores for FY 2022-23 and claimed an increase of 5% Y-o-Y from FY 2025-26. As per the information provided, AAI appointed M/s Rites Limited as an Independent Engineer for 3 years with a total cost of Rs. 11.86 crores (Rs. 3.78 crores annually). The extract of the relevant clauses is as below:

Clause 24.1.2 states

"The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or *termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of 3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment."*

Clause 24.3.1 states

"The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator."

10.2.57 The Authority noted that AAI had appointed RITES Limited as the Independent Engineer with effect from 25th October 2021 with the responsibility of reviewing the projects being carried out by TKIAL on site and submitting necessary reports to TKIAL.

10.2.58 The Authority also noted that as per Clause 24 and Schedule K of the Concession Agreement, AAI is required to appoint the Independent Engineer initially for a period of 3 years and thereafter for every 3 years. AAI has executed the contract with the Independent Engineer at a fee of Rs. 11.35 crores. TKIAL has projected the Independent Engineer Cost based on the same together with considering an inflation of 5% for the last two tariff years for the Third Control Period.

10.2.59 The Authority also examined the actual expense of Rs. 3.41 crores for FY 2022-23 and proposed to consider the same for FY 2022-23. For the remaining four (4) tariff years the Authority proposed to consider the cost as per TKIAL submission. However, the Authority proposed not to allow inflation of 5% as submitted by TKIAL.

Amortization of runway recarpeting expenses

10.2.60 TKIAL had projected an amortization of Rs. 20 crores towards expenditure on Runway Recarpeting works over a period of five (5) FYs starting from FY 2024-25. The Authority notes that TKIAL has also claimed a return on the average unamortized portion of the Runway Recarpeting expense each year.

10.2.61 On cost estimate for recarpeting, TKIAL has submitted that:

"The previous runway recarpeting was carried out by AAI in FY16-17. The next runway recarpeting is now proposed in FY24-25. Only resurfacing is proposed hence there will be no change in PCN value.

The previous runway recarpeting was done in FY2016-17 by AAI for approx. cost of INR 56 crores. After applying necessary inflation factor from FY17 to FY23 (considered 60% increase though Bitumen index has changed by over 80% during the period i.e. the cost will be close to Rs. 90 Crs as of date."

10.2.62 The Authority noted that the TKIAL has submitted a base cost of Rs. 78.43 crores as the cost of runway recarpeting in the submission on the proposed capital addition during the Third Control Period. The Authority proposed to consider this base cost along with indexation amounting to Rs. 81.65 crores as the cost of runway recarpeting and proposed to amortize the same over five (5) years as detailed in Authority's Order No. 35/2017-18 dated 12th January 2018. Accordingly, the Authority has considered the cost for the years FY 2024-25, FY 2025-26 and FY 2026-27.

10.2.63 The Authority also noted that the cost incurred on runway recarpeting is proposed to be amortized over five (5) years as per Order No. 35/2017-18. Accordingly, a return equal to FRoR is proposed to be provided on the unamortized portion of runway recarpeting expenses. Computation for the same is as follows:

Table 196: Return on unamortized portion of Runway recarpeting proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	Ref	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Opening Balance	A	-	-	-	65.32	48.99	
Runway recarpeting expense incurred during the year	B	-	-	81.65	-	-	**81.65**
Runway recarpeting amortized during the year	C	-	-	16.33	16.33	16.33	**48.99**
Closing Balance	**D = A + B - C**	-	-	**65.32**	**48.99**	**32.66**	

Particulars	Ref	FY 23	FY 24	FY 25	FY 26	FY 27	Total
FRoR (refer Table 164)	E	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on unamortized portion of recarpeting expenses	**F = A * E**	-	-	-	**7.98**	**5.98**	**13.96**

10.2.64 Based on the above, the Authority proposed to consider the following with respect to runway recarpeting for the Third Control Period

Table 197: Runway recarpeting expenses claimed by TKIAL and proposed by the Authority at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Runway Re-carpeting costs	-	-	20.00	20.00	20.00	**60.00**
Return on unamortized portion of recarpeting expenses	-	-	5.90	10.33	7.38	**23.61**
Total runway recarpeting expenses	-	-	**25.90**	**30.33**	**27.38**	**83.61**
As per the Authority						
Runway Re-carpeting costs	-	-	16.33	16.33	16.33	**48.99**
Return on unamortized portion of recarpeting expenses	-	-	-	**7.98**	**5.98**	**13.96**
Total runway recarpeting expenses	-	-	**16.33**	**24.31**	**22.31**	**62.95**

Fuel Operating Expenses

10.2.65 Clause 19.3 of the Concession Agreement stipulates TKIAL's obligations towards providing aircraft fueling services (refer Annexure 5 in Chapter 17 of this Tariff Order)

10.2.66 TKIAL has submitted total Fuel O&M expenses of Rs. 50.52 crores based on the following assumptions regarding Fuel facility Operations:

- TKIAL had projected that the Fuel farm facility operations will commence from July 2023 onwards (i.e., 8-month period in FY 2023-24) and continue for the remaining three (3) tariff years of the Third Control Period.
- TKIAL had estimated the Fuel Throughput volume at the rate of approximately 5 KL per ATM for the Total ATM traffic projected in each tariff year.
- Further, TKIAL had submitted that they will outsource the Fuel facility operations to a third-party vendor, who will manage the facility on a 'minimum guarantee' amount up to specified quantity of 1,00,000 KL (i.e., fixed amount per year) and beyond the specified quantity of 1,00,000KL, on the basis of agreed Rate/KL (i.e., variable rate). The rates detailed in the Letter of Award issued by TKIAL to the vendor are as follows:

Table 198: Fixed and Variable Fuel O&M rates claimed by TKIAL for the Third Control Period

Particulars	UoM	Quantity	Rate (Rs.)	Amount (Rs. in crores)
Fixed: Up to 1,00,000 KL	Month	12	76,86,508	9.22
Variable: Beyond 1,00,000 KL	per KL	-	275	-

- Additionally, TKIAL had projected an increase of 5% towards inflation Y-o-Y on both the fixed amount and variable rate / KL payable to the Vendor.
- Apart from the above, TKIAL had projected the Rental cost of bowsers amounting to Rs. 1.20 crores in FY 2023-24 and Rs. 1.26 crores in FY 2024-25. The Authority noted that TKIAL has, in the MYTP, submitted that since the delivery of the new refuelers/bowsers have a lead time of 9-12 months, TKIAL

will hire refuelers/bowsers on rental basis for the first year of operations. The rental cost has been estimated for six months each in the Second and Third years of Operations i.e., FY 2023-24 and FY 2024-25 after which TKIAL expects to have a sufficient number of its own refuellers to run the operations.

10.2.67 The Authority examined the above relating to Fuel Farm Operations and the Authority's views are as under:

- The Authority had examined the Fixed and Variable O&M rates in Ahmedabad and Lucknow airports. The Authority proposed to accept the average of the said rates for the two airports, i.e., Rs. 0.77 crores per month and Rs. 270 per KL, respectively for Fixed and Variable Fuel O&M expenses. TKIAL, vide reply to query dated 10th January 2024, had submitted that the IOCL & BPCL Asset procurement was under planning stage. Therefore, the Authority had in its examination of capital expenditure submitted by TKIAL, proposed to consider the capitalization of the same in FY 2024-25 (refer para 7.3.96). Accordingly, the Authority proposed to consider the estimated cost (both fixed and variable) proportionately for six months during FY 2024-25.
- The Authority noted that TKIAL has subsequently shared the actual fuel throughput per ATM for each month of FY 2022-23. Based on the same, the Authority has worked out the average fuel throughput per ATM as 5.83 and proposed to consider the same along with the ATM traffic as per Table 95 to arrive at the fuel throughput for the three tariff years starting from FY 2024-25.
- The Authority proposed to consider the inflation rate as detailed in Table 168 above, to consider the increase for both fixed and variable O&M expenses for the remaining years in the Control Period.
- The Authority has noted TKIAL's submission that the rental expense is based on the actual cost incurred at Ahmedabad and Lucknow Airport which works out to an average of Rs. 1.98 crores for 12 months. The Authority proposed to allow this rental cost proportionately for six months in FY 2024-25 and six months in FY 2025-26.

10.2.68 Based on all the above proposals, the total Fuel O&M expenses proposed by the Authority have been shown below:

Table 199: Fixed and Variable Fuel O&M expenses claimed by TKIAL vs proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
O&M Expenses	-	8.53	12.07	13.17	14.29	**48.06**
Bowser Rental	-	1.20	1.26	-	-	**2.46**
Total fuel expenses	-	**9.73**	**13.33**	**13.17**	**14.29**	**50.52**
As per the Authority						
O&M Expenses						
ATM Traffic (A)	24,594	31,708	36,504	39,823	42,685	**1,75,314**
Fuel throughput per ATM (KL/ATM) (B)	-	-	5.83	5.83	5.83	
Fuel Throughput (KL) (C = A * B)	-	-	2,12,935	2,32,295	2,48,990	**6,94,219**
Fixed Fuel Throughput (KL) (D)	-	-	1,00,000	1,00,000	1,00,000	**3,00,000**
Variable Fuel Throughput (KL) (E = C – D)	-	-	1,12,935	1,32,295	1,48,990	**3,94,219**
Factor for months in operation (F)	-	-	0.50	1.00	1.00	
Fixed O&M expense up to 1,00,000 KL (G)	-	-	**4.85**	**10.06**	**10.44**	**25.34**
Inflation %		-	-	3.80%	3.80%	
Variable Fee per KL (Rs.) (H)	-	-	270.00	280.26	290.91	

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Inflation %	-	-	-	3.80%	3.80%	
Variable O&M expense exceeding 1,00,000 KL (I = H * E * F)	-	-	**1.52**	**3.71**	**4.33**	**9.57**
O&M Expenses (J = G + I)	-	-	**6.37**	**13.77**	**14.77**	**34.91**
Bowser Rental						
Bowser Rental for the year (K)	-	-	**0.99**	**0.99**	-	**1.98**
Total fuel expenses (L = J + K)	-	-	**7.36**	**14.76**	**14.77**	**36.89**

Cargo Operating Expenses

10.2.69 Clause 19.4.1 of the Concession Agreement stipulates TKIAL's obligations towards upgrading, developing, operating and maintaining the Cargo facilities in accordance with the provisions of the Concession Agreement (refer Annexure 5 in Chapter 17 of this Tariff Order).

10.2.70 TKIAL had projected total Cargo Operating expenses of Rs. 42.50 crores for the Third Control Period towards in-house salary cost, outsourced O&M expenses and customs cost recovery. As per MYTP submission, TKIAL started processing domestic cargo from August 2022 and proposed to start international cargo operation from 1st April 2023 from an interim cargo facility till completion of construction of the new International Cargo Complex in FY 2025-26. Further, Cargo expenses have been increased by 10% for the remaining three (3) tariff years of the Third Control Period commencing from FY 2024-25.

10.2.71 The Authority examined the submission of TKIAL and noted that the outsourced contract for handling the Cargo facility has been projected to commence from 1st April 2022. FY 2022-23 expenses were estimated at a fixed cost of Rs. 0.18 crores per month. For FY 2023-24, charges have been considered at the rate of Rs. 3,000 per MT of Volume and thereafter projected for the remaining tariff years with a Y-o-Y increase of 10%.

10.2.72 In this regard, the Authority verified the Cargo O&M Services Agreement entered into by TKIAL with the third-party vendor, for a period of one (1) year (extendable subject to mutual agreement on rates, terms and conditions) and also the actual fixed cost per month agreed upon by both the parties for the entire tenure of the Contract and notes that the actual rate for FY 2022-23 is Rs. 0.13 crores per month (as against Rs. 0.18 crores per month submitted in the MYTP). Accordingly, the same has been considered as a cost for FY 2022-23.

10.2.73 Further, the Authority noted that based on the above rate of Rs. 0.18 crores per month for FY 2022-23, TKIAL has claimed Rs. 1.44 crores of outsourced O&M expenses in their MYTP as against actual expenses of Rs. 0.86 crores incurred for FY 2022-23. Hence, the Authority proposed to consider the actual outsourced Cargo O&M expenses of Rs. 0.86 crores for FY 2022-23.

10.2.74 The Authority also noted that the above agreement was subsequently extended by 1 year effective from 1st April 2023 and the rate increased to Rs. 0.15 crores per month (an increase of 12.77% from the previous year's rate). The O&M expense for FY 2023-24 based on this rate amounted to Rs. 1.80 crores as against Rs. 1.95 crores claimed by TKIAL as outsourced O&M expenses in their MYTP submission. Therefore, the Authority proposed to consider the expense of Rs. 1.80 crores as per the revised agreement for FY 2023-24.

10.2.75 The Authority notes that TKIAL has considered approximately Rs. 3,000 per tonne as basis for determining the O&M cost for TRV. This rate was estimated based on the experience of Ahmedabad and Lucknow airports. The Authority had examined the actual per tonne fee in Ahmedabad and Lucknow airports and proposed to accept the average of the said fees for the two airports, i.e., Rs. 2,860 as the per tonne fee for FY 2022-23. The Authority also proposed to escalate this fee at inflationary growth rate (refer Table 168) as

against the increase of 10% submitted by TKIAL for arriving at the O&M expenses for the remaining three (3) years of the current control period.

10.2.76 The Authority also noted that TKIAL has projected the cargo handling capacity by considering capitalization of the new International Cargo Complex in FY 2025-26. TKIAL has also submitted in the response to queries dated 27th July 2023, that it expects to have a market share of 70% after the start of operation in the new cargo facility for the last two tariff years of the Third Control Period. The cargo capacity proposed by TKIAL and volume of cargo to be processed by TKIAL as proposed by the Authority is as given below.

Table 200: Cargo capacity and cargo volume processed by TKIAL as proposed by the Authority for the Third Control Period at Consultation Stage

Particulars (in MT)	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Capacity proposed						
Domestic Facility	3,000	3,000	3,000	3,000	3,000	
International - Interim Facility	-	6,000	6,000	-	-	
International - New Facility	-	-	-	25,000	25,000	
Total	**3,000**	**9,000**	**9,000**	**28,000**	**28,000**	
Cargo volume to be processed by TKIAL (refer Table 95)						
Domestic	1,382	2,000	2,000	2,046	2,315	**9,743**
International	-	750	6,000	23,680	25,645	**56,074**
Total	**1,382**	**2,750**	**8,000**	**25,726**	**27,959**	**65,817**

10.2.77 The Authority proposed to consider the cargo volume processed by TKIAL as per the above table for the determination of O&M expenses.

Inhouse salary and Custom Cost Recovery

10.2.78 The Authority observed that TKIAL has projected salary costs for six (6) of their own employees comprising supervisory staff and duty managers at an average annual salary of Rs. 0.16 crores per employee which works out to a total in-house salary cost of approximately Rs. 1 crore per annum starting from FY 2023-24. Further, this cost has been projected to increase proportionately with the increase in cargo volume handled by TKIAL in addition to an increase of 10% Y-o-Y in each tariff year. The Authority noted that as of June 2023, there was only one (1) employee. Also, TKIAL has informed vide reply to query dated 10th November 2023, that they expect to onboard 3 employees by February 2024 and 2 employees by May 2024. The Authority therefore proposed to recompute the inhouse salary cost based on the revised recruitment plan and also to increase the annual average salary by 6% Y-o-Y (as against 10% claimed by TKIAL) in line with that allowed for Manpower expense of AAI and TKIAL for the remaining three (3) tariff years of the Third Control period.

10.2.79 In addition to this, TKIAL has projected reimbursement of the salary cost of Customs officials who will be handling the international cargo operations, under the head 'Customs cost recovery'. The Authority notes that TKIAL has taken over operations of both domestic and international cargo at TRV post-COD from AAICLAS, which was handling the cargo operations earlier. As per the MYTP submission, TKIAL was expected to commence the international cargo operation from 1st April 2023. As a result, TKIAL has estimated the salary cost of five (5) Customs officials as per para 7 of Circular No. 02/2021-Customs dated 19th January 2021 issued by the Department of Revenue, Ministry of Finance and arrived at Rs. 1.78 crores per annum as the cost in FY 2023-24. However, in the reply to queries dated 08th November 2023, TKIAL has informed, that the international cargo operation were expected to begin only by February 2024. Considering the revised start date, the Authority proposed to prorate the 'Customs cost recovery' expense for FY 2023-24. The

Authority also proposed to consider Y-o-Y increase of 6% as against the 10% claimed by TKIAL in line with that allowed for Manpower expense of AAI and TKIAL for the remaining three (3) tariff years of the Third Control period. The Authority noted that Customs Cost recovery was waived off based on achievement of certain volume threshold. While the Authority had currently considered the cost estimate provided by TKIAL, the Authority directed TKIAL to ensure that waiver of charges is obtained as soon as the volume limits are reached.

10.2.80 The Authority's proposal as compared to TKIAL's submission is summarized in the table below:

Table 201: Cargo Operating expenses claimed by TKIAL and proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Insourced salary	-	1.00	1.35	2.39	2.86	**7.61**
O&M Cost	1.44	1.95	2.64	9.34	11.16	**26.53**
Customs Cost Recovery	-	1.80	1.98	2.18	2.40	**8.35**
Total Insurance expenses	**1.44**	**4.75**	**5.97**	**13.91**	**16.42**	**42.50**
As per the Authority						
Insourced salary						
Employees at the beginning of the year	-	1	4	6	6	
Employee addition during the year	-	3	2	-	-	**5**
Employees at the end of the year	-	4	6	6	6	
Month in which new employee is hired	-	Feb-24	May-24	-	-	
Avg. Salary per annum (Rs. in crores)	-	0.16	0.17	0.18	0.19	
Y-o-Y Growth (%)	-	-	6.00%	6.00%	6.00%	
Insourced salary (A)	-	**0.24**	**0.99**	**1.08**	**1.14**	**3.45**
O&M Cost						
Actual O&M cost	0.86*	1.80**	-	-	-	
Total TRV Market Volume (MT)	16,722	27,796	32,891	36,751	39,942	**1,54,102**
Adani Share of TRV Market Volume (MT)	1,382	2,750	8,000	25,726	27,959	**65,817**
Adani Market Share (%)	8%	10%	24%	70%	70%	
O&M fee per ton (Rs.)	2,860	2,869	2,978	3,091	3,208	
Inflation (%)	-	0.30%	3.80%	3.80%	3.80%	
O&M Cost (B)	**0.86**	**1.80**	**2.38**	**7.95**	**8.97**	**21.96**
Customs Cost Recovery						
Annual custom cost recovery (Rs. in crores)	-	1.78	1.88	2.00	2.12	
Y-o-Y Growth (%)	-	-	6.00%	6.00%	6.00%	
Months of Operation	-	3.00	12.00	12.00	12.00	
Customs Cost Recovery (C)	-	**0.44**	**1.88**	**2.00**	**2.12**	**6.44**
Total Cargo O&M expenses (A+B+C)	**0.86**	**2.48**	**5.25**	**11.03**	**12.23**	**31.85**

** Based on actuals reported by TKIAL*

*** Based on the terms of the Cargo O&M Services Agreement with Bangalore Airport Terminal Services Pvt Ltd*

Working Capital Interest, Annual Fee on Performance Bank Guarantee and Finance Charges

10.2.81 TKIAL had included the claim for Working Capital Interest and Finance charges as a separate line item than the other operation and maintenance expenses. The Authority noted that TKIAL had computed working capital interest based on the forecasted recovery of revenue and payment of expenses and has considered the

entire expense as aeronautical. As per TKIAL submission there was a requirement for working capital for all tariff years of the Third Control Period.

10.2.82 The Authority had reviewed the computation of interest on working capital loan and verified the actuals for FY 2022-23 whereby the Authority noted that there is no evidence of working capital interest being incurred in the books of TRV for FY 2022-23. The Authority also reworked the cash flows based on the revised aeronautical operating expenses, traffic, and aeronautical revenues. As per this revised computation, the estimated interest on working capital loan amounts to Rs. 19.38 crores for the last four (4) tariff years of the Third Control Period. The Authority, therefore, proposed to not consider the interest on working capital loan in FY 2022-23 but consider Rs. 19.38 crores during computation of interest on working capital for the remaining four (4) tariff years.

10.2.83 The Authority noted that TKIAL has taken a Performance Bank Guarantee (PBG) of Rs. 80 crores for which TKIAL has to pay an annual fee at 0.50% of the guaranteed amount. The Authority proposed to consider the same as part of the costs for the current control period.

10.2.84 The Authority had reviewed the computation of interest on Finance Charges and notes that TKIAL has considered finance charges at the rate of 1.50% of the debt drawn down during the current control period. TKIAL had considered 65% of the total capital addition as being funded through debt for arriving at the debt draw down during the current control period. The Authority also verified the actual bank charges for FY 2022-23 which worked out to Rs. 0.05 crores and proposed to consider the same for the first tariff year of the Third Control Period. For the remaining four (4) tariff years, the Authority had recomputed the Finance Charges by considering 48% (refer para 8.2.11) of the revised total capital addition, i.e. Rs. 1,372.97 crores (refer Table 142) as being funded through debt. As per this revised computation, the estimated finance charges amounted to Rs. 9.69 crores for the remaining four (4) years of the Third Control Period. The Authority noted that there is an increase in finance charges of 421% in FY 2025-26 in comparison to the previous year due to the capitalization of the project upgradation and expansion of Terminal T-II. The Authority, therefore, proposed to consider Rs. 0.05 crores for FY 2022-23 and Rs. 9.69 crores for computing the finance charges for the remaining four (4) tariff years of the current control period.

10.2.85 The Authority also proposed to consider the allocation of these expenses as given below:

- Finance Charges based on the revised Gross Block Ratio of 97.57%:2.43%
- Working Capital Interest to be considered as Aeronautical as the expense is computed based on aeronautical operating expenses and aeronautical revenues.
- PBG charges to be considered as Aeronautical based on the Clause 9.1.1 of the Concession Agreement which states that "*The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 20 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 80,00,00,000 (Rupees Eighty Crore) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security.*"

10.2.86 The Authority's proposal as compared to TKIAL's submission is summarized in the table below:

Table 202: Working Capital Interest, Annual Fees for PBG and Finance Charges claimed by TKIAL and proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
As per TKIAL						
Finance Charges	-	37.02	-	-	-	**37.02**
Annual Fees for Performance BG	0.40	0.40	0.40	0.40	0.40	**2.00**
Working Capital Interest	0.67	3.42	8.27	11.81	13.26	**37.43**
As per the Authority						
Finance Charges	0.05	0.46	1.26	6.59	1.09	**9.46**
Annual Fees for Performance BG	0.40	0.40	0.40	0.40	0.40	**2.00**
Working Capital Interest	-	3.39	4.93	5.41	5.65	**19.38**

Note – The expenses for the FY 2022-23 are based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in para 10.2.85.

10.2.87 Considering the changes above, the Authority had recalculated the aeronautical operation and maintenance expenditure for Third Control Period as follows:

Table 203: Aeronautical operation and maintenance expenses proposed by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	Ref.	FY 23*	FY 24	FY 25	FY 26	FY 27	Total
O&M expenses							
Manpower costs: AAI employees	Table 179	62.44	66.19	59.31	49.67	52.65	**290.25**
Manpower costs: TKIAL employees	Table 183	9.99	14.62	28.38	45.17	52.21	**150.37**
Utility Expenses	Table 185	13.20	13.24	13.54	13.91	15.04	**68.94**
IT expenses	Table 188	4.39	4.40	4.57	4.74	5.12	**23.22**
Rates & taxes	Table 188	0.50	0.50	0.52	0.54	0.59	**2.65**
Security expenses	Table 188	7.84	7.86	8.16	8.47	9.14	**41.46**
Corporate Allocation	Table 190	15.77	16.72	17.72	18.78	19.91	**88.91**
Administrative Expenses - Collection charges on UDF	Table 191	0.63	0.78	0.86	0.99	1.06	**4.33**
Administrative Expenses - Others	Table 192	13.92	13.96	14.49	15.04	15.61	**73.02**
Insurance	Table 193	1.78	1.84	2.09	3.04	3.30	**12.06**
R&M	Table 194	24.64	27.51	29.38	37.63	86.58	**205.75**
Other operating expenses**	Table 195	16.16	17.99	18.67	19.38	20.92	**93.12**
Independent Engineer Fees	Para 10.2.59	3.41	3.78	3.78	3.78	3.78	**18.54**
Runway recarpeting	Table 197	-	-	**16.33**	**24.31**	**22.31**	**62.95**
Total O&M expenses (A)		**174.66**	**189.40**	**217.79**	**245.46**	**308.25**	**1,135.56**
Fuel Operating expenses							
O&M Expenses	Table 199	-	-	6.37	13.77	14.77	**34.91**
Bowser Rental		-	-	0.99	0.99	-	**1.98**
Total Fuel O&M expenses (B)		-	-	**7.36**	**14.76**	**14.77**	**36.89**
Cargo Operating expenses							
Inhouse salary cost	Table 201	-	0.24	0.99	1.08	1.14	**3.45**
O&M Cost		0.86	1.80	2.38	7.95	8.97	**21.96**
Customs Cost Recovery		-	0.44	1.88	2.00	2.12	**6.44**
Total Cargo O&M expenses (C)		**0.86**	**2.48**	**5.25**	**11.03**	**12.23**	**31.85**
Finance Charges (D)	Table 202	0.05	0.46	1.26	6.59	1.09	**9.46**
Annual Fees for Performance Bank Guarantee (E)		0.40	0.40	0.40	0.40	0.40	**2.00**
Working Capital Interest (F)		-	3.39	4.93	5.41	5.65	**19.38**

Particulars	Ref.	FY 23*	FY 24	FY 25	FY 26	FY 27	Total
Total Aeronautical O&M expenses (A+B+C+D+E+F)		**175.97**	**196.12**	**237.01**	**283.65**	**342.39**	**1,235.14**

** FY 2022-23 is based on actuals reported by TKIAL after applying the prescribed allocation ratio proposed by the Authority in Table 174.*

*** Other operating expenses include Upkeep and maintenance of Terminal complex, Horticulture expenses, outsourced contractor cost for providing facility management, trolley management, flight data management, daily emergency handling services etc.*

10.2.88 The total O&M expenses proposed by the Authority for the Third Control Period was Rs. 1,235.14 crores as compared to Rs. 1,921.81 crores submitted by TKIAL. Following are the key reasons based on the adjustments, revisions and rationalization carried out by the Authority:

A. Consideration of actual expenses for FY 2022-23 – Impact of Rs. 17.53 crores
B. Revision in growth rates of various expenses, etc. – Impact of Rs. 643.23 crores
C. Re-allocation of the expenses into aeronautical, non-aeronautical and common – Impact of Rs. 24.57 crores
D. Rationalization of Employee Head Count – Impact of Rs. 1.35 crores
E. Rationalization of costs in certain categories is due to changes made by the Authority in certain capital expenditure projects including the timing of capitalization and the cost estimation.

10.2.89 Based on the above considerations, the Authority proposed the following growth rates in Operation & Maintenance (O&M) expenses, Fuel Operating expenses and Cargo Operating expenses, as compared to the projections submitted by TKIAL.

Table 204: Growth rates in O&M expenses considered by the Authority for the Third Control Period

Expense Category	Basis	FY 23	FY 24	FY 25	FY 26	FY 27
O&M expenses						
Manpower costs: AAI employees	Y-o-Y	-	6.00%	6.00%	6.00%	6.00%
Manpower costs: TKIAL employees	Y-o-Y	-	6.00%	6.00%	6.00%	6.00%
Utility Expenses	Inflation	-	0.30%	3.80%	3.80%	3.80%
IT expenses	Inflation	-	0.30%	3.80%	3.80%	3.80%
Rates & taxes	Inflation	-	0.30%	3.80%	3.80%	3.80%
Security expenses	Inflation	-	0.30%	3.80%	3.80%	3.80%
Corporate Allocation	Y-o-Y	-	6.00%	6.00%	6.00%	6.00%
Administrative expenses - Others	Inflation	-	0.30%	3.80%	3.80%	3.80%
Insurance	Inflation	-	0.30%	3.80%	3.80%	3.80%
R&M		-	-	-	-	-
Other operating expenses	Inflation	-	0.30%	3.80%	3.80%	3.80%
Independent Engineer Fees		-	-	-	-	-
Runway recarpeting	Inflation	-	0.30%	3.80%	-	-
Fuel Operating expenses						
O&M Expenses	Inflation	-	-	-	3.80%	3.80%
Bowser Rental		-	-	-	-	-
Cargo Operating expenses						
Inhouse salary cost	Y-o-Y	-	-	6.00%	6.00%	6.00%
O&M Cost	Inflation	-	0.30%	3.80%	3.80%	3.80%
Customs Cost Recovery	Y-o-Y	-	-	6.00%	6.00%	6.00%

10.2.90 The Authority had also considered an additional increase on account of the increase in terminal areas as the upgradation and expansion of Terminal Building T-II is being considered to be undertaken in the current control period.

10.2.91 The Authority expects TKIAL to bring efficiencies in incurrence of O&M expenses for the benefit of airport users and in line with the AERA Act, AERA Guidelines and ICAO Principles.

10.3 Stakeholders' comments regarding Operation and Maintenance (O&M) Expenditure for the Third Control Period

10.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding Operating and Maintenance (O&M) Expenditure for the Third Control Period. The comments of the stakeholders are presented below.

TKIAL's comments regarding Operations and maintenance expenses for the Third control Period

10.3.2 TKIAL's comment regarding allocation of O&M Expenses is as follows:

In order to avoid repetition of comment, please refer to 1.3.2 and 3.11 for our request for considering 100% Aero allocation (Refer para 5.7.19 of this Tariff Order).

10.3.3 TKIAL's comment regarding rationalization of manpower headcount are as follows:

In respect to the Authority's rationalization of Security manpower headcount, we would like to submit as follows:

- *we had submitted detailed justification along with role-wise requirement of number of in-house security team strength.*
- *AAI had been running Security only as Pass Section. However, there are various activities which need to be performed by TKIAL like CISF Documentation, Airport Security Program, Kerbside Management, Traffic Management, Airport Operator Security Control Room, Security System Maintenance, Encroachment outside and perimeter area, Intelligence and Vigilance Gathering, Avsec Training and Compliances, Landside Operations, BCAS Compliance requirements.*
- *TKIAL has planned for on-roll 14 employees with following composition: 1 CSO, 2 Pass Section, 2 Avsec Audit and Compliances, 4 Loss Prevention and Automation, 4 landside operations, 1 Security Risk Assessment and Process compliance.*
- *The Authority has rationalized the manpower for Security function with clear disregard to the requirement of various roles essential for smooth airport operations.*

In respect to the Authority's rationalization of Airside Management manpower headcount, we would like to submit as follows:

- *We had submitted detailed justification along with role-wise requirement of number of in-house Airside Management team strength.*
- *TKIAL is responsible for maintaining and operating Airside including Runway, Taxiways, Approach Areas, Apron Management Service, Airside safety, aerodrome safeguarding and aeronautical information services. During the period AAI operated the airport, additional resources were utilized from other departments. The composition is as below:*

Head Aero Operations - (1 Headcount) Lead the Airside Operations, Apron control, AOCC and ARFF for TIA. AOCC (1 Lead and 12 Associates) - Responsible for allocation of resources such as parking bay or aerobridge, check-in counter and baggage belts, and also control the Flight Information Display System (FIDS) for the passengers.

Baggage Make up Area (BMA) / BHS / BBA Operations - 1 lead supported by 3 Shift Managers - Responsible for ensuring availability of systems round the clock.

In charge Airside Operations supported by 4 Duty managers and 12 Airside Executives - Round-the-clock operations. Inspects and patrols all airport facilities, grounds, and properties to ensure regulatory compliance. Prepares detailed reports of daily operations, unusual incidents/accidents, hazardous conditions, and inspections.

Aerodrome Licensing and DGCA Compliance - 1 lead with 2 associates required for handling and responding to DGCA queries. Documentation and coordination for meetings with respect to observations and their compliance. Continuous monitoring and follow-up of Civil Aviation Requirement (CAR).

Handling DGCA inspection and License renewal processes

ADP/AVP Management - 1 lead supported by 2 associates - Responsible for vehicle movements at the airside and authorizing driving permits for airside vehicle movement.

Wildlife & Hazard Mgmt. - 1 lead supported by 2 associates - Responsible for monitoring and recording wildlife activities at the airport and mitigation plan.

In respect to the Authority's rationalization of Screeners for Inline Baggage Screening system (ILBS), we would like to submit as follows:

- *We had submitted a detailed assessment of ILBS screeners based on required screening levels, screening time requirement and required number of screeners in line with BCAS requirements. For quick reference the same is provided below.*

ILBHS Screening Manpower Assessment at Trivandrum Airport												
Airport	No of Bags p	OOG X-BIS	L 2 Work Station	L 3 ReCheck Work Station & ETD Check	L 3 Standalone XBIS	L 4 Physical Check	Virtual Level 4	SUPVR	Reliever / Rotation	Total	Total with Week Off / Trg / Leave	Total certified Staff Required
Normal Requirement T2												
Shift A	604	1	4	1	2	2	2	1	2	15	4	19
Shift B	864	1	6	1	2	2	2	1	2	17	5	22
Shift C	1506	1	10	1	2	2	2	1	2	21	6	27
Total												68
				1 month additional provision at T2 will become integrated after domestic traffic is moved to T2								6
											Total	73

Current Assessment

	Time	International			
		No. of Flights	No. of Pax	Bags/Pax	No. of Bags
C Shift	00:00	0	0	0	0
	01:00	1	180	1.6	288
	02:00	2	360	1.6	576
	03:00	2	227	1.6	364
	04:00	4	941	1.6	1505
	05:00	4	747	1.6	1195
A Shift	06:00	0	0	0	0
	07:00	2	378	1.6	604
	08:00	0	0	0	0
	09:00	0	0	0	0
	10:00	1	186	1.6	298
	11:00	1	152	1.6	244
	12:00	0	0	0	0
	13:00	0	0	0	0
	14:00	0	0	0	0
	15:00	0	0	0	0
	16:00	0	0	0	0
	17:00	1	189	1.6	303
B Shift	18:00	1	189	1.6	303
	19:00	3	540	1.6	864
	20:00	2	369	1.6	591
	21:00	1	180	1.6	288
	22:00	0	0	0	0
C Shift	23:00	1	180	1.6	288

In respect to Y-o-Y salary increase, we would like to submit our analysis as follows: -

- *All India AAI Employees salary growth*
- *TRV Airport AAI Employees Salary Growth*
- *Analysis of Select Employee Cost Paid by TKIAL to AAI from COD*
- *Analysis of latest orders issued by the Authority*

- ***All India AAI Employees salary growth***

Avg salary per employee of all India AAI employee is Rs. 25 lakhs in FY22-23 and the CAGR increase in avg cost per employee from FY13 to FY23 is 8.8%. After excluding the effect of 2 years' COVID period, the CAGR increase from FY13 to FY23 comes to 11.1%.

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	CAGR FY13 to FY23	CAGR FY13 to FY23 Excluding impact of COVID
No. of Employees	18,573	18,036	17,465	17,370	17,484	17,536	17,487	17,364	16,779	16,188	16,061		
Cost (Rs Crs)													
Pay & Allowances	1,192	1,696	1,777	1,936	2,011	2,131	2,249	2,731	2,312	2,370	2,779	8.8%	11.2%
Other Staff Cost	469	581	894	625	631	1,375	1,732	1,462	1,003	1,141	1,133	9.2%	11.7%
PF & Other Funds	338	134	143	152	162	185	1,228	329	257	375	381	1.2%	1.5%
Less Recovery of operational funds	-	(14)	(12)	(14)	(16)	(46)	(51)	(41)	(66)	(183)	(288)		
Total Cost (Rs Crs)	2,000	2,397	2,802	2,699	2,788	3,645	5,158	4,481	3,505	3,702	4,006	7.2%	9.1%
Year on Year Growth in cost		20%	17%	-4%	3%	31%	42%	-13%	-22%	6%	8%		
Avg Cost per employee (Rs Crs)	0.11	0.13	0.16	0.16	0.16	0.21	0.29	0.26	0.21	0.23	0.25	8.8%	11.1%
Year on Year Growth in avg cost cost		23%	21%	-3%	3%	30%	42%	-13%	-19%	9%	9%		

Source :- AAI Annual Reports

- ***TRV Airport AAI Employees Salary Growth***

Avg salary per AAI employee at Thiruvananthapuram Airport is Rs. 15 lakhs in FY21-22 and the CAGR increase in avg cost per employee is approx 8.6% in last 5 years from FY17 to FY22. After excluding the effect of 2 years' COVID period, the CAGR increase from FY17 to FY23 comes to 14.8%

Particular		FY17	FY18	FY19	FY20	FY21	FY22 (up to COD)
Employee Cost (Table 21 of the O&M Study)	Rs. Cr	48.71	60.58	74.97	78.42	58.01	33.30
No. of Aero Employees (Table 8 of the O&M Study)	No. of Employees	498	484	482	470	451	419
Avg Cost per employee	Rs. crores Employee p.a.	0.10	0.13	0.16	0.17	0.13	0.15
Year-on-Year Growth in Avg Cost	%		28%	24%	7%	-23%	15%
CAGR Employee Salary Cost Increase (FY17 to COD)	%						8.6%
CAGR Employee Salary Cost Increase (FY17 to COD) After excluding 2 years COVID period	%						14.8%

**Salary for FY22 is provided for 6.5 months in the CP as the Airport was transferred to TKIAL on COD. Hence for comparative purposes the cost is annualized.*

Kindly refer Para 3.4.4.2 of the Study of Efficient Operation and Maintenance Expenses for TRV, Thiruvananthapuram provided as Annexure to the CP whereby the Authority has themselves acknowledged the growth in cost in the previous years.

Key findings are detailed below:

In the First Control Period (FCP), payroll expenses showed significant growth with a CAGR of 9.44%, outpacing both passenger traffic and ATM.

In SCP, payroll expenses continued to rise at a higher rate with a CAGR of 17.20%, surpassing the growth rates of both passenger traffic and ATM.

- ***Analysis of Select Employee Cost paid by TKIAL to AAI***

The Avg cost per employee in FY23-24 (up to Feb'24) has increased by 19% CAGR over FY21-22 from Rs. 17.7 Lakhs p.a. in FY21-22 to Rs 25.09 lakhs p.a in FY 23-24 (up to Feb'24)

Month	Invoice (Rs Crs)	Employee Count	Avg Annual Cost per employee (Rs Lacs)
Oct'21	2.27		
Nov'21	4.24	293	17.35
Dec'21	4.23	293	17.32
Jan'22	4.41	292	18.13
Feb'22	4.22	292	17.33

Month	Invoice (Rs Crs)	Employee Count	Avg Annual Cost per employee (Rs Lacs)
Mar'22	4.36	292	17.93
Total FY 21-22	**23.72**	**292**	**17.70**
Apr'22	5.62	291	23.19
May'22	5.33	289	22.12
Jun'22	5.28	285	22.25
Jul'22	5.62	285	23.64
Aug'22	5.24	276	22.76
Sep'22	5.15	276	22.38
Oct'22	5.48	275	23.90
Nov'22	5.24	275	22.85
Dec'22	5.40	275	23.55
Jan'23	5.72	275	24.96
Feb'23	5.52	274	24.20
Mar'23	5.32	271	23.56
Total FY 22-23	**64.91**	**279**	**23.27**
Apr'23	5.80	270	25.77
May'23	5.35	264	24.33
Jun'23	5.23	262	23.93
Jul'23	5.50	260	25.39
Aug'23	5.10	257	23.80
Sep'23	5.14	257	24.01
Oct'23	5.68	256	26.62
Nov'23	5.45	256	25.54
Dec'23	5.39	255	25.38
Jan'24	5.60	255	26.33
Feb'24	5.29	255	24.89
Total FY 23-24	**59.52**	**259**	**25.09**

It is evident from the above analysis that the avg annual cost per AAI employees has been increasing at a rate of 19%.

- ***Analysis of recent orders for ISPs.***

  It is important to note that AERA has allowed a 16% increase in payroll expenses in the recently approved order for ISP Order No. 37/2022-23 dated 06th January 2023. The relevant extract from the said order is as follows: -

  5.5.2 The Authority notes from the submission of DCSC that during pandemic period, payroll expenses were low and many welfares activities / trainings etc. were deferred. Now with the improvement in the

situation from the pandemic, expenses in post Covid period, including FY 2022-23, are expected to reach back to their normal levels. The ISP further submitted that Y-0-Y increase in payroll expenses have been projected after considering the factors like periodic increase in minimum wages notified by the Govt. Authorities from time to time, corresponding increase in other statutory components like EPF, ESI etc. The Authority, also noted at consultation stage that Cargo Handling is a specialized job and requires skilled & trained manpower at the Cargo Terminals. Further, during Covid, there is a shortage of required skill set. ISP further submitted that in order to address the issue of manpower attrition, the annual escalations in payroll expenses are projected in a very holistic manner and paid as per the industry practice.

A similar kind of statement has been made by the Authority in Order No. 32/2022-23 dated 29th December 2022 whereby the increase in cost is allowed by 10% year on year.

5.9.2 The Authority notes from the submission of CDCTM that during pandemic period, payroll expenses were low and many welfares activities I trainings etc. were deferred. Now with the improvement in pandemic situation, expenses in post Covid period, including FY 2022-2 3, are expected to reach back to their normal levels. The ISP further submitted that Y-0-Y increase in payroll expenses have been projected after considering the factors like periodic increase in minimum wages notified by the Govt. Authorities from time to time, corresponding increase in other statutory components like EPF, ESI etc. The Authority, also noted at consultation stage that as per the CDCTM, Cargo Handling is a specialized job and skilled & trained manpower is deployed at the Cargo Terminals. As per the ISP, post Covid, there is a shortage of required skill set. ISP further submitted that in order to address the issue of manpower attrition, the annual escalations in payroll expenses are projected and paid as per the industry practice.

TKIAL is a new AO who needs to build its manpower to run the Airport operations. TKIAL needs to hire all people from outside who come at 25%-30% higher salaries. According to a recent Michael Page report titled "Talent Trends 2021," better remuneration is the top reason for changing jobs. The report highlights that job seekers on an average expect around 20% salary hike at middle levels and 19% increase at director, Vice President and CXO levels from their current or last salary drawn. Even non-managerial level employees' expectations are an average of 20%."

Further, EY's report on "Future of Pay" issued recently in March 2024 (refer Annexure 3 for full report) mentions the following:

*"**India Inc. is set for an average salary increase of 9.6% in 2024, similar to the actual increase in 2023.** Overall attrition dropped to 18.3% in 2023 (from 21.2% in 2022) and is set to gradually decline over the next few years as companies prioritize cost management and employee wellbeing, stabilizing the workforce amidst high talent demand.*

In light of India's position as a global hub for technology and outsourcing services, the EY report highlights that e-commerce is expected to have the highest salary growth in 2024, at 10.9%, followed by financial services with a projected growth of 10.1%. Professional services' salary is projected to grow by 10% in 2024, suggesting a rebound as companies invest in strategy alignment to navigate global business complexities. The impact of real estate and infrastructure emerging as a growth sector is also visible, as increments continue to be stable at 10%."

TKIAL would like to highlight the fact that Airport Operators face difficulties while hiring a new workforce. This is because the suitable personnel available for the aviation sector is very limited. While it is comparatively easier to get workforce for accounts, finance, administration etc., it is very difficult to get skilled workforce for airside and terminal operations, engineering and maintenance and safety. To obtain and retain competent employees, it is imperative to compensate them well. The AERA has also supported the same point while providing a 15% increase in payroll cost of ISPs in latest orders as already discussed in 6.2.4.4 above.

Based on the above analysis, we had requested for annual 10% increase in avg cost per employee. However, AERA has considered an increase of 6% only.

We request the Authority to provide at least 10% YoY increase in avg cost of salaries for all employees i.e. AAI and TKIAL Manpower. Also, we request AERA to consider the manpower numbers for Security, Airside Management and ILBS Screeners as submitted by TKIAL.

10.3.4 TKIAL's comment regarding year-on-year growth rate for expenses are as follows:

TKIAL, in its MYTP submission, had claimed that the Corporate Allocation expenses and IT expenses increase with the increase in line with increase in employee expenses as these costs are driven primarily based on employee headcount numbers. Accordingly, TKIAL had proposed that Corporate Allocation expenses and IT expenses increase with the same proportion as the increase in TKIAL employee headcount.

Further, as the Corporate Allocation expenses mainly consists of salary cost and accordingly, the increase in corporate allocation expenses should be two-factored:

One, for increase in the Y-o-Y increase in salary cost

Two, for increase in headcount at the corporate level

In this case, the Authority has missed out applying the ratio for increase in employee headcount at the corporate level (which can be considered in line with increase in TKIAL employee headcount).

Kindly refer below to the analysis done to present the TKIAL corporate cost allocation with difference percentage increases. It is evident that the cost increase applied by TKIAL is based on realistic assumptions whereas the cost increase of 6% adopted by the Authority is irrational.

TRV Corporate Cost Allocation based on DIAL growth factors

	AERA Order FCP			AERA Order SCP				AERA Order Projections					
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	
Private Airport Operator													10 year CAGR
DIAL Corporate Cost Allocation (Rs Crs)	27	35	54	54	76	85	91	96	117	141	171	207	19.4%
Increase in initial years		31%	55%	0%	40%	12%	9%	5%	22%	20%	21%	21%	

TRV extrapolopated Corporate Cost Allocation in difference scenarios

	FY22	FY23	FY24	FY25	FY26	FY27	Total
TRV MYTP filed numbers based on employee growth rate	7	15	30	35	40	42	169
If DIAL growth in initial years are extrapolated	15	20	30	30	43	48	186
If 20% CAGR (DIAL 10 year CAGR is applied on TRV)	15	18	22	26	31	37	149

FY22-23 being first full year of operations. Its numbers are used to extrapolate future year projections based on DIAL growth trajectory.

TKIAL, in its MYTP submission, had considered employee headcount increase ratio as growth ratio for IT expenses as majority of the IT expenses were linked to the number of employees (e.g. IT system licenses, IT end-user services etc.). Also, in view of various recent initiatives of MOCA for digitalization including the esteemed project on DigiYatra which aims to provide a seam-less, contact-less and hassle-free paperless journey, the IT Operations cost tends to increase by a great proportion.

In this case also, the Authority has missed out applying appropriate expense growth ratio for increase in IT expenses.

Similarly, TKIAL had claimed that the Security Expenses and Other Operating Expenses increase with the increase in line with increase in passengers at the airport as these costs are driven primarily based on amenities required for passengers. Accordingly, TKIAL had proposed that Security Expenses and Other Operating Expenses increase with the same proportion as increase in TKIAL employee headcount.

Kindy refer the various references from Study of Efficient Operation and Maintenance Expenses for TRV, Thiruvananthapuram provided as Annexure to the CP whereby the Authority has themselves acknowledged the growth in cost is always higher than growth in passenger traffic.

3.4.8.2 It can be observed from Table 23 and Figure 4 that the CAGR of A&G expenses grew at a rate higher than the respective growth in Traffic of passenger and ATM, for both the First and Second Control Periods. Further, it is observed that the CAGR of SCP (35.17%) is higher than the CAGR of FCP (18.92%).

It can be observed from Table 31 and Figure 6, the CAGR of Utility and Outsourcing Expenses grew at a rate higher than the respective growth in Traffic of Passenger for both the First and Second Control Periods. However, it is observed that the CAGR of SCP (11.62%) is lower than the CAGR of FCP (12.64%) indicating a reduced growth rate in the expenses.

Further, in view of recent initiatives of MOCA/BCAS on increase in security screening infrastructure along with TKIAL's plan to increase quality of housekeeping of available infrastructure, the operational cost of security expenses and other operating expenses (housekeeping) increases. Further, as the security and housekeeping related services are manpower intensive services, the same increases in line with increase in salary and wages cost.

In view of the above, we request AERA to consider reasonable expense growth ratios, based on relevant cost driver of such expenses (ie. Applying Employee Headcount Growth similar to TKIAL and Salary growth of at least of 10% per annum for Corporate Allocation Expenses, Growth factor equivalent to Employee Headcount Growth for IT expenses, Growth factor equivalent to Passenger Growth for Security Expenses and Other Operating Expenses) subject to true-up on actual basis, instead of applying only terminal area or inflation increase.

10.3.5 TKIAL's comment regarding One time escalation claimed by TKIAL is as follows:

It is to be noted that it is a practice whereby AERA has allowed increase in utilities and other operating expenses (housekeeping) in proportion to increase in terminal area for the Airports which enjoys economies of scale and are future technology ready. For your kind reference the details are tabled below:

Airport	Control Period	AERA Order No.	Reference
Hyderabad	Third Control Period	12/2021-22 dated 31st August 2021	Utilities and Housekeeping expenses increased in proportion to the increase in Terminal Area. Terminal area is increasing from 117,000 sq. mt. to 365,809 sq. mt, i.e. 213%. Extract from the order: *Utility Costs* *7.2.27 The Authority had reviewed the submissions made by HIAL with regard to the utility expenses and is of the opinion that there is a merit in the argument that expansion at the airport shall res ult in increase in utility related expenses. The Authority*

Airport	Control Period	AERA Order No.	Reference
			proposed to consider the utility cost projected with FY2020 as the base year. *7.2.40 The Authority proposed to consider the aforementioned revision in the projection methodology for housekeeping expenses for projections of aero housekeeping cost with FY2020 as the base year.* *Further, the Authority approved expansion of the terminal as a driver for the housekeeping cost and therefore accepts HIAL's consideration that increase in housekeeping cost due to expansion has to be factored for the operational months for expanded terminal.* *7.4.11 HIAL commented that it agrees to Authority's approach for increasing the housekeeping cost in proportion to the increase in terminal area in line with expansion, 80% of the housekeeping is fixed in nature and maintenance and upkeep of the infrastructure has to be ensured irrespective of the traffic levels. Hyderabad Airport has an integrated terminal and doesn't have flexibility to shut down a section of the terminal.*
Chennai	Third Control Period	38/2020-21 dated 04th February 2022	Utilities expenses increased in proportion to the increase in Terminal Area. Terminal area is increasing by 33%. Extract from the order: *9.2.8. The Authority had noted that there would be a 33% net increase in terminal building area in FY 2022-23 after capitalization of modernization of Chennai International Airport, Phase II (NITB Part - I). Along these lines the Authority had proposed a 33% net increase power charges in FY2022-23* *9.5.6 It may be noted that the Authority has decided on a 33% increase in power charges after considering the recommended operational efficiencies at the airport.*
Trichy	First Control Period	55/2020-21 dated 22nd October 2020	Housekeeping expenses increase in proportion to the increase in Terminal Area. Terminal area is increasing from 14,450 sq. mt. to 73,535 i.e. 410%. Extract from the order *12.2. If AAI has proposed an additional 10% increase in Watch & Ward charges and 460% increase in Upkeep charges in the FY 2022-23, due to operationalization of the New Terminal Building. AAI has clarified that there will be a composite maintenance contract for the entire NTB based on unit area. The Authority finds the same to be reasonable, considering the size of the New Terminal Building*

In view of the above, we request AERA to proportionately increase the utility expenses, IT expenses, Security expenses and other operating charges (housekeeping charges) in line with proportionate increase in terminal area ~ 6.24%.

10.3.6 TKIAL's comment regarding Amortization of runway recarpeting expenses are as follows:

1. *While it is noted that the Authority has duly considered a return equal to FRoR on the unamortized portion of runway recarpeting expenses, the Authority has missed out considering Soft Cost and IDC on the said capex.*
2. *We would like to submit that there is no reason to believe that there will not be any soft cost (in terms of design, technical services, PMC and other components of soft costs as per our submission for soft cost) and interest during construction period. In this case, it is just that the PCN value of the Runway is not increasing and hence the expenditure (which is otherwise of capital nature and would have included soft cost and IDC) is being amortized over a relatively lesser period as defined in AERA Order No. 35/2017-18.*
3. *Hence,* ***we request the Authority to consider Soft Cost and IDC on the capital expenditure of Runway Recarpeting in the calculation.***

10.3.7 TKIAL's comment regarding inclusion of Counter Drone System Expenses is as follows:

In line with below mentioned Para 28.5.2 of the Concession Agreement, we understand that the cost towards any additional security requirement like the one for Counter-Drone Systems will be duly considered the Authority at the time of determination of tariff for next control period.

28.5.2 Additional costs, if any, or reduction thereof arising from Change of Scope, change in Specifications and Standards, security requirements or compliance with new international obligations having the force of Applicable Law may be reviewed by the Regulator, for the purposes of revision of the Aeronautical Charges. Any such review by the Regulator shall include consideration of the revenues for and in respect of Aeronautical Services, in accordance with the Applicable Permits issued for the Project.

Also, a similar comment for considering the same based on actuals at the time of true up was mentioned in the Tariff order No. 40/2023-23 for Ahmedabad Airport.

Hence, we request the Authority to kindly provide a similar clarification for TKIAL in the final tariff order.

10.3.8 TKIAL's comment regarding in house legal team is as follows:

To avoid repetition of comments on in-house legal team, please refer the comments provided in 1.3.1. (Refer para 5.7.20 of this Tariff Order).

Since the major portion of the Corporate Cost Allocation is comprising of Salary and Increase in manpower, we request Authority to provide increase as combination highlighted in point 6.2 and 6.3.2. (Refer para 10.3.3 and 10.3.4 of this Tariff Order).

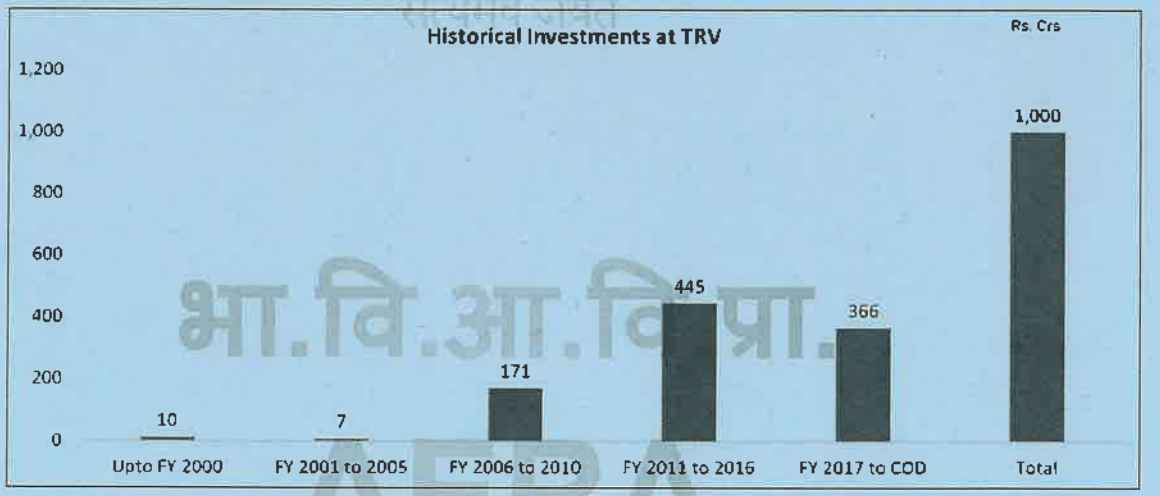
10.3.9 TKIAL's comments regarding consideration of R&M expenses on Actual basis are as follows:

1. *In respect to R&M Expense: - AERA has restricted R&M expenses to 6% of the opening RAB without any basis. R&M expenses depend on various factors like age of the existing assets, frequency of the use of assets (single/double/triple shift), local geographic and weather conditions.*
2. *RAB is a depreciating building block. RAB amount depreciates each year based on depreciation rate applied. In case R&M is computed as percentage of the RAB, it results in reduction of R&M amount. Whereas in actuals, as the asset gets older the R&M expenditure increases to maintain the efficiency of the operations.*

3. *In order to understand the issue highlighted above, about ever-increasing Gap between the projected R&M vs notional R&M based on 6% of Opening RAB, the following example may be referred to: -*

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Opening Net Block	100	95	90	85	80	75	70	65	60	55
Dep Rate	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Dep on Gross Block	5	5	5	5	5	5	5	5	5	5
Closing Net Block	95	90	85	80	75	70	65	60	55	50
6% of R&M Exp on Opening Net RAB (as suggested by AERA) (A)	6.00	5.70	5.40	5.10	4.80	4.50	4.20	3.90	3.60	3.30
Projected R&M Cost based on age of asset (B)	6.00	6.00	7.00	7.00	8.00	8.00	9.00	9.00	10.00	10.00
Difference (A - B)	-	(0.30)	(1.60)	(1.90)	(3.20)	(3.50)	(4.80)	(5.10)	(6.40)	(6.70)

4. *It is evident from the Joint Fixed Reconciliation signed by AAI and TKIAL (refer the graph below) that the last major capital expenditure was incurred by AAI during financial year 15-16. This clearly demonstrates that the Fixed Assets at the Airport are very old, which requires and justifies higher repairs & maintenance costs to achieve efficiency.*



5. *We would like to highlight the operative portion from Tariff orders for other similar Airports.*

Calicut Order No. 39/2021-22 dated 11th February 2022 and Pune Order No. 45/202122 dated 17th March 2022 mentioned that "As most of these assets are newly constructed / installed during the last 5 years and are also covered under warranty clauses. The same may need only minimum repairs and maintenance. Hence, the Authority decides to allow repairs-and maintenance expenses for the Second Control

Period only to the extent of 6% of the RAB (opening net block of the Second Control Period) or the actual expenses whichever is less."

In the case of Calicut/Pune, the Authority recognized that most of the assets are newly constructed and hence the Authority has put a cap of 6% of Opening RAB. While in the case of TKIAL, most of the assets are old or very old, hence TKIAL R&M expenses would anyways be higher than 6% of opening RAB.

6. *In addition, we would like to submit that Repairs and Maintenance expenses for FY2324 are either incurred or committed. These are expenses which need to be incurred for maintaining safe operations at the Airport.*

7. ***We request AERA to consider the R&M expenses on an actual basis at the time of true-up without any notional capping.***

Other Stakeholders comments regarding O&M expenses.

10.3.10 FIA's comment regarding verification of utility bills is as follows:

TKIAL is requested to constitute a committee to verify the bills relating to Power expenses or submit a report on the same to AERA, if the same has already been conducted as part of Stakeholder comments / feedback.

10.3.11 FIA's comment regarding outsourcing of fuel facility is as follows:

FIA requests that AERA should not permit outsourcing of fuel facility on a "Volume linked fee basis" and instead it should be on "lowest cost model" through competitive bidding.

10.3.12 FIA's comment regarding levy of custom charges on custodians is as follows:

It is requested that the Customs Cost Recovery Charges for Customs staff posted at Air Cargo complexes, courier terminals etc. as prescribed by the Central Board of Excise and Customs needs to be levied on custodians, and not on the airlines.

10.3.13 FIA's comments regarding escalation of expenses are as follows:

FIA appreciates the study conducted on Operations and maintenance expenses (O&M expenses) conducted for the Third Control Period, and AERA's revision based on rationalization of each line item on the submitted O&M expenses by TKIAL.

However, FIA respectfully urges AERA to further explore avenues to minimizing escalations across the expense categories. This action would significantly enhance our ability to manage overall costs more effectively.

It is further submitted that the current estimated O&M expenses necessitate additional scrutiny through an Independent Study in this Control Period. This measure is vital to prevent deviations from being carried forward to the Fourth Control Period, doing so would help avoid over recovery of ARR in control period under the guise of True up.

FIA wishes to highlight that the same has been proven in cases of other PPP Airports like DIAL, MIAL, BIAL that while truing up the O&M in subsequent control periods, it always leads to over-estimation which has been observed leading to higher tariff in past control periods.

We further submit that, while the aviation sector, including airlines have incurred huge losses and are struggling to meet their operational costs, the Airport operator on the other hand seems to have

incurred/will incur incremental expenses which may not appear prudent considering the significant losses incurred by the aviation sector.

In view of the aforementioned reasons, we request AERA to conduct an independent study for determining the true value of the O&M expenses before approving the tariff for the third control period.

10.4 TKIAL's responses to Stakeholder's comments regarding Operation & Maintenance Expenses for the Third Control Period

10.4.1 TKIAL's response to FIA's comment regarding verification of utility bills is as follows:

We would like to inform that there is no such requirement mentioned in the CP.

10.4.2 TKIAL's response to FIA's comment regarding outsourcing of fuel facility is as follows:

The Authority has used the methodology which was successfully adopted at other Adani Airports like Ahmedabad and Lucknow. This methodology was verified on merits by the Authority and it is suitably used as benchmark for TKIAL.

10.4.3 TKIAL's response to FIA's comment regarding levy of custom charges on custodians is as follows:

In this particular case, TKIAL is the custodian and also the operator of cargo complex. Recovery charges for customs staff are a statutory cost for TKIAL for running the cargo facility and same is included as part of O&M expenses for tariff determination purposes.

10.4.4 TKIAL's response to FIA's comment regarding escalation of expenses is as follows:

The Authority has already rationalized the O&M expenses to Rs. 1,235 Cr against the expenses of Rs. 1,845 Cr submitted by AO. In respect to O&M, we have provided detailed comments in Chapter 6 of Comments to CP. To avoid repetition, we request that the same may be referred.

Existing assets of airport are very old (last major capex happened in FY 2010-11). In our experience, R&M expenses increase as the assets mature due to the ageing of infrastructure facilities, equipment and general wear and tear.

TKIAL, being a new AO, needs to develop its workforce for the safe and secure functioning of the Airport. Aviation is a highly skilled and specialized sector and therefore there is an additional cost to bring in qualified people.

Further, TIA is expanding Terminal 2 by 19,500 sqm in FY 26. Same will result in a significant increase in terminal capacity. Consequently, manpower, utility expenses and various other expenses for running these same are bound to increase the overall O&M of the airport.

Further private Airport Operator is given various additional responsibilities under the Concession Agreement including the service level obligations and same will result in commensurate increase in expenses.

Also, with respect to FIA's comment on Airlines incurring huge losses and struggling to meet operational cost, we would like to submit the following:

- *As per CP, " The Authority shall consider written evidence-based feedback, comments, and suggestions from all the stakeholders on the proposals made in the Consultation Paper". We observe that FIA has not provided any evidence along with their comments which would enable the Authority to examine whether the major reason for losses by the airlines is related to tariff.*

- *The comments by FIA without any substantiation appear to have been made to create a prejudice against the airport operator. In fact, the proportion of airport charges to the total operational cost of Airlines is insignificant i.e. in range of 6-8% of total of expenses.*
- *We also observe from information available in public domain that Indigo, one of FIA members and the largest airline in terms of volume, had earned cash profit of Rs. 7,312 Cr in FY 22-23 after meeting all operating expenses which has increased substantially to Rs. 13,132 Cr during 9 months period of FY 23-24.*

In view of the above, we feel there is no need to do any study on determining O&M expenses for TCP.

10.5 Authority' s analysis of Stakeholder's comments regarding Operation & Maintenance Expenses for the Third Control Period

10.5.1 The Authority examined the comments of TKIAL on Terminal Building Ratio. Authority's analysis and decision is stated in para 7.9.7.

10.5.2 The Authority examined the comments of TKIAL relating to manpower of Security, Airside Management, Screeners for ILBS and notes that, the Authority has decided the revised Employee Head Count as per Table 182 of this Tariff Order, after undertaking detailed analysis of the relevant assumptions relating to Employee numbers projected by TKIAL during the Third Control Period through the Authority's Consultant and also considering the need to review and rationalize costs of the airport (refer para 10.2.17 of the Tariff Order for department wise rationalization of headcount).

Based on the above, the Authority is of the view that aforementioned departments can be effectively handled with the manpower considered by the Authority by optimizing the function as stated by it at the Consultation stage and finds no reason to deviate from its proposal except for updation based on actual employee head count for FY 2023-24.

The Authority has examined the comments of TKIAL, and the details provided on the increase in manpower expenses and has the following views:

- The Authority had noted that the Manpower expenses of AAI employees was based on the invoices raised by AAI on a monthly basis for the 'Select Employees' deputed at the airport.
- For both Manpower expenses of AAI and of AO, the Authority had only revised the Y-O-Y growth rate in payroll expenses to 6%, instead of 10% proposed by TKIAL from the second tariff year onwards. The Authority is of the view that the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues including profitability, has necessitated rationalization of the operational and maintenance costs of the airport.
- Further, the Authority notes that AAI in the recent past had proposed a growth rate of only 5%-7% in Payroll expenses for similar airports.
- Also, the Authority had considered in the past, a growth rate of approximately 6% consistently across other similar AAI airports and also PPP airports such as BIAL, Mopa Goa, Kannur, Mangalore, Ahmedabad, Lucknow etc. and TRV cannot be treated any differently.

Further, the Authority has only rationalized the growth rate in the payroll expenses Y-o-Y for the Third Control Period and has not rationalized/ reduced the salary of any individual employees.

The Authority also notes the reference to ISPs such as DCSC, CDCTM mentioned by TKIAL, as part of its stakeholders' comments. It is paramount to state that cargo service provider in case of Delhi falls under the competitive environment as there are other service providers providing similar services at the airport. Therefore, by virtue of the competitive nature of the services, the tariff for DCSC was determined based on the "Light Touch' approach, which takes care of the necessary increase in the overall O&M expenses and the implication on the tariff rates. However, this may not directly reflect or have any significant impact on the determination of tariff for TRV, Thiruvananthapuram.

The Authority notes that AAI has been successfully running Thiruvananthapuram International Airport for over 40 years and that TRV being a brownfield airport which is already in operation, it cannot be considered akin to a greenfield airport. The Authority also notes that the roles as mentioned by TKIAL in its comment, i.e., Security, Airside Management and ILBS Screeners existed during the period under AAI operation. Hence the Authority is not convinced that there is a need for additional Manpower primarily on account of the activities mentioned by TKIAL. W.r.t to TKIAL's submission regarding Select Employee cost, the Authority notes the following:

- The total cost for FY 2021-22 as per TKIAL's comments is Rs. 23.72 crores, while that as per the MYTP submission is Rs. 28.08 crores. It is noted that some components have been missed, while arriving at the cost and hence is not comparable.
- As per the Third Control Period Order for Pune Airport, AAI has sought an y-o-y increase of only 5% while TKIAL has requested for an increase of 10% y-o-y
- The Authority, through its Independent Consultant had requested for the salary cost and the employee cost details for March'23 and April'23 vide email dated 17th April 2024. However, the same was not provided by TKIAL.

Based on all the above factors, the Authority decides to consider only 6% growth rate towards Manpower Expenses of both Select Employees of AAI and of the Airport Operator across all five tariff years of the Third Control Period.

10.5.3 The Authority has reviewed the comments submitted by TKIAL with respect to the growth factors to be applied for various expenses.

With respect to the Corporate Allocation expenses, as stated by the Authority at the Consultation stage (refer para 10.2.38 of this Tariff Order), the Authority has considered growth rate of 6% Y-0-Y in line with the increase considered for Manpower expenses of both the AAI employees and AO's employees and is of the view that the same is justified. Also, the Authority notes that the Corporate Allocation for FY 2023-24 as submitted by TKIAL vide email dated 12th April 2024 was Rs. 13.97 crores, which is significantly lower than that submitted for FY 2022-23, i.e. Rs. 16.55 crores. Hence, the Authority sees no reason to deviate from its proposal at the Consultation stage.

With reference to the consideration of passenger growth for Security and Other operating expenses, the Authority, as stated by the Authority at the Consultation stage (refer para 10.2.29 of this Tariff Order), has considered increase in line with the rate of inflation as these costs do not increase in line with the growth in traffic. This is further exemplified by comparing the growth of the actual expenses during the FY 2023-24, i.e. ~4% and ~11% respectively for Security and Other operating expenses, against the actual growth in passenger traffic during the same year of ~27%. Hence, the Authority sees no reason to deviate from its proposal at the Consultation stage.

10.5.4 The Authority observed the comments of TKIAL on one time escalation claimed towards expenses and has the following views:

As stated by the Authority at the Consultation stage (refer para 10.2.14 of this Tariff Order) increase in the expenses such as utility, IT, Security and other operating charges (housekeeping charges) may not be directly proportional to the increase in the Terminal Building area, due to the technological innovation, advancement and economies of scale.

10.5.5 The Authority has reviewed the comments submitted by TKIAL on Runway recarpeting related costs. Runway recarpeting is carried out by AOs during the concession period to bring the runway back to the expected working condition. Soft cost and IDC of the same magnitude/% may not be applicable on a relatively shorter-term project as Runway Recarpeting. Hence the Authority decides not to consider the same for the purpose of estimating this cost. The Authority will evaluate this and assess the actual costs incurred at the time of true up, in the next control period, based on evaluation of efficiency and reasonableness.

10.5.6 The Authority has examined TKIAL's comments on the Counter Drone System and is of the view that BCAS had withdrawn the circular, AVSEC Circular no 02/2020 dated 11th February 2020 on Counter Drone technology/solution, vide its Order No. CAS-6(11)/2018/ Div-I/RPA/ (Part2)/ 180940 dated 23rd February 2022. Therefore, the Authority decides to exclude this expense during the Third Control Period for TRV and consider the same on actual incurrence basis. at the time of true up, subject to reasonableness and efficiency, in case a revised Circular is issued by the BCAS mandating the requirement for the implementation of Counter Drone System.

10.5.7 The Authority reviewed the comments of TKIAL in respect of the allocated cost Rs. 0.18 crores towards In-house legal. The Authority has already allowed the employee expenses towards the in-house legal team of TKIAL and therefore, is of the view that providing additional expenses towards legal department at the Corporate Level would result in duplication/redundancy. Hence, the Authority has decided to exclude the same from the Aeronautical O&M expenses.

10.5.8 The Authority reviewed the comments of TKIAL on Repairs & Maintenance (R&M) and states that while the R&M expenses was less than 6% of opening RAB for the period till 31st March 2022 as per the Independent Study conducted on Efficient O&M expenses of TRV, the Repairs & Maintenance expenses projected by TRV for the Third Control period were found to be high/inefficient and hence the expenses were adjusted downward, and the revised amount was considered for the Third Control Period at Consultation stage.

Further, the Authority would like to point out that it has proposed this consistently in the past for other similar airports, in order to rationalize the inefficiency noted in the incurrence of the Repairs & Maintenance expenses.

The Authority has also considered other pertinent factors such as:

a) The Authority has allowed several capital expenditure projects for TRV for the Third Control Period. As the Airport has a blend of new and old assets. the overall R&M costs may only be to the extent, which the Authority has considered in its analysis of the R&M costs and
b) Rationalization of costs of the Airport to improve efficiency in the operations.

Based on the above, the Authority is of the view that its proposal already stated at the Consultation stage (Para No. 10.2.52) is reasonable and justified and hence, sees no reason to change the same.

10.5.9 The Authority has reviewed FIA's comments on Utility expenses and TKIAL's response to the same.

The Authority examined TKIAL's comment regarding the utility expenses and is of the view that the power recovery of TKIAL is significantly lower than that of comparable airports. Further, the Authority is of the view that with the gradual increase in the non-aeronautical operations, the Airport Operator should increase the power recovery from the Concessionaires. Based on the above-mentioned statements, the Authority decides that in case efforts are not taken by TKIAL to substantially increase the power recovery for the TCP, AERA may consider power recoveries at a notional rate as deemed appropriate while truing up for the Third Control period.

10.5.10 The Authority has noted the comments submitted by FIA with respect to the manner of tendering the Fuel Facility and AO's response on the same. The Authority notes that AO is bound to ensure a fair and transparent mechanism for selection of contractors as part of the requirements of the Concession Agreement. The Authority expects that AO will follow the requirements of Concession Agreement and appropriate Governance measures in selection of all Concessionaires.

10.5.11 With respect to FIA's comment on Cargo Operating Expenses, the Authority notes that TKIAL is the custodian of the cargo complex. Therefore, Customs Cost Recovery Charges for customs staff is a statutory cost for TKIAL for running the cargo facility and hence considered as part of O&M expenses. Further, the Authority would like to reiterate that as mentioned at the Consultation stage (Refer para 10.2.79), the Airport Operator had estimated the salary cost of the Customs officials as per Para 7 of the Circular issued by the Department of Revenue, Ministry of Finance vide Circular No. 02/2021-Customs dated 19th January 2021.

10.5.12 The Authority has reviewed the comment of FIA and the responses of TKIAL on O&M expenses and would like to emphasize that it has examined in detail each component of the O&M expenses submitted by TKIAL with respect to essentiality and reasonableness and has considered only the O&M expenses that are mandated by the terms of the Concession Agreement or that are needed for meeting operational requirements. Based on the above factors, the Authority has rationalized the various components of O&M expenses submitted by TKIAL for the Third Control period.

Further, the Authority, while comparing TKIAL O&M expenses proposed for the Third Control Period vis a vis the expenses incurred by AAI for the Second Control Period, notes that it is much higher despite factoring inflationary increase. Therefore, TKIAL is advised to bring in efficiencies in its O&M expenses so that the end user should not be burdened.

10.5.13 The Authority also notes the comments of FIA on conducting an independent study on O&M expenses and TKIAL response regarding the same. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. If AERA feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of TKIAL.

10.5.14 AERA has considered inflation rate as per Table 169 and has also considered the unaudited O&M expenses for FY 2023-24 as submitted by TKIAL.

10.5.15 Based on the above factors and changes in capital expenditure, the Authority has derived the allocation ratio for O&M expenses as given below:

Table 205: Allocation of O&M expenses for TRV decided by the Authority for the Third Control Period

Expense Category	Allocation as per AO	Allocation as per the Authority	Allocation %
Manpower costs: AAI employees (Upto Deemed Deputation Period)	Aeronautical	EHCR - AAI Employees	98.89%
Manpower costs: AAI employees (Deficit Employee Cost)	Aeronautical	Aeronautical	100.00%
Manpower costs: TKIAL employees	Aeronautical	EHCR - TKIAL Employees	96.55%
Utility Expenses - Electricity Cost	Aeronautical	Aeronautical	100.00%
Utility Expenses - Water & Fuel Cost	Aeronautical	GBR	97.56%
IT expenses	Aeronautical	GBR	97.56%
Rates & taxes	Aeronautical	TBLR	90.00%
Security expenses	Aeronautical	GBR	97.56%
Corporate Allocation	Aeronautical	EHCR - TKIAL Employees	96.55%
Administrative Expenses Collection charges on UDF	Aeronautical	Aeronautical	100.00%
Administrative Expenses - Others	Aeronautical	GBR	97.56%
Insurance	Aeronautical	GBR	97.56%
R&M	Aeronautical	GBR	97.56%
Others	Aeronautical	TBLR	90.00%
Independent Engineer Fees	Aeronautical	Aeronautical	100.00%
Runway recarpeting	Aeronautical	Aeronautical	100.00%
Fuel O&M expenses	Aeronautical	Aeronautical	100.00%
Cargo O&M expenses	Aeronautical	Aeronautical	100.00%

10.5.16 Considering the above changes, the Authority has decided the Aeronautical O&M expenses for the Third Control Period for TRV as follows.

Table 206: Aeronautical operation and maintenance expenses decided by the Authority for the Third Control Period

(Rs. in crores)

Particulars	FY 23*	FY 24*	FY 25	FY 26	FY 27	Total
O&M expenses						
Manpower costs: AAI employees	62.44	61.07	59.31	49.67	52.65	**285.13**
Manpower costs: TKIAL employees	10.00	14.13	27.99	44.66	51.65	**148.43**
Utility Expenses	13.20	15.30	15.67	16.08	17.37	**77.62**
IT expenses	4.39	6.07	6.26	6.49	7.00	**30.20**
Rates & taxes	0.50	0.52	0.54	0.56	0.61	**2.73**
Security expenses	7.84	8.16	8.41	8.72	9.41	**42.53**
Corporate Allocation	15.79	13.49	14.30	15.16	16.06	**74.79**
Administrative Expenses - Collection charges on UDF	0.63	0.77	0.84	0.97	1.05	**4.26**
Administrative Expenses - Others	13.92	27.46	28.31	29.36	30.45	**129.50**
Insurance	1.78	1.98	2.29	3.22	3.48	**12.75**
R&M	24.64	26.85	28.24	38.10	85.76	**203.59**
Other operating expenses**	16.16	17.91	18.54	19.23	20.74	**92.59**
Independent Engineer Fees	3.41	3.53	3.78	3.78	3.78	**18.29**
Runway recarpeting	-	-	16.06	23.90	21.94	**61.90**
Total O&M expenses (A)	**174.69**	**197.23**	**230.54**	**259.91**	**321.95**	**1,184.32**
Fuel Operating expenses						
O&M Expenses	-	-	9.55	13.75	14.75	**38.05**

Particulars	FY 23*	FY 24*	FY 25	FY 26	FY 27	Total
Bowser Rental	-	-	1.49	0.50	-	**1.98**
Total Fuel O&M expenses (B)	-	-	**11.04**	**14.25**	**14.75**	**40.03**
Cargo Operating expenses						
Inhouse salary cost	-	0.16	0.55	1.05	1.14	**2.90**
O&M Cost	0.86	1.55	2.34	7.81	8.80	**21.37**
Customs Cost Recovery	-	-	1.41	2.00	2.12	**5.52**
Total Cargo O&M expenses (C)	**0.86**	**1.71**	**4.31**	**10.86**	**12.06**	**29.79**
Finance Charges (D)	0.05	0.47	1.45	6.42	1.06	**9.44**
Annual Fees for Performance Bank Guarantee (E)	0.40	0.58	0.58	0.58	0.58	**2.72**
Working Capital Interest (F)***	0.67	2.70	3.36	6.43	8.64	**21.81**
Total Aeronautical O&M expenses (A+B+C+D+E+F)	**176.67**	**202.68**	**251.27**	**298.45**	**359.04**	**1,288.12**

** FY 2022-23 and FY 2023-24 are based on actuals reported by TKIAL after applying the prescribed allocation ratio in Table 205.*

*** Other operating expenses include Upkeep and maintenance of Terminal complex, Horticulture expenses, outsourced contractor cost for providing facility management, trolley management, flight data management, daily emergency handling services etc.*

****Working Capital Interest was recomputed as discussed in para 5.7.26.*

10.5.17 As can be seen above, the total O&M expenses decided by the Authority for the Third Control Period is Rs. 1,288.12 crores as compared to Rs. 1,235.14 crores proposed by the Authority at the consultation stage. Following are the key reasons based on the adjustments, revisions and rationalization carried out by the Authority:

A. Consideration of actual expenses for FY 2023-24
B. Impact of change in the Inflation rates considered for the Tariff Order (refer Table 169).

10.6 Authority's decisions regarding Operation & Maintenance Expenses for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following with respect to Operation and Maintenance Expenses for the Third Control Period:

10.6.1 To consider O&M Expenses for the Third Control Period as per Table 206.

10.6.2 To consider the O&M expenses incurred by TKIAL during the Third Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

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11 NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

11.1 TKIAL's submission of Non-aeronautical Revenue for the Third Control Period

11.1.1 TKIAL in its submission dated 21st February 2023 to AERA had stated that it follows a Master Concessionaire model for managing commercial activities at the Airport.

11.1.2 TKIAL had submitted that it outsourced all non-aeronautical businesses as mentioned below to the Master Concessionaire, Adani Airport Holdings Limited, vide Master Services Agreement executed on 25th October 2021 and effective from December 2021. As per the Agreement, the scope of the Master Concessionaire is to develop, operate, maintain, manage the non-aeronautical businesses at TRV, in accordance with best-in-class standards and good industry practices, and at par with facilities at comparable airports as below:

- Duty-free stores
- Food and beverages outlets
- Retail outlets
- Lounges
- Advertising, Sponsorship and promotion opportunities
- Car parks and ground transportation facilities
- Airport hotels and transit hotels
- Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other as may be approved by TKIAL
- Business Center
- City side development
- Flight catering services
- Foreign exchange services
- Freight consolidators/forwarders or agents
- Left luggage, lost and found, excess baggage.
- Messenger services
- Porter service
- Special assistance services
- Vending Machines
- Meet and assist services.
- Provision of land and space for various stakeholders at Airport
- Various other passenger amenities, including but not limited to, banks, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, Spas, and entertainment areas.
- Airport village comprising of various retail, food and beverage, entertainment and amenities options; and
- Any other services as may be mutually agreed by the parties or permitted pursuant to the Applicable Laws.

11.1.3 As per the terms of the Master Services Agreement, the Service provider (Adani Airport Holdings Limited) shall pay to TKIAL an amount which is higher of the following:

i. Minimum Guarantee amount of Rs. 20 crores per annum or

ii. The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.

11.1.4 Further it is stated in the Agreement that the Minimum guaranteed amount of Rs. 20 crores per annum shall remain unchanged for further first five years from the date of signing the Master Services Agreement i.e., from 25th October 2021. Thereafter, it shall be increased at the rate of 50% of the Delta Consumer Price Index (CPI) every year.

11.1.5 Apart from the Revenue from the Master Concessionaire, TKIAL also receives rentals from various government agencies like Customs, Immigration, CISF, Plant or Animal Quarantine, IMD, Coast Guard, Air Force, BCAS, etc. The annual rental amounted to Rs. 0.50 crores in FY 2022-23 and thereafter is escalated Y-o-Y at 5%

11.1.6 Based on the above, the Non-Aeronautical Revenue submitted by TKIAL for TRV was as given in the table below:

Table 207: Non-Aeronautical Revenue submitted by TKIAL for the Third Control Period

(Rs. in crores)

Particulars	FY 23	FY 24	FY 25	FY 26	FY 27	Total
Revenue from Master Service Agreement	20.00	20.00	20.00	20.00	20.00	**100.00**
Other Income (not covered under Master Service Agreement)	0.50	0.53	0.55	0.58	0.61	**2.76**
Total	**20.50**	**20.53**	**20.55**	**20.58**	**20.61**	**102.76**

11.2 Authority's examination regarding Non-aeronautical Revenue for the Third Control Period at Consultation Stage

11.2.1 The Authority had examined the Non-Aeronautical Revenue submitted by TKIAL for the Third Control Period and reviewed the Master Services Agreement entered into by TKIAL with the Master Concessionaire – Adani Airport Holdings Limited with respect to scope of services outsourced to the Master Concessionaire and the revenue sharing arrangement.

11.2.2 The Authority noted that TKIAL undertook a two-stage tendering process through e-tender mode vide Request for Proposal (RFP) dated 17th August 2021.

11.2.3 The Authority, in this regard examined the extract of the relevant clauses of the RFP which read as under:

"***6.2 Qualifying Eligibility Criteria***

Each Bidder shall satisfy the following qualifying Eligibility Criteria:

(a) Technical Eligibility Criteria

The Bidder must have:

(i) (a) experience in operations or management or development of at least 4 (four) out of the following 6 (six) non-aero businesses at airports at the time of submission of the Technical Proposal, i.e. (I) in-flight catering; (II) duty-free retail; (III) retail and services; (IV) food and beverage services; (V) car parking; and (VI) advertisement; or (b) is an operator of an airport where 4 (four) out of the 6 (six) non-aero businesses (as mentioned above) are being undertaken.

(ii) experience of leasing out and/ or development and/ or management of commercial real estate with a built up area of at least 1,00,000 (one lakh) square meters.

(b) Financial Eligibility Criteria

Basis the audited balance sheet and profit and loss account along with schedules ("Audited Financial Statements"), the Bidder should have:

(i) an average annual turnover of at least Rs. 750,00,00,000 (Rupees Seven Hundred and Fifty crores only) in the last 3 (three) financial years; and

(ii) Net Worth as on March 31, 2021 of Rs. 250,00,00,000 (Rupees Two Hundred and Fifty crores only). "Net Worth" shall have the meaning as defined under the Companies Act, 2013."

11.2.4 The Authority on review of the qualifying criteria as specified by TKIAL observed the following:

Technical Eligibility Criteria

- TKIAL has specified Experience of leasing out and/or development and/or management of commercial real estate with a built-up area of at least 1,00,000 (one lakh) square meters.
- AERA observation of restrictive criteria: Specifying 1,00,000 Sqm commercial space is too high with respect to present scope of work.

Financial Eligibility Criteria

i) Turnover

- TKIAL has specified an average annual turnover of at least Rs. 750 crores in the last 3 financial years and net worth as on 31.03.2021 of Rs. 250 crores.
- AERA observation of restrictive criteria: As per general public procurement guidelines in vogue, average financial turnover should be 30% of the estimated cost. So, in place of Rs. 30 crores average annual turnover, TKIAL has specified Rs. 750 crores turnover (which is 25 times).

ii) Net worth

Asking net worth of Rs. 250 crores is very restrictive for a work value of Rs. 100 crores (approx.) as many Airport Operators are specifying only Positive net worth.

- Due to such restrictive criteria, only 2 agencies (out of these 2, one was a related party and other is an Airport Operator) participated in the tender and work was awarded to agency quoting 10% revenue share percentage.
- In fact, now a days, other Airport Operators have dispensed with technical eligibility criteria in Non-Aeronautical activities tenders to attract more and more agencies and to encourage healthy competition.

11.2.5 Pursuant to the above RFP, two prospective bidders had submitted their proposals to TKIAL. Based on technical qualification, financial parameters and evaluation criteria provided under the RFP, Adani Airport Holdings Limited (AAHL) was selected as the Service Provider, TKIAL, then entered into a Master Services Agreement with AAHL. The Authority notes that the revenues projected by TKIAL are based on the said Agreement.

11.2.6 The Authority noted that the total non-aeronautical revenue projected by TKIAL for the Third Control Period was only Rs. 102.76 crores (refer Table 207) which was substantially lower than the actual non-aeronautical

revenue earned by AAI for the Second Control Period (i.e., FY 2016-17 till FY 2020-21) which was Rs. 285.86 crores (refer Table 52) despite the effect of COVID-19 pandemic. The following table and chart show the year wise NAR earned by AAI during the Second Control Period and the projections of TKIAL for the Third Control Period

Table 208: Year-wise NAR earned by AAI and projected by TKIAL

(Rs. in crores)

Financial Year	AAI	TKIAL
2016-17	50.62	
2017-18	54.84	
2018-19	71.71	
2019-20	87.11	
2020-21	21.58	
2022-23		20.50
2023-24		20.53
2024-25		20.55
2025-26		20.58
2026-27		20.61
Total	**285.86**	**102.76**

Figure 3: Year-wise NAR earned by AAI and projected by TKIAL

(Rs. in crores)

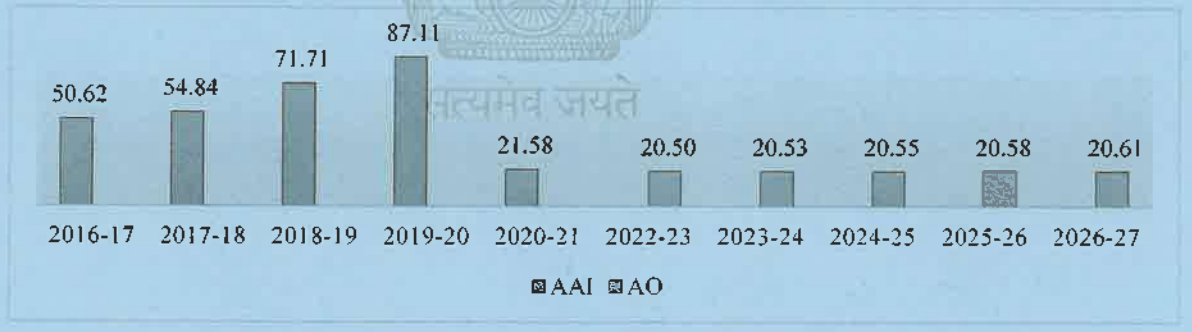
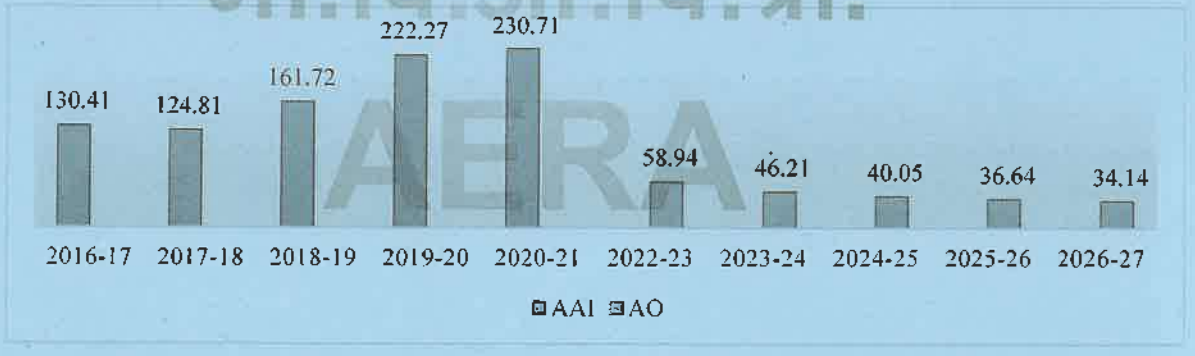


Figure 4: Year-wise NAR per passenger earned by AAI and projected by TKIAL

(Rs. per PAX)



11.2.7 The Authority also observed that the NAR projected by TKIAL for the Third Control Period is significantly lower as compared to that of other PPP airports (DIAL, MIAL, BIAL, GHIAL, CIAL), wherein the NAR

projected by such PPP airports are at least 50% of the total O&M expenses projected by them for the respective Control Period. In the case of TRV, the Authority noted that the NAR projected by TKIAL for the Third Control Period was Rs. 102.76 crores, which is minuscule as compared to the O&M expenses submitted by TKIAL which was Rs. 1,752.35 crores (refer Chapter 10).

11.2.8 The Authority took cognizance of the fact that non-aeronautical revenues projected for the Third Control Period by TKIAL, considers the pandemic and economic conditions on traffic which will reduce the consumer spending at the airport. However, the Authority was not convinced about the revenue projection in the Master Service Agreement, which remains constant for the period while all other costs increase substantially. Further, it was the responsibility of TKIAL to ensure that they achieve NAR higher than what was achieved in the Second Control Period. In this context, there was no obligation on TKIAL to accept the bid of the Master Concessionaire offering such a low revenue share.

11.2.9 The Authority noted that TKIAL has proposed re-alignment and creation of additional spaces in Terminal-II together with carrying out certain expansion activities. However, TKIAL has not proposed any incremental revenues from Non-Aeronautical services that may be earned from increase in space.

11.2.10 When an Airport Operator takes an initiative, such as undergoing an open global competitive bidding process, it is for the betterment of the airport and is in the interest of the Airport users. The Holding Company (Group entity of Adani Enterprises Limited itself) was selected as the Master Concessionaire. However, the selected Group entity did not have direct experience of handling such services and may have to engage other experienced operators for the provision of different services. This does not result in enhancing the material gains to the airport users by higher cross subsidization of NAR. It is pertinent to note that the Airport Operator could have leveraged the technical know-how to bring in efficiencies in generating NAR without the master concessionaire. No advantages have been granted to the Airport users on account of this Master concession agreement.

11.2.11 Moreover, considering the positive outlook provided by the Expert Agencies, the outlook of the GDP growth predicted by the GoI and the encouraging trend in the traffic numbers reported in FY 2022-23 and the first half of FY 2023-24 (April 2023 to September 2023), the Authority was of the view that the Passenger traffic will revert to pre-COVID levels by FY 2023-24. Further, the traffic is expected to progressively increase during the Third Control Period (as discussed in Chapter 6).

11.2.12 With the steady increase in passenger traffic, the Authority foresees an increase in passenger-related non-aeronautical revenue across the Third Control Period. Further, the Authority noted that the projection for NAR was substantially less than the projection for O&M expenses during the same period and therefore expected TKIAL to bring in efficiencies in non-aeronautical operations as followed by other PPP airports wherein the proportion of non-aeronautical revenue projected by the airport operator was equal or comparable to the quantum of O&M expenses. This will impact the interest of the airport users as 30% of the non-aeronautical revenue is used for cross-subsidization. Hence, the Authority urged TKIAL that it should make efforts to generate non-aeronautical revenue higher than that was earned by AAI during the Second Control period.

11.2.13 TKIAL, in its MYTP submission, had estimated Revenues from space rentals from Government agencies to be Rs. 0.50 crores. TKIAL had considered a 5% increase in these rates Y-o-Y. Based on the review of the agreements submitted by TKIAL, the Authority noted that the revenue for FY 2022-23 was Rs. 0.08 crores which the Authority proposed to consider, instead of the estimate submitted in MYTP, together with a 5% increase every year.

11.2.14 The Authority also noted that in TKIAL's subsequent submission on actual NAR for FY 2022-23 of Rs. 22.64 crores, Rs. 0.58 crores related to Notional Income from Security Deposit and proposed to not consider the same while determining NAR for FY 2022-23 as it is an IND AS adjustment. The Authority also noted that Rs. 0.43 crores relate to Aerodrome Entry Permit (AEP) Charges. AEP Charges relate to entry permits for the Airport and its stakeholders. The Authority proposed to consider the same as NAR for FY 2022-23.

11.2.15 On review of the transactions relating to Non-Aeronautical Revenue, the Authority noticed that the NAR submitted by TKIAL included Rs. 1.56 crores related to space rented by agencies providing aeronautical services including airlines as given below.

Table 209: Breakup of revenue from agencies involved in aeronautical activities for FY 2022-23

(Rs. in crores)

Particulars	Amount
Air India Ltd	0.02
Others including Cargo, Ground Handling and Fuel service providers	1.54
Total	**1.56**

11.2.16 The Authority is of the view that space rentals from agencies providing aeronautical services should be treated as Aeronautical revenue. Hence, the Authority proposed to consider revenue from space rentals and common maintenance collected from such agencies, amounting to approximately Rs. 1.56 crores as Aeronautical revenue.

11.2.17 Based on the above discussion the adjustments to the actual Non-Aeronautical Revenue for FY 2022-23 were as given below:

Table 210: Adjustment to Revenue from Non-Aeronautical Services considered by the Authority for FY 2022-23

(Rs. in crores)

Particulars	FY23
Actual Non-Aeronautical Revenue as submitted by TKIAL (A)	22.64
Adjustment:	
Revenue from agencies providing aeronautical services including airlines (B)	1.56
Notional Income on Security Deposit (C)	0.58
Non-Aeronautical Revenue as per the Authority (A – B – C)	**20.50**

11.2.18 Based on the above considerations, the Authority had estimated the total non-aeronautical revenues for the Third Control Period for TRV as follows:

i. The NAR earned by AAI in FY 2019-20, which is a pre-COVID year, is considered as the base for estimating the NAR for TRV for the Third Control Period.

ii. The Authority had considered the actual revenue earned by TKIAL for FY 2022-23.

iii. Further, the Authority notes that the actual NAR for FY 2022-23 includes Space rental from Govt. agencies amounting to approximately Rs. 0.08 crores and proposed to consider the same. The Authority also proposed to consider the revenue from space rental to Govt. agencies from FY 2023-24 based on the terms of the agreement with the respective agencies.

iv. The Authority proposed not to consider Rs. 0.58 crores of Notional Income on Security Deposit as it relates to IND AS adjustment.

v. The Authority proposed to consider the Rs. 0.43 crores of AEP Charges as part of the Non-Aeronautical Revenue.

vi. The Authority also proposed to consider the revenue from space rentals of approximately Rs. 1.56 crores from the agencies providing aeronautical services as Aeronautical revenue and not be considered as part of the NAR for the Third Control period.

vii. The NAR of FY 2019-20 i.e., Rs. 87.11 crores have been assumed for FY 2023-24, as the traffic was expected to reach the pre-COVID level of FY 2019-20 by FY 2023-24 (as explained in Chapter 6).

11.2.19 The Authority proposed to increase NAR Y-o-Y in line with inflationary increase given in Table 168 for the remaining tariff years of the Third Control Period. The Authority also took cognizance of the fact that the refurbishment of existing Terminal-II has been allowed to be undertaken in the Third Control Period and therefore proposed to consider the additional increase of 6.24% as submitted by TKIAL to the NAR in FY 2026-27 (refer para 10.2.14).

11.2.20 The NAR derived by the Authority based on the above factors was presented as follows:

Table 211: Total Non-aeronautical revenues estimated by the Authority for Third Control Period

(Rs. in crores)

Particulars	FY20*	FY23	FY24	FY25	FY26	FY27	Total
Total NAR	87.11	20.50	87.11	90.42	93.86	103.28	**395.18**
% Increase in NAR				*3.80%*	*3.80%*	*10.04%*	

**NAR earned by AAI in FY 2019-20 (Refer Table 52)*

11.2.21 Based on the total NAR derived as per Table 211, the Authority has bifurcated it component wise as under:

i. **Revenue from Master Service Agreement**: This has been derived as the difference between total NAR as per Table 211 and the other income which includes Space rental from Govt. Agencies.

ii. **Non-Aero Rent from Govt. Agencies**: The revenue from space rented to Govt. agencies has been computed as per the terms of the agreement wherein a Y-o-Y increase of 10% was considered on the rate per sqm.

iii. **Other income**: The Authority has considered the actual revenue for FY 2022-23 and thereafter projected by considering an inflationary increase as given in Table 168 for the remaining four (4) tariff years.

Table 212: Non-aeronautical revenues (component-wise) proposed by the Authority for the Third Control Period at the Consultation Stage

(Rs. in crores)

Particulars	FY23*	FY24	FY25	FY26	FY27	Total
1. Revenue from Master Service Agreement (A)	20.00	86.58	89.86	93.27	102.64	**392.35**
2. Other Income (B) (not covered under Master Service Agreement)						
a. Notional Income on Security Deposit	-	-	-	-	-	-
b. Non-Aero Rent from Govt. Agencies (including Common Maintenance Charge)	0.08	0.10	0.11	0.13	0.14	**0.56**
c. Other Incomes (AEP Charges etc.)	0.43	0.43	0.44	0.46	0.51	**2.27**
Total other income	**0.50**	**0.53**	**0.56**	**0.59**	**0.65**	**2.83**
Total NAR for the year (C=A+B)	**20.50**	**87.11**	**90.42**	**93.86**	**103.28**	**395.18**

**As per actuals of FY 2022-23*

11.2.22 The Authority was of the view that TKIAL should make efforts to substantially increase NAR for the Third Control Period in line with the other PPP airports.

11.3 Stakeholder's comments regarding Non-Aeronautical Revenue for the Third Control Period

11.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding Non-Aeronautical Revenue (NAR) for the Third Control Period. The comments of the stakeholders are presented below.

TKIAL's comments regarding Non-Aeronautical Revenue for the Third Control Period

11.3.2 TKIAL comments on Non-Aeronautical Revenue are as follows:

1. *Such a course of action would vitiate the very purpose of the open competitive bidding and undermine the well-established judicial principles in this regard. It is settled in law that the price discovered through open bidding has to be taken at face value and there is no reason to disbelieve such a price. The Authority should not obliviate the entire bidding process on the premise that the price discovered could have been better as the price discovered through the bidding process is highest amongst bidders who submitted their financial proposal. It is well known that even in insolvency / liquidation proceedings, business /assets are sold at lower price than the value / benchmark of the business / assets. Therefore, we request the Authority to relook into their approach to extrapolate the non-aeronautical revenue on a notional basis. The only test which applies is the fairness with which the bidding process was conducted. As long as there is no procedural irregularity, the outcome of the open competitive bidding process cannot be altered to achieve a particular requirement. It is submitted with respect that even the courts of law do not interfere with the outcome of the open competitive bidding process as long as the process is not vitiated by arbitrariness, illegality and unfairness. It is important to note that TKIAL has followed all the rules and regulations mandated to conduct the bidding under the Concession Agreement and under Section 13 (a) (vi) of the AERA Act.*
2. *TKIAL has insulated the consumers from negative market risks through the open competitive bidding process. Further and more importantly, no potential bidder has raised any issue with respect to their interest being jeopardized or having been denied equal participation in the entire bid process. The argument of the Authority that the principles of the Public Procurement Guidelines should be applied to the process of selecting the Master Service Provider for Non-Aeronautical Services is not substantiated to demonstrate as to how the process adopted by TKIAL of procurement of services vitiated the established principles of procurement process generally adopted in the country.*
3. *The bid criteria were designed to achieve the highest standards of service and fiscal responsibility. The requirement for experience with a built-up area is to ensure that the bidder has substantial experience in handling large-scale projects, which is essential for efficient airport operations. The turnover criterion crore was set to ensure that the Master Concessionaire has the financial capability to effectively manage a complex airport operation.*
4. *Secondly, there is no provision in AERA Guidelines 2011 for notional increase in the Non-Aeronautical revenues while determining tariffs. Section 13(1)(a)(v) of AERA Act categorically states the word "revenue", has to be actual revenue and not notional revenue. It is submitted that neither the AERA Act nor Clause 5.6 of the AERA Guidelines envisages the concept of "notional" revenue/cost being ascribed by the Authority.*

5. *TDSAT has ordered in the case of DIAL and HIAL that Market Driven rates and actuals results need to be considered by the Authority. Refer below extract from TDSAT Orders*

HIAL TDSAT Order dated 14th February 2024

380 In the absence of any claims of procedural irregularities, fraudulent conduct, or malicious intent, AERA lacks the jurisdiction to intervene in the capital expenditure decisions made for this significant expansion project. It is beyond AERA's scope to revise or override a legally sound and valid contract between HIAL and the foremost successful bidder. Consequently, this Tribunal does not uphold the arguments presented by the counsels for respondent no.1 and respondent no.2 seeking the disallowance of a portion of the capital expenditure incurred by HIAL for the enhancement project designed to expand the capacity of RGIA, Hyderabad to 34 MPPA.

381 Looking to Section 13(1)(a)(i) of AERA Act, 2008, AERA cannot rely on any notional or estimated price when the actual price is available for the expansion project in question. AERA has relied upon estimated cost for the project in question given by the consultant – RITES - appointed by AERA, ignoring the actual "Market Discovered Price" (MDP) arrived at through competitive bidding process. 382. This is an error committed by AERA and hence, impugned order dated 31.08.2021, of disallowing part of capital expenditure undertaken by this appellant for phase expansion of RGIA, to increase capacity to 34 MPPA is hereby quashed and set aside.

385 Once, this committee is approving the need, nature, and expenditures of construction that perhaps there is little or practically no scope of interference by AERA and that too with the help of some consultant's report under the guise of "efficient cost". If this type of interference by AERA is permitted by this Tribunal, then it tantamount to sitting in appeal against the decision of the committee which is a multimember committee.

DIAL TDSAT Order dated 21st July 2023

Para 165"...The cost which is arrived at for Phase 3A expansion for IGIA, Delhi through global bids invited is giving real and efficient cost. It is a market discovered price through competitive and transparent bidding process. As per Section 13 (1)(a) (i) of the AERA Act, 2008, it was a power coupled with a duty vested in AERA to determine the tariff for the aeronautical services taking into consideration, "the capital expenditure incurred and timely investment in the improvement of airport facilities" which is on "actual basis" meaning thereby, if the actual capital expenditure is incurred by the appellant, the same has to be considered by AERA as per aforesaid provision of AERA Act and it cannot be so easily brushed and set aside by AERA under the guise of "the efficient cost".

In light of above, we request the Authority to accept the Non-Aeronautical Revenues as projected by the AO which is in line with the contract entered based on market discovery rate and also allow for true-up on actual basis without providing any minimum floor.

Other stakeholders' comments regarding Non-Aeronautical Revenue for the Third Control Period

11.3.3 FIA's comment on maximizing Non-Aeronautical Revenue is as follows:

It is observed that the non-aeronautical revenues projected by TKIAL is substantially low / conservative. It is requested that TKIAL explores all avenues to maximize revenue from the utilization of the expansion of terminal building for non-aeronautical purposes. As correctly observed by AERA in para 11.2.12, the non-aeronautical revenue projected by TKIAL for Third Control Period is substantially lower as compared

to other PPP airports. Accordingly, we request AERA to mandate TKIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of non-aeronautical revenue at Thiruvananthapuram airport.

In this regard we also request AERA to kindly undertake detailed examination with the assistance of an independent study to be conducted on the non-aeronautical revenue before the tariff determination of the Third Control Period.

Without prejudice to the above, we submit that increase in non-aeronautical revenue ("NAR") is a function of increase in terminal building area, passenger traffic growth, inflationary increase, and real increase in contract rates. Despite all these factors increasing during the control period, on examination of the nonaeronautical revenue projected for the Third control period by AERA, it was noted that a conservative approach has been taken by AERA.

It may be noted that, in other PPP Airports like DIAL, MIAL, BIAL, while truing up the NAR in subsequent control periods have always been the under-estimation and leads to higher tariff in the control periods. FIA submits that Thiruvananthapuram is widely recognized as one of the most popular tourist destinations globally. With airlines being the preferred mode of travel, the city's air traffic is expected to increase drastically.

Accordingly, we request AERA:

a) *To mandate TKIAL to enter into suitable agreements with concessionaires to exploit the potential/ growth of NAR at TKIAL.*

b) *To kindly undertake detailed examination with the assistance of an independent study on the NAR before the tariff determination of the Third Control Period.*

c) *To further determine and reassess their estimates in line with other comparable airports. It may also include the impact of the tourism lineage that Thiruvananthapuram has to increase their NAR in accordance with the submissions above.*

AERA is requested to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires.

Further in para 11.2.12, AERA has remarked that NAR projected by TKIAL is significantly less than PPP airports - which are generally not less than 50% of the total O&M expenses of the respective airports.

In view of the above, we request AERA to allow higher non-aeronautical revenues being not less than 50% of the projected O&M expenses for TKIAL, as approved by AERA."

11.3.4 FIA's comment regarding increase in Royalty is as follows:

Any attempt to award the contracts by the airport operator on a highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is general perception service providers has no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed

on to the airlines by the airport operator or other services providers. The rates of royalty at the airport are as high as up to 45% for some services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aero Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aero Revenues' hits the airlines directly without any benefit.

In view of the above, we humbly urge AERA to abolish such royalty which may be increased in any of the cost items.

11.3.5 IATA's comments on Non-Aeronautical Revenue are as follows:

- *The Non-Aeronautical Revenue (NAR) projected by the Airport Operator is 65% lower compared to the NAR generated in the previous control period when the airport was operated by the Airports Authority of India.*
- *As in the case of Ahmedabad & Lucknow airport tariff proposals submitted by Adani Airports earlier, we are once again concerned that the NAR which is meant to cross-subsidize the Aeronautical charges, are under-developed and under-projected in the case of Thiruvananthapuram (TRV) airport as well. AERA has correctly highlighted that the NAR projected is lower than when the airport was under AAI; and that the increase in non-aero activities with the terminal expansion has not been factored in. We appreciate AERA for closely overseeing this aspect.*
- *Additionally, we once again highlight that the Airport operator TKIAL has entered into a Master Services Agreement (MSA) with Adani Airport Holdings (AAHL), which is supposed to pay the TKIAL a minimum guarantee amount of Rs. 20 Cr or 10% of the 'Gross Revenue', whichever is higher. The 'Gross Revenue' referred to in the MSA is in fact the NAR of the airport – and under the hybrid till mechanism, 30% (and not 10%, or even an absolute amount of Rs. 20 Cr) of the NAR is to be used to offset aeronautical costs. While the AO's submission makes a mention of 'Revenue from Master Service Agreement', the component necessary for tariff determination purposes has to be 30% of total NAR; and not 30% of the 10% MSA Revenue Share (30% of 10% of total NAR is in fact only 3% of the total NAR earned). The current arrangement of including a 2 Master Concessionaire between the NAR flowing to the AO, significantly reduces the level of effective NAR for the tariff determination by AERA and cannot be justified.*
- *IATA is concerned with the extremely restrictive criteria for bids for the Master Services Agreement – and agrees with AERA's own highlighting of the restrictive technical eligibility criteria (100,000 sqm of commercial space development/management), as well as the restrictive financial eligibility criteria (annual turnover of Rs 750 crore and net worth of Rs 250 crore needed for a project work value of Rs 100 crore).*
- *IATA urges the Authority to correct the AO's understanding by explicitly stating/confirming in the final Order that:*
  - *30% (in adherence to the hybrid till policy, and not any lower) of the total NAR of the Airport is to be recognized in offsetting aeronautical costs; and*
  - *The level of 'Revenue from Master Service Agreement' earned by the AO is not material to tariff determination. This will help bring back the NAR from its current artificially low levels in the airport's current understanding.*

- *IATA would also expect that any shortfall in the NAR will NOT be trued up in the next control period.*

11.4 TKIAL's responses to Stakeholders' comments regarding Non-Aeronautical Revenue for the Third Control Period

11.4.1 TKIAL's response to FIA's comments on maximizing Non-Aeronautical Revenue is as follows:

In the interests of its users and in its own commercial interests, Airport Operator will always endeavor to increase the non-aeronautical revenues to the maximum possible extent. As suggested by FIA, TKIAL as Airport Operator has already entered into Master Concessionaire Agreement to exploit the potential/ growth of non- aeronautical revenue whereby a minimum amount of Non-Aeronautical revenues is guaranteed to the AO. This has insulated the Airport Operator from any future event which may negatively impact the Non-Aeronautical revenues.

The AO invited bids through a global competitive bidding process for selection of a Master Service Provider for Non-Aeronautical services at TRV Airport. A third-party consultant was appointed to oversee the process adopted by the AO. The entire process was undertaken in a fair and transparent manner. Any further study on this would vitiate the very purpose of the open competitive bidding.

The last 3 years of pandemic clearly point to the fact that airport operators are highly vulnerable to passenger volumes and spending power of the customer as far as non-aeronautical revenues are concerned. In order to mitigate the impact of this volatility, AO has entered into a contract which ensures the minimum annual guaranteed amount is also available to airport operator.

We are in consonance with the view of FIA that the Authority should not make any adjustments on non-aeronautical revenue which are derived from agreements with concessionaires and hence revenues projected based on Master Concession should be adhered. Further any comparison of non-aeronautical revenues with O&M costs is not rational and unwarranted.

Further, refer to our comments in para 11.3.2 of this Tariff Order.

In view of the above, we feel there is no need to do any study on determining NAR for TCP.

11.4.2 TKIAL's response to FIA's comments on royalty is as follows:

In case of TRV, there is no royalty or concession fee which will be recovered in case of cargo and fuel activities as these facilities will be managed and operated by Airport Operator only. As far as royalty of 45% on Ground Handling (GH) activity is concerned, we would like to state that GH is an aeronautical service. Abolition or reduction in royalty will result in an increase in other aeronautical charges like Landing, Parking and UDF as ARR of AO as determined by the Authority is fixed. Further, we would like to state that selection of concessionaire through competitive bidding based on highest revenue share is common industry practice being followed by various airports in India and World.

11.4.3 TKIAL's response to IATA's comment on Non-Aeronautical Revenue are as follows:

In order to avoid repetitions on this matter, please refer to our remarks in para 11.4.1 above as counter on FIA's comments and also refer to comments in para 11.3.2 of this Tariff Order.

11.5 Authority's analysis of Stakeholders' comments regarding Non-Aeronautical Revenue for the Third Control Period

11.5.1 The Authority has examined the comments of TKIAL on Non-aeronautical revenues. The Authority is cognizant about the bidding process undertaken by TKIAL for selecting the Master Service Provider for Non-Aeronautical services at TRV. The Authority is of the view that the criteria used for selection of the Master Concessionaire was restrictive.

The Authority also notes that TKIAL has specified in their technical eligibility criteria that the bidder is an operator of an airport where 4 (four) out of the 6 (six) non-aero businesses (as mentioned above) are being undertaken. In this regard, the Authority observes that as per Govt of India Guidelines for PPP Development, the criteria to ask airport experience even for leasing out the airport has been dispensed with. Therefore, asking airport operator experience for Master Service Agreement is totally restrictive in nature.

The Authority's analysis with respect to the Master Service Agreement is elaborated in paras 11.2.2 and 11.2.10.

11.5.2 The Authority also notes that the revenue projected as per the Agreement, i.e., Rs. 20 crores are even lower than that submitted by AAI for FY 2020-21, i.e., Rs. 24.56 crores which is in spite of the impact of COVID-19 pandemic.

- As stated at the Consultation stage (refer para 11.2.8 of this Tariff Order), the Authority is not convinced about the revenue from the Master Services Agreement remaining constant for the entire Control Period, while all the other costs are increasing substantially across the Third Control Period. In this context, there was no obligation on TKIAL to accept the bid of Master Concessionaire offering such low revenue share.
- Further, the Authority notes that the revenue projected by TKIAL towards NAR for the Third Control Period is much lower as compared to the other PPP airports DIAL, MIAL, BIAL, GHIAL CIAL, wherein the NAR projected by such PPP airports constitute at least 50% of the total O&M expenses projected by them for the respective Control Period. With the steady increase in passenger traffic and increase in Terminal Building space (after expansion of Terminal Building T2), the Authority foresees an increase in passenger related non-aeronautical revenue across the Third Control Period.
- Further, the Authority expects that the Airport Operator should bring in efficiencies in Non-Aeronautical operations as being followed by other Public-Private Partnership (PPP) airports wherein the proportion of non-aeronautical revenue projected by TKIAL is equal or comparable to the quantum of O&M expenses. Further, it is pertinent to note that the total NAR projected by TKIAL for the Third Control Period (Rs. 102.76 crores) is much lower than the actual NAR earned by AAI (Rs. 285.86 crores) during the period from FY 2016-17 till FY 2020-21. It is to be noted that the period in which AAI was operating the Airport included the pandemic impact where the traffic came to a standstill.
- AERA would like to state that under Hybrid Till mechanism, the Airport operators retain 70% of the Non-Aeronautical revenue and only 30% of the non-aeronautical revenue is used for cross subsidization. The Airport Operators have the benefit of quite high Non-Aeronautical revenue (70%) during the normal times. Therefore, the Authority does not agree with AO's contention to consider lower NAR projection for the Third Control Period due to COVID-19 pandemic (which is an exceptional circumstance). If any dispensation has to be given to the airport operators on NAR, then the interests of the airport users will be adversely impacted because they would not be getting the benefit of 30% NAR as cross-subsidization.

- Therefore, it is in the benefit of TKIAL to harness maximum potential of non-aeronautical revenue to increase its own cash flow in NPV terms vis-à-vis to incentivize the aeronautical charges through its 30% share. Based on the above factors and the positive outlook on the growth in the passenger traffic during the Third Control Period and the increase in the Terminal Building space (after expansion of T2), the Authority feels that there is large scope for expanding the NAR. Hence. the Authority feels that there is no reason to deviate from its proposal at the Consultation stage (refer para 11.2.21 of this Tariff Order).

11.5.3 The Authority has carefully studied the comments of FIA and the response of TKIAL on maximizing Non-Aeronautical Revenues (NAR) and has the following views:

- The Authority has increased the NAR submitted by TKIAL for the Third Control Period, after taking into consideration the NAR of AAI, traffic growth, inflation, and the expansion of the Terminal Building area.
- The Authority is also of the view that TKIAL should bring in efficiencies in non-aeronautical operations as being followed by other PPP airports wherein the proportion of non-aeronautical revenue projected by TKIAL is comparable to similar other Airports.
- The Authority also notes the comments of FIA on conducting an independent study on the Non-Aeronautical Revenue. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. If AERA feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of TKIAL.
- The Authority will review the NAR achieved by TKIAL in the Third Control Period at the time of determination of tariff for the next Control Period and if lower than the estimate by the Authority, the Authority shall consider the NAR for the Third Control Period, as projected by it, while determining tariff for the Fourth Control Period, in the interest of the Airport Users.

11.5.4 The Authority has noted the comments of FIA and TKIAL's counter comments on the issue of royalty fees and revenue share payable to Airport Operators by the Service Providers as a pass-through expenditure. The Authority has also noted TKIAL's response in this regard. It may be noted that the Authority has a separate tariff determination process for service providers providing Cargo, Ground Handling and Fuel Supply to aircraft where the royalty charges are addressed alongside a rigorous Stakeholders' consultation process. It may also be noted that the Royalty paid by the ISPs to the Airport Operators are taken into account as Aeronautical revenue by AERA during tariff determination process, thus helping the Airport Users by reduction in ARR.

In the case of Non-Aeronautical Revenues, the revenues are agreed on a commercial arrangement between the Concessionaires and Airport Operator. The Authority considers 30% of the Non-Aeronautical Revenues, after due evaluation of the same for cross subsidization.

11.5.5 The Authority has examined IATA's comments and TKIAL's counter comments on NAR and is also of the view that NAR should not be restricted to the higher of the following two criteria as specified in the Master Service Agreement:

a) Minimum Guarantee amount of Rs. 20 crores per annum or
b) The amount arrived at by multiplying the Revenue Share Percentage (10%) with Gross Revenue in that year.

Further, AERA has made adjustments to the Non-Aeronautical Revenue based on the NAR earned by AAI in FY 2019-20, growth drivers like inflation rate, growth owing to terminal area expansion and traffic growth rate.

Further, as stated in para 11.5.1 of this Tariff Order, the Authority would like to state that it is in the benefit of TKIAL to harness maximum potential of non-aeronautical revenue to increase its own cash flow vis-a-vis to incentivize the aeronautical charges. through its 30% share as 70% of the non-aeronautical revenue remains with AO whereas only 30% of the non-aeronautical revenue is utilized for cross subsidization.

The Authority further clarifies that the NAR will be trued up at the time of tariff determination of next control period only if it is higher than that proposed by the Authority.

11.5.6 Based on the above factors and the revision in inflation as per para 9.5.1, the Authority decides to consider NAR for the Third Control Period as given below.

Table 213: Non-Aeronautical Revenue (component-wise) decided by the Authority for the Third Control Period

(Rs. in crores)

Particulars	FY23	FY24	FY25	FY26	FY27	Total
Total NAR for the year	20.50	87.11	89.81	93.14	102.39	392.96

11.6 Authority's decisions relating to Non-Aeronautical Revenue for the Third Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Non-Aeronautical Revenue for the Third Control Period:

11.6.1 To consider Non-Aeronautical Revenues for the Third Control Period for TRV as per Table 213.

11.6.2 Non-Aeronautical Revenue will be trued up at the time of tariff determination of next control period if it is higher than that proposed by the Authority in Table 213.

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12 TAXATION FOR THE THIRD CONTROL PERIOD

12.1 TKIAL's submission of Taxation for the Third Control Period

12.1.1 TKIAL submitted its computation of tax for the Third Control Period based on the following considerations.

- Income tax had been computed based on the prevailing Income Tax laws and rules, and the tax rate has been considered at 25.17%.
- The aeronautical segment has been considered as a standalone entity.
- 30% of Non-Aeronautical Revenue which was reduced from ARR is added back to arrive at the Aeronautical Revenue
- The Concession Fee is not considered as an expenditure in line with the Supreme Court judgement dated 7th July 2022 in the case of Delhi and Mumbai airports.

12.1.2 The Aeronautical Tax as submitted by TKIAL was as given below

Table 214: Aeronautical Tax submitted by TKIAL for the Third Control Period

(Rs. in crores)

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
Aero Revenues	A	202.11	548.96	976.84	1,131.61	1,270.59	**4,130.11**
Add: 30% Non-Aero Revenues	B	6.15	6.16	6.17	6.17	6.18	**30.83**
Less: Aero O&M Expenses	C	198.33	336.92	383.69	466.93	535.95	**1,921.81**
Less: Depreciation	D	55.75	71.96	135.17	236.23	352.05	**851.16**
Aero PBT	**E=A+B-C-D**	**(45.83)**	**146.24**	**464.15**	**434.63**	**388.77**	**1,387.96**
Tax expenses @25.17%	**F=E*25.17%**	-	**36.81**	**116.83**	**109.40**	**97.85**	**360.88**

12.2 Authority's examination of Taxation for the Third Control Period at Consultation Stage

12.2.1 The Authority noted that TKIAL had considered 30% non-aeronautical revenues in the estimation of Aeronautical Proft Before Tax (PBT), which was then used in the computation of Aeronautical taxes. The fact that a part of non-aeronautical revenues is used for cross-subsidization as per the Hybrid Till mechanism does not change the nature of such revenues to Aeronautical. Further, the cross-subsidization as per the Hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize TKIAL to make effective investments in non-aeronautical income-generating sources.

12.2.2 Therefore, the Authority was of the view that:

- Non-Aeronautical revenues (30%) should not be treated as a subsidy for TKIAL as the airport operator has already earned it from non-aeronautical services but is meant as a cross-subsidy to the airport user.
- The consideration of 30% non-aeronautical revenues as part of revenues from Aeronautical services would result in undeserved enrichment to the airport operator effectively reducing the cross-subsidy benefit to the airport user from the present 30% of the Non-Aeronautical income.

12.2.3 The Authority, thus, proposed to consider only Aeronautical revenues and expenses in the calculation of Aeronautical PBT.

12.2.4 The Authority had also noted that TKIAL has not considered the interest expense on the long-term borrowings while computing the Aeronautical PBT for the Third Control Period. This had resulted in estimating higher Aeronautical Profit and consequently, higher Aeronautical taxes. The Authority proposed to consider interest expense as a deduction in estimating the Aeronautical P&L.

12.2.5 The Authority had recomputed the Aeronautical taxes for TRV based on the changes proposed to the other building blocks and based on the proposal discussed above in para 12.2.2 and para 12.2.3 with regard to Non-Aeronautical Revenue.

12.2.6 The Authority had considered the prior period losses during the post COD period till 31st March 2022 in the computation of taxes of TKIAL for the Third Control Period (refer Table 82).

12.2.7 The Authority noted that as per Clause 28.11.4 of the CA, the Adjusted Deemed Initial RAB will be reduced for over-recoveries of Aeronautical Revenues, or increased for under-recoveries, impacting Aeronautical Charges for the next Control Period. The Authority had considered that the compensation paid to AAI by TKIAL for shortfall, will be claimed as a deduction in the Income Tax computation of TKIAL and the same was considered accordingly in estimating the taxes below.

12.2.8 The following table summarizes the Aeronautical taxes proposed by the Authority for the Third Control Period.

Table 215: Taxation proposed to be considered by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
Aero Revenues*	A	311.44	547.12	632.04	691.77	743.47	**2,925.83**
Aero O&M Expenses (refer Table 203)	B	175.97	196.12	237.01	283.65	342.39	**1,235.14**
Interest Expense	C	52.37	62.81	67.98	91.56	114.61	**389.33**
Depreciation as per IT Act**	D	54.69	56.33	65.37	116.33	158.49	**451.20**
Payment to AAI - PV of Under-recovery as on 31st March 2023 (Table 60)	E	789.29	-	-	-	-	**789.29**
Aero Profit Before Tax	**F=A-(B+C+D+E)**	**-760.88**	**231.86**	**261.68**	**200.23**	**127.98**	**60.88**
Previous loss adjustment	G	-	231.86	261.68	200.23	100.59	
Taxable Profit	**H=F-G**	-	-	-	-	**27.40**	**27.40**
Tax rate (%)	I	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	**J=H*I**	-	-	-	-	**6.90**	**6.90**
Opening Losses	K	-33.48	-794.36	-562.50	-300.82	-100.59	
Current period (loss)/profit	L=F	-760.88	231.86	261.68	200.23	127.98	
Closing Losses	M=K+L	-794.36	-562.50	-300.82	-100.59	-	

**This is subject to revision based on tariff rate card which is to be submitted by TKIAL. For FY 2022-23, actual revenue has been considered.*

***Computed using WDV method considering useful lives as per IT Act.*

12.3 Stakeholders' comments regarding Taxation for the Third Control Period

12.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding Taxation for the Third Control Period. The comments of the stakeholders are presented below.

12.3.2 TKIAL's comment regarding taxation is as follows:

1. *As per AERA guidelines 5.5.1 as provided below, corporate tax paid on **income from assets/ amenities/ facilities/ services** (emphasis) taken into consideration for determination of Aggregate*

Revenue Requirement (ARR) will be considered for calculation of taxation component of ARR. Clause 5.5 of the AERA Guidelines is reproduced below:

5.5.	Taxation (T)
	5.5.1. Taxation represents payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement.
	5.5.2. The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof.
	Explanation: For avoidance of doubt, it is clarified that any interest payments, penalty, fines and other such penal levies associated with corporate tax, shall not be taken into consideration for calculation of Taxation.

"5.5. Taxation (T)
5.5.1. Taxation represents payments by the Airport Operator in respect of corporate tax on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement.
5.5.2. The Authority shall review forecast for corporate tax calculation with a view to ascertain inter alia the appropriateness of the allocation and the calculations thereof.
Explanation: For avoidance of doubt, it is clarified that any interest payments, penalty, fines and other such penal levies associated with corporate tax, shall not be taken into consideration for calculation of Taxation."

2. *Income from Non-Aeronautical services are used in calculating the overall ARR. Therefore, in order to calculate the taxation under the regulatory framework, income from Non-Aeronautical services as proposed by AERA in the CP need to be considered. In case, the Authority does not consider income from Non-Aeronautical services for the purposes of taxation, it will be in contradiction to its guidelines.*

Latest TDSAT judgement for DIAL, MIAL and HIAL dated 21st July 2023, 06th October 2023 and 14th February 2024 respectively

DIAL TDSAT Order Para 140 and 141

"140.AERA's contention that including S- Factor in calculation of Tax will result in an artificial tax benefit and overstate aeronautical tax is also misconceived and misleading. S factor has been considered in aeronautical Profit & Loss to arrive at Aeronautical Profit Before Tax (PBT) and the allocation of actual tax paid by DIAL is in the ratio of Aeronautical and Non-Aeronautical PBT and thus will not result in creation of artificial tax. Further, inclusion of S Factor in Tax and consequent consideration of S Factor as aeronautical revenue will provide true aeronautical profit and accurate base to calculate 'T'.

141.AERA's observation regarding reduction in the level of cross subsidy is also misconceived in as much as the non-aeronautical revenue cross subsidizes aeronautical revenue and the tax is only resultant on the profit earned and thus, the cross subsidy is nothing but a part of recovery of eligible aeronautical revenue only and thus has to be considered while drawing aeronautical Profit & Loss."

MIAL TDSAT Order Para 398

"398. It has been further observed by AERA in the impugned order that as and when MIAL will pay the Income Tax for the 3rd Control Period in the true up process in the next control period, the said amount of tax will be taken into consideration. This observation is also devoid of any merit for the reason that in the formula of target revenue as stated hereinabove, the component of an amount equal to "T" has to be added and the methodology to calculate "T" is an amount equal to corporate taxes on earnings pertaining to aeronautical services (including the amount upon "S" factor), irrespective of the fact that whether actually the taxes are paid or not. The payment of tax to income tax authority and calculation of target revenue are two different things. The formula of a target revenue is an agreed formula as per the agreements between the appellant and the Government of India. Thus, the T factor is equal to an amount of corporate taxes. AERA has presumed that T is equal to amount of corporate taxes paid by the appellant. This definition cannot be amended, nor the formula can be amended by AERA. AERA has presumed that T=corporate taxes paid by appellant. This addition of the words, neither in the definition nor the formula is permissible because it is an agreement between the appellant and the Government of India. We, therefore, quash and set aside observations of AERA, so far as they are related to exclusion of "S" factor as part of aeronautical base, while determining aeronautical taxes (i.e. T). We, hereby hold to include "S"-factor as part of aeronautical revenue base while determining aeronautical taxes (i.e. T)."

HIAL TDSAT Order Para 423 and 424

"423. The aforesaid facts of the matter have not been properly appreciated by AERA, and therefore, the decision of AERA not to consider 30% of Non-Aeronautical Revenue (NAR) as part of Aeronautical Revenue Base for computation of aeronautical taxes is incorrect, improper and unjustified.

424. We, hereby direct AERA to consider (i) the calculation of "T" on 30% of Nonaeronautical Revenue because it partakes the character of Aeronautical Revenue in calculation of ARR as per the aforesaid formula,"

We hereby request the Authority to add 30% of Non-Aeronautical revenues while determining the tax.

Other stakeholders' comments regarding Taxation for the Third Control Period

12.3.3 FIA's comment regarding Tax efficiencies is as follows:

Tax Efficiencies:

Airlines are now paying separately for FIC and ITP, which was earlier part of ATF pricing. FIC and ITP along with GST thereon becomes part of ATF pricing and suffers from Excise Duty and Sales Tax. The additional burden of non-creditable taxes becomes sixty-four (64) % - seventy (70) % on the airlines.

FIA would also like to urge AERA to devise methods or pass an order stating that FIC and ITP should be directly invoiced by fuel farm operator or the services providers to the airlines to avoid circuitous billing and for the sake of 'Ease of doing businesses and 'Transparency'. This will also help in avoiding unnecessary tax on tax to the tune of sixty-four (64) % - seventy (70) % sixty-seven (67) % to Airlines.

12.4 TKIAL's response to Stakeholder's comments regarding Taxation for the Third Control Period.

12.4.1 TKIAL's response to FIA's comments regarding Tax efficiencies is as follows:

We believe the relevant Authority has been mindful of the undue tax burdens on various players in the aviation ecosystem. This is substantiated by the fact that fuel throughput charges were abolished by the Authority / MoCA in Jan 2020 and airport operators were compensated by way of an increase in landing charges and airlines were benefitted by way of lower tax burden. Having said the above, we will welcome any new steps that are taken by MoCA/GoI/ the Authority in this direction.

However, as far as billing of FIC and ITP charges is concerned, OMCs (not airlines) are the users of the open access facility and fuel farm operator is appropriately charging FIC and ITP charges to the users of the facility.

12.5 Authority's analysis of Stakeholders' comments regarding Taxation for the Third Control Period

12.5.1 The Authority has noted the comments of TKIAL on the need to consider 30% Non-Aero revenues as part of the P&L for computing Aeronautical taxes and the reference to the TDSAT Order for DIAL.

The Authority notes that the tariff methodology for DIAL is detailed in the relevant State Support Agreement and the Tariff determination for DIAL is made based on the methodology detailed in such State Support Agreement. The Authority also notes that the Concession Agreement of TKIAL also indicates a 30% Shared Till. AERA had issued Order No. 14/2016-17 dated 23rd January 2017 in order to align with the NCAP 2016 policy. The Authority notes that these guidelines only provide for subsidizing 30% of the Non-Aero Revenues in computing the ARR and does not mandate that tax on the same needs to be paid. This is also not explicitly mandated in NCAP. If there was need to consider Taxation cost on such Non-Aero Revenues, as reimbursement payable to the Airport Operator, in effect, the subsidization would not be 30%, which in the Authority's view is not the intent of NCAP 2016 or AERA Guidelines.

The consideration of 30% Non-Aeronautical Revenue as part of revenue from Aeronautical P&L for computation of tax would result in unfair enrichment to TKIAL effectively reducing the cross-subsidy benefit to the airport user from the present 30% Non-Aeronautical Income.

Based on the above factors, the Authority decides not to consider the 30% NAR as part of Aeronautical P&L, while computing the Corporate Taxes for TKIAL for the Third Control Period.

12.5.2 The Authority has noted the comments of FIA and the response of TKIAL regarding tax efficiencies. The Authority hereby clarifies that the taxes charged on FIC and ITP are beyond AERA's domain, as these are levied by the Ministry of Finance.

12.5.3 Based on the revisions in the O&M expenses, Aeronautical CAPEX and the projected revenue, the Authority has recomputed the Taxation for the Third Control Period as shown below.

Table 216: Taxation decided to be considered by the Authority for the Third Control Period

(Rs. in crores)

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
Aero Revenues (refer Table 221)	A	241.85	303.33	605.96	920.77	1,075.71	**3,147.61**
Aero O&M Expenses (refer Table 206)	B	176.67	202.68	251.27	298.45	359.04	**1,288.12**
Interest Expense	C	52.37	62.36	67.66	91.27	113.71	**387.38**
Depreciation as per IT Act**	D	54.69	53.74	63.47	116.56	157.27	**445.73**
Payment to AAI - PV of Under-recovery as on 31st March 2023 (Table 60)	E	789.29	-	-	-	-	**789.29**

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
Aero Profit Before Tax	**F=A-(B+C+D+E)**	**-831.17**	**-15.46**	**223.57**	**414.49**	**445.68**	**237.10**
Previous loss adjustment	G	-	-	223.57	414.49	245.47	
Taxable Profit	**H=F-G**	-	-	-	-	**200.21**	**200.21**
Tax rate (%)	I	25.17%	25.17%	25.17%	25.17%	25.17%	
Aeronautical Tax	**J=H*I**	-	-	-	-	**50.39**	**50.39**
Opening Losses	K	-36.89	-868.06	-883.52	-659.95	-245.47	
Current period (loss)/profit	L=F	-831.17	-15.46	223.57	414.49	445.68	
Closing Losses	M=K+L	-868.06	-883.52	-659.95	-245.47	-	

***Computed using WDV method considering useful lives as per IT Act.*

12.6 Authority's decisions regarding Taxation for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Taxation for the Third Control Period.

12.6.1 To consider the Taxation for the Third Control Period for TRV as per Table 216.

12.6.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant factors at the time of tariff determination for the Fourth Control Period.

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13 QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

13.1 TKIAL's submissions regarding Quality of Service for the Third Control Period

13.1.1 TKIAL had submitted that it will abide by the ASQ performance indicators mentioned in Annexure 1 of Schedule H of the Concession Agreement.
Clause 23.7.1 of the CA states:

The Concessionaire shall participate in the user survey of ASQ undertaken by Airports Council International ("ACI") or any substitute thereof, conducted every quarter and shall ensure that the Airport achieves and maintains a rating of at least 4.5(four point five) out of 5.0 (five) and / or shall appear within top 20 (twenty) percentile of all airports, in its category in the world in such survey within 5 (five) years from the COD and maintain the same throughout the rest of the Concession Period.

Clause 23.7.2 of the CA states:

"The Concessionaire shall, within 21 (twenty-one) days of the end of each calendar quarter, provide to the Authority a written report on the results of the user survey of ASQ for the immediately preceding quarter, together with its analysis of the results and the action, if any, that it proposes to take for improvement in User satisfaction."

13.1.2 TKIAL had further submitted that adherence and maintenance of these standards will require creation of significant infrastructure, ramp-up of human resource and increase in operations and maintenance costs and that the TKIAL has considered the cost implications, while preparing future projections as part of its MYTP submission

13.2 Authority' s examination regarding Quality of Service for the Third Control Period at Consultation Stage

13.2.1 The Authority notes that:

- As per section 13(1)(d) of the AERA Act, 2008, the Authority shall *"monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf."*
- As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration *"the service provided, its quality and other relevant factors."*

13.2.2 The Authority noted from AAI's website and TKIAL's submission that the ACI ASQ survey results for TRV for the year 2018 to 2022 Q3 have been in the range of 4.70 to 4.91 (overall score), as against the average score of AAI Airports which ranges from 4.60 to 4.73.

Table 217: ASQ ratings for TRV for the years 2018 to 2022

Year	ASQ rating
2018	4.86
2019	4.86
2020	4.91
2021	4.91
2022 – Q1	4.93
2022 – Q2	4.72
2022 – Q3	4.70

13.2.3 The Authority notes that the ASQ rating awarded to TRV is higher than the average rating of the AAI airports for the FYs 2018 to 2022.

13.2.4 The Authority also notes that as per the Concession Agreement, TRV is required to maintain an ASQ rating of at least 4.5 out of 5. The Authority notes that TRV has achieved an ASQ rating of 4.70 to 4.93 during the first 3 quarters of the year 2022, which is higher than the requirement given in the Concession Agreement.

13.2.5 Based on the above factors, the Authority did not propose any adjustment towards tariff determination for the Third Control Period on account of the quality of service maintained by TRV.

13.3 Stakeholders' comments regarding Quality of Service for the Third Control Period

13.3.1 No comments were received from the stakeholders on Quality of Service for the Third Control Period

13.4 Authority's analysis of Stakeholders' comments regarding Quality of Service for the Third Control Period

13.4.1 The Authority has noted that there are no stakeholder's comments regarding Quality of Service proposed for the Third Control Period. The Authority has decided that no adjustment will be made towards tariff determination for the Third Control Period on account of Quality of Service maintained by TKIAL.

13.5 Authority's decisions regarding Quality of Service for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regards to Quality of Service for the Third Control Period:

13.5.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regards to Quality of Service of TRV.

13.5.2 TKIAL should ensure that service quality at TRV conforms to the performance standards as indicated in the Concession Agreement throughout the Third Control Period.

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14 AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

14.1 TKIAL's submission of ARR for the Third Control Period

TKIAL has submitted ARR and Yield per Passenger (YPP) for the Third Control Period as per the regulatory building blocks discussed.

14.1.1 The summary of ARR and YPP has been presented in the table below.

Table 218: ARR submitted by TKIAL for the Third Control Period

(Rs. in crores)

Particulars	FY23	FY24	FY25	FY26	FY27	Total
Average RAB	444.84	565.00	1,145.11	2,035.98	3,136.30	
Fair Rate of Return	14.76%	14.76%	14.76%	14.76%	14.76%	
Return on Average RAB	65.64	83.37	168.97	300.43	462.79	**1,081.21**
O&M expenses including working capital & finance charges	198.33	336.92	383.69	466.93	535.95	**1,921.81**
Depreciation	51.90	73.63	113.28	176.65	244.28	**659.74**
Tax	-	36.81	116.83	109.40	97.85	**360.88**
Less: 30% NAR	-6.15	-6.16	-6.17	-6.17	-6.18	**-30.83**
Add: True-up for SCP for AAI	-	-	-	-	-	-
Add: True-up for SCP for TKIAL	84.57	-	-	-	-	**84.57**
ARR per year	**394.29**	**524.56**	**776.60**	**1,047.23**	**1,334.69**	**4,077.38**
Discount Factor @14.76%	1.00	0.87	0.76	0.66	0.58	
PV of ARR	394.29	457.11	589.72	692.97	769.63	**2,903.73**
Sum of PV of ARR						**2,903.73**
Total passenger traffic (MPPA)	3.46	4.44	5.13	5.62	6.04	**24.68**
Yield per passenger (YPP)	**584.69**	**1,077.06**	**1,445.71**	**1,333.41**	**1,213.94**	

14.2 Authority's examination of ARR for the Third Control Period at Consultation Stage

14.2.1 The observations and proposals of the Authority across the regulatory building blocks impact the computation of ARR and Yield. With respect to each element of the regulatory building blocks considered by TKIAL in the computation of ARR and Yield in the table above, the Authority proposed to consider the regulatory building blocks as discussed in the respective previous chapters.

14.2.2 The Authority noted that TKIAL has on-going capital expenditure projects and other planned works, which has resulted in a higher ARR for the Third Control Period. The traffic estimates for the current control period have also been made on the backdrop of the recovery from the impact caused by COVID-19 pandemic. The existing traffic base may not be sufficient for the complete recovery of ARR in the current Control Period and that this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic. Further, a significant increase in Aeronautical tariff, is also attributable on account of the fact that the new Aeronautical tariff proposed by the Authority may be implemented only by the first quarter of next Financial Year, thereby resulting in lesser tariff years being available for recovery of the ARR.

14.2.3 In this regard, the Authority had drawn reference to the guiding principles issued by the International Civil Aviation Organization ("ICAO") on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users. This policy document categorically specifies that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users. The said policy document also emphasizes balancing the interests of airports

on one hand and aircraft operators, end users on the other, in view of the importance of the air transport system to States. This should be applied particularly during periods of economic difficulty. Therefore, the policy document recommends that States encourage increased cooperation between airports and aircraft operators to ensure that the economic difficulties facing them all are shared in a reasonable manner.
This may also be read in conjunction with the objectives of the National Civil Aviation Policy (NCAP) 2016, which intends to provide affordable and sustainable air travel for passengers/ masses. As per para 12 (c) of the NCAP, *"In case the tariff in one particular year or contractual period turns out to be excessive, the Airport Operator and the Regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future."* The above has also been conveyed by AERA vide its Order No. 14/2016-17 dated 12th January 2017.

14.2.4 Determination of Aeronautical charges and UDF requires a delicate balance between cost recovery and its potential impact on air traffic demand. This balance is crucial for the financial viability of the airport and its ability to sustain operations while also ensuring that the tariffs remain competitive enough to attract and retain airlines and passengers. Therefore, the Authority, based on the Tariff Rate Card to be submitted by TKIAL had stated that it would decide the balance between cost recovery and its potential impact on air traffic demand.

Air Freight Station (AFS)

14.2.5 The Authority notes the Policy Guidelines on 'Air Freight Station' (AFS) issued by MoCA in October 2014. This Policy shall create an off Airport Common User facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load Devices (ULD) and Cargo in bulk/ loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the Country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorizing some of the Inland Container Depots (ICD) to cater to the International Air Cargo operations, the existing facilities in these ICDs could be fully utilized.

14.2.6 The Authority notes that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters.

14.2.7 The Authority directed TKIAL to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card.

14.2.8 The Authority also sought comments from the stakeholders on application of tariff on AFS Cargo, as the Authority felt that the tariff on AFS Cargo should be significantly lesser than the tariff levied on the General Cargo.

14.2.9 After considering the above, the Authority proposed the following ARR and YPP:

Table 219: ARR proposed to be considered by the Authority for the Third Control Period at Consultation Stage

(Rs. in crores)

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
Average RAB (A)	Table 152	458.25	474.07	558.41	1,035.13	1,481.62	
Fair Rate of Return (B)	Table 164	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on Avg. RAB (C=A*B)		55.95	57.88	68.18	126.39	180.91	**489.31**
O&M expenses incl. working capital interest & finance charges (D)	Table 203	175.97	196.12	237.01	283.65	342.39	**1,235.14**
Depreciation (E)	Table 149	30.74	32.50	38.82	58.83	77.13	**238.02**
Tax (F)	Table 215	-	-	-	-	6.90	**6.90**
ARR (G=C+D+E+F)		**262.67**	**286.50**	**344.00**	**468.87**	**607.32**	**1,969.37**
PV of Under-recovery of AAI as on 31st March 2023 (H)*	Table 60	789.29	-	-	-	-	**789.29**
PV of Under-recovery of TKIAL as on 31st March 2023 (I)	Table 84	54.60	-	-	-	-	**54.60**
Total ARR (J=G+H+I)		**1,106.56**	**286.50**	**344.00**	**468.87**	**607.32**	**2,813.26**
NAR (K)	Table 212	20.50	87.11	90.42	93.86	103.28	**395.18**
30% NAR (L=30%*K)		6.15	26.13	27.13	28.16	30.98	**118.55**
Net ARR (M=J-L)		**1,100.41**	**260.37**	**316.88**	**440.72**	**576.33**	**2,694.71**
Discount Factor @12.21% (N)		1.00	0.89	0.79	0.71	0.63	
PV of ARR as on 31st March 2023 (O=M*N)		**1,100.41**	**232.04**	**251.67**	**311.94**	**363.54**	**2,259.59**
Sum of PV of ARR (P)							**2,259.59**
Total passenger traffic (MPPA) (Q)	Table 95						24.70
Yield per passenger (YPP) (Rs.) (R=P/Q)							**914.76**
Total departing passenger traffic (MPPA) (S)	Table 95						12.35
Yield per departing passenger (Rs.) (T=P/S)							**1,829.51**

14.2.10 The Authority noted that, it was necessary to have the individual year wise tariff card laying down the different aeronautical charges and the workings for the aeronautical revenues, to have a constructive stakeholder discussion and hence TKIAL is directed to submit the detailed Annual Tariff proposals in line with the ARR and Yield arrived at by the Authority within 7 days of issue of the Consultation Paper.

14.3 Stakeholder's comments regarding Aggregate Revenue Requirement for the Third Control Period

14.3.1 During the stakeholders' consultation process, the Authority has received comments/views from the stakeholders in response to the proposals of the Authority in the Consultation Paper 25/2023-24 dated 12th February 2024 regarding Aggregate Revenue Requirement (ARR) for the Third Control Period. The comments of the stakeholders are presented below.

TKIAL's comments on Aggregate Revenue Requirement for the Third Control Period

14.3.2 TKIAL's comments on the Authority's proposal relating to carry forward of some portion of ARR are as follows:

We request the Authority to take cognizance of the following facts:

Investment mobilization through Privatization

- *In the last 30 years investments of approx. Rs. 1,000 Crs has been made in the Thiruvananthapuram Airport, the last major expansion being in the year 2012.*
- *Considering the potential demand and operational requirements, AAI planned for the expansion of terminal in FY2017-18 itself which was allowed by the Authority in the tariff order for SCP.*
- *TKIAL has earmarked various investments including but not limited to what was envisaged by AAI, and it is mobilizing investments of approx Rs 4,000 crores during the control period.*

Financial Position of the Airport

- *In respect to the financial position of the Airport, it is to be noted that: -*
- *Thiruvananthapuram Airport has been incurring losses since privatization. TKIAL has incurred losses in FY22 and FY23 totaling ~Rs. 162 Crs. TKIAL is likely to incur losses of Rs. 100 Crs in FY24.*
- *There are certain obligations under the Concession Agreement which are to be met like payment of Adjusted Deemed Initial RAB to AAI, reimbursement of select employee salaries to AAI, monthly concession fees payments to AAI, maintenance of service standards for operation and development. Out of total ARR proposed of NPV Rs. 2,260 Crs, approx. 35% (Rs. 789 Crs) relates to true-up amount for AAI.*
- *The existing debt of the company is based on cash flow assumptions including full recovery of the ARR. In case it does not happen, the credit profile of the company will further erode, and it will have cascading impact leading to higher cost of debt. This will ultimately translate into a higher FRoR.*

Unserved consideration

- *In the proposed CP, substantial amounts relating to justified projects and operational expenditure are already proposed on actual incurrence basis without taking its impact in current ARR. It is expected that YPP in the next control period will be equal or more than the proposed YPP in the CP. Therefore, any shortfall in recovery of ARR is not going to serve any purpose other than causing undue cash flow burden to TKIAL.*

Further the shortfall in recovery amount is to be trued-up along with carrying cost in the next control period which will also be higher burden on the passengers.

Economic and viable operations

As per AERA Act 2008, Clause 13 (a) (iv) Functions of Authority, the Authority need to consider the economic and viable operations of the Airport while determining the tariffs.

Latest TDSAT judgement dated 14th February 2024 for HIAL. Refer Para 489 to 492

489.No such direction has been issued by Central Government under Section 42 of the AERA Act, 2008, in consonance with NCAP, 2016. Moreover, eligible ARR has been determined by AERA itself in

accordance with AERA Guidelines, 2011, and, therefore, it cannot be said to be "excessive". Thus, para 12(c) of NCAP, 2016, does not permit AERA to postpone the partial recovery of Aggregate Revenue Requirement (ARR) for the next Control Period.

490. It is also to be kept in mind that ARR is to be utilised on capital expenditure projects undertaken by the Airport Operator. There is a systematic operation of work and operational expenditures which can be recovered through the levy of regulated charges determined by AERA and, therefore, the recovery of ARR in a given Control Period is necessary for economic and viable operation of major airports.

491. 'Moreover, looking to Section 13(1)(a)(i) of the AERA Act, 2008 mandates AERA to determine tariff for aeronautical services taking into consideration the "Capital Expenditure incurred and timely investment in the improvement of the airport facilities". There is also violation of Tariff Guidelines Clause 6.2 by AERA if postponement of recovery of ARR is allowed because "Y, Yield per Passenger, calculated by AERA must be equal to ARR divided by Volume estimated in the tariff year.

492.Meaning thereby to if the recovery of part of ARR is to be postponed, there will be mismatch of ARR and "Y". We, therefore, quash and set aside the decision of AERA to postpone the part of recovery of ARR in the next Control Period and direct AERA to allow Airport Operator to recover ARR during the Control Period.

In light of the above, we earnestly request the Authority to allow full recovery of ARR. In the case full recovery of ARR is not allowed it will jeopardize the efficient operations of the Airport and adversely impact the ability of AO to mobilize funds to meet required Capital Expenditure. Further non-recovery of full ARR will create litigation issues with concessioning authority i.e. AAI as ARR includes 35% of AAI true up.

14.3.3 TKIAL's comment on Tariff Rate card is as follows:

The tariff card was submitted to the Authority on 19th February 2024 and subsequently published by the Authority vide Public Notice No. 36/2023-24 dated 20th February 2024.
We request the Authority to make suitable adjustments in the ARR after considering the impacts of the requests raised in this document.

In the tariff card we have requested, and we re-iterate that ***"the tariff card has multiple variables like concession agreement obligation to pay true-up to AAI which is almost 35% of total ARR and final ARR amount, mix of tariff structure (Landing Charges vs UDF) and effective date of new rates. We therefore request the Authority to kindly provide TKIAL an opportunity to discuss the ATP, once the final ARR is determined."***

Other Stakeholders' Comments regarding ARR for the Third control Period

14.3.4 FIA's comment regarding increase in Tariff is as follows:

"We appreciate that AERA holds a considered view that stakeholders should not be burdened with significant increase in the Aeronautical tariff arising on account of the Under-recovery in the second first control, or due to deficiency to recover the ARR on account of higher O&M expenses projected for the Second Control Period caused due to under-recovery pertaining to the First Control Period.

It is submitted that, AERA has noted that "AO has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period. Whereas the existing traffic base

is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariff, which in the present times is likely to adversely impact the recovery of air traffic."

Further, AERA has also observed and considered the "guiding principles issued by the International Civil Aviation Organization (ICAO) on charges for Airports and Air Navigation Services (ICAO DoC 9082), which lays down the main purpose of economic oversight which is to achieve a balance between the interest of Airports and the Airport Users."

This policy document categorically specifies "that caution be exercised when attempting to compensate for shortfalls in revenue considering its effects of increased charges on aircraft operators and end users". This should be applied particularly during periods of economic difficulty (i.e., airlines incurring adverse financial impact post Covid-19).

FIA requests AERA that, keeping in view the adverse financial health of the airlines as mentioned in this letter, no tariff shall be increased for this control period."

14.3.5 FIA's comment regarding AFS Cargo Tariff is as follows:

"The tariffs on the AFS cargo should be significantly lesser than the tariff levied on General cargo. FIA submits that:

1. *AFS should have 50% or lesser rates from the Terminal.*
2. *Processing of such Cargo may be considered for direct access to the Aircraft, thereby avoiding the charges levied by Custodian.*
3. *Subsidize and incentivize a certain % of cargo tonnage processed out of AFS for better sustainability to Airlines, this may boost further AFS stations in terms of revenue as well."*

14.3.6 FIA's comment on Tariff rate card are as follows:

FIA submits that, according to the Investment Information and Credit rating Agency of India ('ICRA') the industry is estimated to report a net loss of INR 5,000-6,000 crores in FY24 and FY25. However, it may be noted that, the aviation industry may have reached its stable condition, it is still not recovered from the strong financial headwinds faced due to various factors including but not limited to, hostile financial environment of the economy, instability due to geo-political reasons, fallout of devastating COVD-19 pandemic, significant global supply chain issues, increase in the price of Aviation Turbine Fuel (ATF), limited financial support from the government, limited capacity of customer to pay, and fluctuation in foreign exchange etc.

It may be noted that, despite the gradual improvement in passenger traffic, the elevated ATF prices and depreciation of INR will have a major bearing on airlines. As the airline's cost is rendered due to ATF and other operational costs which are majorly denominated in dollar terms.

In view of the above, it is submitted that this Public Notice No.36/2023-24 dated 20th February 2024 to the CP, proposes a significant increase in the aeronautical tariffs at TKIAL – as mentioned under Annex – A, AERA is kindly requested to take note of our observations mentioned therein. In this regard, we further humbly request AERA to not implement any increase in the aeronautical tariff in the Third Control Period and defer any increase in the same to subsequent control period, if any, given the adverse financial impact on airlines as discussed above. Without prejudice to the above, we request AERA to kindly note our detailed submissions as mentioned under Annex – B hereto and not increase any tariffs.

Annex – A - Observations on proposed Tariff Card (Proposed by TKIAL)

Table: A

Landing Charges: (Refer Public Notice no 36/2023-24– Annexure A) (In Rs.)

Particulars	Unit	Tariff Proposed by Airport Operator			
	MT	FY 2023-24 (Tariff w.e.f. 01.04.2023 to 31.03.2024) Existing Rates	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.03.2025)	(FY 2025-26 Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026-27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)
LANDING CHARGES	**Per Hr/MT**	**LANDING CHARGES**			
DOMESTIC (Per INR/MT)					
	CHARGES HIGHER AS PER THE MATRIX OR THIS		16,000	16,800	17,600
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	6,439	22,860	24,000	25,200
Variance % from existing	Q-400	0%	255%	273%	291%
Variance % from YoY		0%	255%	5%	5%
B737-800 (AUW 79016) (Rs.)	79 MT	24,194	60,198	63,200	66,360
Variance % from existing	B737-800	0%	149%	161%	174%
Variance % from YoY		0%	149%	5%	5%
INTERNATIONAL (Per INR/MT)					
	CHARGES HIGHER AS PER THE MATRIX OR THIS		55,300	58,000	60,900
Eg: Impact on Q400 Landing charges for 80 & PLUS seater (Rs.)	30 MT	10,582	31,290	32,850	34,470
Variance % from existing	Q-400	0%	196%	210%	226%
variance % from YoY		0%	196%	5%	5%
B737-800 (AUW 79016) (Rs.)	79 MT	33,209	82,397	86,505	90,771
Variance % from existing	B737-800	0%	148%	160%	173%
Variance % from YoY		0%	148%	5%	5%

Table: B

Parking Charges: (Refer Public Notice no 36/2023-24– Annexure A) (In Rs.)

Particulars	Unit	Tariff Proposed by Airport Operator			
	MT	FY 2023-24 (Tariff w.e.f. 01.04.2023 to 31.03.2024) Existing rate	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026-27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)
Parking Charge	**INR/Hr/MT**	**PARKING CHARGES – Per Hr. per MT**			
DOMESTIC and INTERNATIONAL (INR Per HOUR /MT) (for 1st 2 chargeable hrs.)					
Eg: Impact on Q400 Parking charges for 80 & PLUS seater (Rs.)	30 MT	95.00	304.50	319.50	336.00
Variance % from existing	Q-400	0%	221%	236%	254%
Variance % from YoY		0%	221%	5%	5%
B737-800 (AUW 79016) (Rs.)	79 MT	407.00	801.85	841.35	884.80
Variance % from existing	B737-800	0%	97%	107%	117%
Variance % from YoY		0%	97%	5%	5%

TABLE C

UDF Charges: (Refer Public Notice no 36/2023-24– Annexure A) (In Rs.)

Particulars	Unit	Tariff Proposed by Airport Operator			
	MT	FY 2023-24 (Tariff w.e.f. 01.04.2023 to 31.03.2024) Existing Rates	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026-27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)
UDF	**Per Embarking**	**UDF**			
DOMESTIC	Per Embarking	**506**	**875**	**919**	**965**
Variance % from existing		0%	73%	82%	91%
Variance from YOY		0%	73%	5%	5%
DOMESTIC	Per Disembarking	**0**	**375**	**394**	**413**
Variance % from existing		#DIV/0!	375%	394%	413%
Variance from YOY		#DIV/0!	375%	5%	5%
International	Per Embarking	**1069**	**1,848**	**1,941**	**2,038**
Variance % from existing		0%	73%	82%	91%
Variance from YOY		0%	73%	5%	5%
International	Per Disembarking	**0**	**792**	**832**	**873**
Variance % from existing		#DIV/0!	792%	832%	873%

Particulars	Unit	Tariff Proposed by Airport Operator			
	MT	FY 2023-24 (Tariff w.e.f. 01.04.2023 to 31.03.2024) Existing Rates	FY 2024-25 (Tariff w.e.f. 01.04.2024 to 31.03.2025)	FY 2025-26 (Tariff w.e.f. 01.04.2025 to 31.03.2026)	FY 2026-27 (Tariff w.e.f. 01.04.2026 to 31.03.2027)
Variance from YOY		#DIV/0!	792%	5%	5%

Refer the above displayed Tables A, B and C, kindly note the following from the above tables:

1. *Tables A: TKIAL has proposed increase in the Landing Charges (Domestic) on Q-400 (80 & above seater) approximately increase between 255 % to 291 % from existing charges; and on B-737-800 approximately increase between 149 % to 174 % from existing charges. Similarly, for Landing Charges (International) on Q-400 (80 & above seater) approximately increase between 196 % to 266 % from existing charges; and on B-737-800 approximately increase between 148 % to 173 % from existing charges.*
2. *Tables B: TKIAL has proposed to increase in the Parking Charges (Domestic & International) on Q-400 (80 & above seater) approximately increase between 221%% to 254% from existing charges; and on B737-800 approximately increase between 97% to 117% from existing charges.*
3. *Table C: TKIAL has proposed an increase in the UDF of between 73% to 91% for Domestic and International Embarking Passengers.*
4. *Table C: TKIAL has proposed UDF for Disembarking passengers for both Domestic and International Passengers.*

It is in the interest of all the stakeholders that the proposed tariffs as noted above may not be implemented as the proposals are excessive. AERA is requested to reconsider the proposed tariff structure in view of the points mentioned above, as also in consideration of points mentioned in Annex - B of this letter.

14.3.7 FIA's comment on Tariff Rate Card are as follows:

"In accordance with the preamble of the National Civil Aviation Policy, which envisages to make air travel affordable and sustainable, AERA is requested to review the suggestions/comments on the regulatory building blocks as mentioned above which is likely to reduce the ARR. This will further ensure the lowering of tariff including UDF, which will be beneficial to passengers and airlines.

It is in the interest of all the stakeholders that the proposed excessive hikes in the tariffs be reduced and also in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of aviation sector.

It is the stated vision of the government to make UDAN ("Ude Desh ka Aam Naagrik") a reality and this can only happen if we have the lowest possible cost structure, such that we can bring more and more people to airports to travel by air. In addition, we request AERA and TKIAL to clarify the following:

1. Ref: Notes to User Development Fee (UDF) Charges:

Collection Charges: *We would like to invite AERA's attention to notes 1 of UDF charges in the Public notice 36/2023-24, wherein the rate of collection of UDF charges has been proposed to be reduced by TKIAL from the current Rs. 5.00 per embarking passenger to Rs. 2.50 per embarking passenger. As airlines have not agreed to this reduction, we request AERA to consider the collection charges to be reverted to Rs. 5.00*

embarking passenger, in line with other Airports. Collection charges also need to be published for arrival Passengers as well.

Further, AERA is kindly requested to consider that in light of the increasing administrative expenses due to inflation and other reasons (example - 5% inflationary / administrative increase each year), the collection charges may kindly be increased to keep pace with the proposed increase in UDF, as airlines only get a fixed rate, which results in disincentivizing the airlines.

a) Ref: Notes to User Development Fee (UDF) Charges:

We further request that in the Collection Charges, the entitlement by airlines for the same may kindly be against TKIAL having received the 'undisputed' invoiced UDF amount within the applicable due date."

i. *Disembarkation: - TKIAL has also proposed UDF charges on disembarkation as well at the Airport. AERA is requested to kindly review this trend as this will be discouraging for passengers to take flights to Thiruvananthapuram because of the increase is total cost to fly to Thiruvananthapuram. Hence, it is submitted that the Authority keeping in view the principles of efficiency and reasonableness should not allow the UDF collection charges on disembarking pax as proposed in the CP.*

ii. *User Development Fees effective from 1st April 2024 to 31st March 2027.*

Query: Will the above UDF effective date shall be considered as Travel date or sale date or both-travel and sale date?"

Comment to No. 1. of Collection Charges: Please note that the same is paid by airport operator to airlines separately after airlines raises an invoice against the same as a standard industry practice. We request the same practice is applied.

iii. *AERA is kindly requested to clarify the applicability of UDF: It may be noted that due to addition of word "Domestic Flight" and "International Flight" in the UDF Rate chart, it seems that AERA has proposed rates for "per embarking passenger on a domestic flight/International flight" and "per disembarking from a domestic flight/international flight". Hence, it appears unclear as to whether it will be charged on per passenger or per flight basis, as UDF is applied on a per passenger basis i.e, for embarking passengers. However, there are corresponding references of domestic and international flights. Further, this clarity is imperative for connecting flights i.e., in cases, where one leg of the flight is domestic, and the other is international or vice versa.*

To illustrate: For a passenger with connecting flight from one domestic station to another domestic station with final destination to international station (i.e., TRV- DEL-DXB), clarity is required whether the UDF will be charged as per domestic flight or international flight.

I. *Will it be considered as a domestic passenger for the route of TRV -DEL- DXB (which means domestic UDF rate applicable on this passenger) or*

II. *Will the passenger be charged international rates of UDF as per the PNR/Ticket, as the final destination is international?*

III. *There is no mention of Collection charges for PSF in the MYTP submitted by the Airport operator. In the event the PSF is subsumed in the UDF, then airlines may kindly be eligible to*

claim collection charges at 2.5% of PSF per passenger, is being done currently. If PSF is not subsumed in the UDF, then current practices may kindly be continued.

IV. *It is requested to define the applicability or exemption of any of the tariff charges pertaining to RCS Flights which have been excluded.*

V. *AERA is kindly requests to add the following exemption to maintain uniformity, as also mentioned under Directorate General Civil Aviation ('DGCA') AIC No.14/2019 dated 16.05.2019, DGCA AIC No.06/2023 dated 29th April 2023 and other tariff orders such as for Ahmedabad Airport Order no.40/22-23 for Third Control Period:*

"(g) Passenger departing due to involuntary re-routing i.e. technical problems or weather conditions."

In view of the above, we request AERA to include the above-mentioned exemption in the final order, as airlines do not collect these charges from passengers, however are being liable to pay the same to airport operator."

2. *CUTE, CUPPS, CUSS:*

"As these are aeronautical revenues, we could neither find a proposal for the same in the MYTP submitted by the TKIAL for the Third Control Period, nor any comment by AERA on regulating these charges in the CP for the Third Control Period. We would like to state that:

i. *The current prices are excessive. Please note that the AAI tariff for the same services at 44 airports is Rs 35.05 per passenger which is much lesser than private entities. AAI chose a service provider based on a public reverse auction mechanism. As such the tariff of USD 0.90 per passenger at TKIAL is too high, it should be same and in-line as at other AAI airports since all services provided in this regard are same.*

Please note that the high fees set a precedent for other private airports hence it is important to bring down the rate to be in line with tariff at AAI airports;

ii. *whatever bouquet of services is agreed between the TKIAL and the service provider, this is enforced upon the airlines.*

iii. *the airlines have no say on the prices (unbundling), even if the airlines do not require all the services; and*

iv. *the rates are in foreign currency at certain airports, making airlines vulnerable due to currency fluctuations. The same may kindly be published and applied in Indian currency only.*

v. *there are differential CUTE charges for international and domestic pax without any substantial rationale, since the ICT/CUTE services used are same for both types of customers. Hence there should be only one uniform CUTE charge for domestic and international both passengers.*

AERA is kindly requested to intervene and kindly regulate the CUTE, CUPPS, CUSS prices per the AERA Act, with transparency to all stakeholders:

3. *Parking Charges effective from 1st April 2024 to 31st March 2027*

i. *"Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations Control Centre. (AOCC)."*

Query: As per standard practice, 15mins time each after touchdown and before takeoff of aircraft is provided as an exemption. We would want to propose the same industry practice to be implemented here."

ii. *"In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in- line with the governing tariff order."*

Query: Please clarify which governing tariff order is being mentioned above. Please provide the corresponding rate card"

iii. *" For calculating chargeable parking time, part of an hour shall be rounded off to the next hour"*

It is submitted that for calculating chargeable parking time, part of an hour shall be rounded off to nearest hour."

4. ***Variable Tariff Plan for Scheduled Passenger Airline***

i. *"New Route: A flight to a new destination that is currently unserved from Thiruvananthapuram by any airline already operating at Thiruvananthapuram. (Destination must be unserved for the previous 36 months)"*

Query: We understand "Unserved" means no scheduled operations. Please confirm.

5. *AERA to review our comment at* para 6.3.2 of this Tariff Order *above.*

6. *FIA observed that, there is no mention of Aviation Security Fee ("ASF") in the Annual Tariff proposal by TKIAL. In this regard, we request AERA to take note of the AIC 09/2021 dated 19th March 2021 and to state the levy, exemption and collection charges on ASF to TKIAL"*

7. *Landing Charges:*

a) *" AERA has proposed to increase the Landing Charges for all flights by 150% approx., from the second control period from the existing charges. We request AERA to kindly consider rationalising the same."*

b) *Note 6 (a) to Landing Charges: We request AERA further clarification on unscheduled flights operated by domestic scheduled operator as the same are currently being charged by PIA. There should be a clarification to this effect since the exemption is provided to domestic scheduled operators and not restricted to only schedule operations by them".*

14.3.8 FIA's comment regarding Shrinkage of control period is as follows:

"FIA submits that the Hon'ble TDSAT Order dated 16 December, 2020 for BIAL stated as follows: '100...However, there is substance in this grievance and AERA will do well to ensure that if delay is caused by the Airport operator, its consequences should not fall upon the users. Tariff orders should be prepared well in time so that the burden of recovery is spread over the entire period for which the order is passed...' In view of the above, AERA is requested to ensure that airlines/passengers are not burdened in view of the apparent shrinkage in the period of recovery of the aeronautical tariff from passengers/airlines, as the AERA Tariff Order for TKIAL - Third Control Period, will now be issued after the commencement of the Control Period i.e., 1 April, 2022.

We submit that cost of operations for the airlines are increasing continuously every year and airlines are incurring losses in the current challenging scenario, even while airport operators have an assured rate of return on their investment. At the same time, it is projected by most agencies that over 1,200 new civil aviation aircraft will be inducted by airlines in India over the next 5 years. While economies of scale are a big factor

for the airlines to keep the cost of operations low, this applies to airport operators as well. With the huge increase in aircraft, there is bound to be huge benefits for the airport operators as well due to economies of scale.

Hence, we request AERA to conduct a study of the passengers and air traffic at selected airports taking data over the past 20 years wherein it may please be made transparent as to what is the cost of one take off separately to the airport operator and an airline, for various class of aircraft, at a periodicity of every 5 years (excluding the pandemic times period).

It is felt that cost of business is simply passed on to the airlines by some airport operators, as it appears that there are multi layered companies undertaking various activities at the same airport, which not only add to the cost of doing business, but also force airlines to pay tax on tax for availing services though multi- layered companies. This study will then make it evident who is actually bearing the cost of doing business at the airport, and whether the same is justified."

14.3.9 DIAL's comment regarding fully recovery of ARR is as follows:

Fully Recovery of ARR: The impact of COVID-19 is fully recovered; the traffic is growing at reasonable pace. Further in light of recent TDSAT order for GHIAL dated 14th Feb'2024, AERA should provide full recovery of ARR.

14.4 TKIAL's and AAI's responses to Stakeholders' comments regarding ARR for the Third Control Period

14.4.1 TKIAL's response to FIA's comments regarding increase in Tariff is as follows:

There is no adjustment of RAB after the COD. Calculations done by the Authority in para 4.14.3 are in order to give effect to provisions of the Concession agreement which mandates the present value of the "Adjusted Deemed Initial RAB" to be paid by AO to AAI. Relevant clause of the Concession agreement is reproduced below:

"The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB."

W.r.t. FIA's comment on para 14.2.2, we request AAI to comment.

14.4.2 AAI's response to FIA's comment regarding increase in Tariff is as follows:

The under recovery had happened due to the reduced traffic on account of unprecedented effect of COVID during FY 2020-21 & 2021-22.

Also, AERA had conducted a detailed analysis on the operating expenses for the period up to COD. It has considered as amount of Rs 682.18 Cr. only as against Rs 767.08 Crs submitted by AAI.

14.4.3 TKIAL's response to FIA's comment regarding AFS Cargo Tariff is as follows:

The rates proposed by FIA are without any scientific study. The Authority has already done a detailed examination of the matter in tariff determination of other ISPs.

14.4.4 TKIAL's response to FIA's comment on Annexture -A of Proposed Tariff Card are as follows:

Since last 10-12 years, no major capital investment has been undertaken at Thiruvananthapuram Airport, the last being the New International Terminal Building T2 in Year 2010-11. In addition, the existing airport infrastructure is not commensurate with the growth achieved in traffic throughput, which can be correlated from the fact that the existing Terminal 1 capacity is approx. 1.3 mppa whereas the Terminal 1 had already handled more than 1.7 Mn Pax during FY19-20 (Pre-COVID). Considering the potential demand and operational requirements, AAI planned for expansion of the Terminal 2 by FY 2020-21 to cater for integrated operations. In view of limited land availability towards T2 side, TKIAL has planned for expansion of terminal capacity by construction of New Terminal 1. In addition to T1, TKIAL has planned investments in the third control period to rectify the deficiencies, meet compliance, essential safety, and security requirements. The investment planned is essential to meet the requirements of the Concession Agreement signed with Airport Authority of India and is necessary to provide safe & secure Airport operations. TKIAL is committed to providing the best-in-class experience for its users.

The tariff card is an outcome of the ARR computed as per the Regulatory Building blocks after rationalization of several capex and opex items by TKIAL as well as the Authority. Further, the increase in tariff also considers the under recovery of charges of the Second Control Period relating to AAI and almost 2 years of the current control period. The cumulative impact of these factors has affected the tariff.

Also, Thiruvananthapuram Airport has been incurring losses since privatization. TKIAL has incurred losses in FY22 and FY23 totaling ~Rs. 162 Crs. TKIAL is likely to incur losses of Rs. 100 Crs in FY24.

Further, there are certain obligations under the Concession Agreement which are to be met like payment of Adjusted Deemed Initial RAB to AAI, reimbursement of select employee salaries to AAI, monthly concession fees payments to AAI, maintenance of service standards for operation and development. Out of total ARR proposed of NPV Rs. 2,260 Crs, approx. 35% (Rs. 789 Crs) relates to true-up amount for AAI.

The existing debt of the company is based on cash flow assumptions including full recovery of the ARR. In case it does not happen, the credit profile of the company will further erode, and it will have cascading impact leading to increase in the cost of debt. This will ultimately translate into a higher FRoR which will not be in the interest of any stakeholder, including airlines.

The percentage increase as calculated by FIA is on account of the facts already brought out in the preceding paras.

14.4.5 TKIAL's response to FIA's comment on Tariff rate card are as follows:

TKIAL appreciates the vision of the Government to introduce UDAN scheme. We will continue to abide by all the orders of the Authority to boost regional connectivity whereby no landing charges are charged to Airlines and no UDF is charged to the departing passenger.

1. Ref: Notes to User Development Fee (UDF) Charges:

Collection charges paid to airlines is pass though expense for airport operator. Reduction in collection charges is in the interest of all airport users.

Further, the collection charges may also be considered for UDF collected on disembarking passengers in line with final tariff order to be issued by the Authority.

As approved by the Authority for other airports, airlines' entitlement to collection charges should only be against full and timely payment of all outstanding dues.

Disembarkation:

Airport charges or revenues are drawn from Aggregate Revenue Requirement (ARR) determined based on various regulatory building blocks.

In the present case, true up value for AAI of approx. Rs. 789 Cr pertains to the pre-COD period which accounts for almost 35% of overall ARR.

TKIAL has proposed levying some portion of UDF on disembarking passengers which will help in reducing the Aeronautical tariff determined towards Landing charges.

This process may also help in recovering ARR for this Control Period and put lesser burden on the Airlines and other Airport Users. Further, Airport facility is used by both embarking and disembarking passengers. However, the facility used by disembarking passengers is comparatively less as compared to those used by embarking passengers. Hence, comparatively a lesser amount of UDF is proposed for disembarking passengers.

Keeping in view the above, in the recent past, the Authority has approved levying UDF on disembarking passengers in case of brownfield airport like Mangaluru and greenfield airport like MOPA.

In case the Authority agrees with the suggestion of FIA for not levying any UDF on disembarking passengers, we would request the Authority to adjust the same by suitably increasing the UDF of Embarking passengers and/or Landing Charges.

UDF effective from 1st April 2024 to 31st March 2027:

Reference is invited to the ATP submitted by AO wherein the UDF effective dates are clearly indicated without any scope of varied interpretation.

Simply put, old UDF charges as per SCP order will continue till the effective date of TCP tariff order. From the effective date of TCP tariff order, UDF charges of respective year will be levied based on travel date.

As per recent orders approved by the Authority, revised UDF charges are applicable on tickets issued on or after the effective date of tariff order. We request similar practice may be followed for TKIAL as well.

Comment to No. 1. of Collection Charges: *Once TKIAL receives the UDF amount within the due date as mentioned in the invoice; and there are no overdue on any account with TKIAL, the collection charges due to the Airlines will be paid as per due dates mentioned on the invoice. However, no collection charge shall be payable by TKIAL to the airline if the airline fails to make UDF invoice payment within the aforesaid applicable time limit/credit period. This is as per the existing provisions made in the Authority's order for other airports.*

AERA is kindly requested to clarify the applicability of UDF:

(I & II) UDF rates mentioned in the ATP are to be considered as "Per Passenger" charge.

Further, with respect to specific clarification on UDF for connecting flight, it is clarified that UDF will be charged based on the final destination where the passenger will disembark. For example, international rates of UDF will be applicable in the case of TRV-DEL-DXB.

(III) When TKIAL took over the operation in Oct-2021, there was only UDF in the tariff card and no PSF (facilitation) was mentioned in the then prevailing rate card. The same tariff card is carried forward by

TKIAL with the necessary approval of the Authority. As the PSF (FC) charges are subsumed in tariff and not collected separately from passengers. Hene, the question of collection charges on the same doesn't arise.

(IV) In order to avoid different interpretation, we request the Authority to add the following in the tariff order: "Flights operating under Regional Connectivity Scheme will be exempted from charges as per Order No. 20/2016-17 dated 31.03.2017 of the Authority from the date the scheme is operationalized by the GOI as amended from time to time."

(V) Reference is invited to the ATP submitted by AO wherein the said point is already mentioned.

2. CUTE, CUPPS, CUSS:

At TKIAL, the CUTE/CUPPS/CUSS (CUTE) charges are levied by third party concessionaire who in turn shares certain portion of these charges with TKIAL. TKIAL is not directly charging the users. The arrangement was existing before COD when AAI was operating the Airport, and it is novated to TKIAL from COD onwards as per terms of the CA.

It is clarified that CUTE revenue has been considered Aeronautical and it has been suitably accounted for while determining the tariff card. Therefore, other aeronautical charges like landing, UDF etc. calculated to provide the recovery of ARR, as provided in the tariff card are arrived after reducing contribution of revenues from CUTE services from eligible ARR.

In simple terms, Present value of eligible ARR = Present value of Aeronautical Revenues other than revenues from CUTE services + Present value of revenues from CUTE services.

Any reduction in revenues from CUTE services will increase landing/parking charges by that amount as the ARR to be recovered is a fixed number.

In view of the above, we feel that there is no need for the Authority to intervene.

3. Parking Charges effective from 1st April 2024 to 31st March 2027

i. *On Block and Off Block time are much cleaner to monitor and is more relevant from a true parking time perspective unlike touch-down / take-off which is highly variable in nature.*

ii. *Reference is invited to the ATP submitted by AO wherein it refers to "this tariff order". Also, "governing tariff order" does not find any mention in the ATP submitted by AO.*

iii. *We have found "Next hour" is a standard in tariff card for all Airports like BIAL, HIAL and AAI Airports. The statement was existing in the previous tariff card for the TRV Airport which was approved by the Authority when the Airport operations were managed by AAI.*

4. Variable Tariff Plan for scheduled Passenger Airline:

Regarding FIA's query that they understand "unserved" means no scheduled operations, the same is confirmed.

In order to avoid different interpretation, we request the Authority to add the following in the tariff order (below the definition of New Route in VTP):

"For removal of doubts, "Unserved" would mean "No Scheduled Operations".

5. *We would like to clarify that Aviation Security Fee (ASF) is charged by National Aviation Security Force Trust (NASFT) and not by TKIAL. Payment is made directly by airlines to NASFT. TKIAL is not involved in Levy, exemption and collection charges on ASF.*

6. ***Landing Charges:***

   a) *Rates for Landing Charges, Parking Charges, UDF and other Aeronautical revenues are determined to achieve an overall ARR of approx. Rs. 2,260 Cr. Any change in any of the rates of aero revenue would have corresponding reverse effect on the other rates. And hence, in case Landing charges are reduced by the Authority, the corresponding increase to offset the differential revenue has to be met through UDF or other Aero revenues.*

   b) *As per the existing circular from MoCA, scheduled operations of less than 80-seater aircraft are exempt from landing charges. The non-scheduled operations irrespective of the operator doesn't fall under this category. In case the exemption for the same is considered appropriate by the Authority, the corresponding effect should also be duly noted and considered in calculation of billable traffic and other revenues.*

14.4.6 TKIAL's response to FIA's comment on shrinkage of control period is as follows:

It is to be noted that TKIAL started commercial operations from 14th October 2021. As per clause 28.11.1 of the CA, TKIAL shall have not less than 365 days from the COD to seek revision of the Aeronautical Charges from the Authority. The existing tariffs are extended till 30th September 2024 or till the determination of tariff for Third Control Period. TKIAL had submitted its MYTP to the Authority on 21st February 2023 and complied with provisions of CA.

In view of the detailed exercise for review and rationalization of O&M expenses already conducted by the Authority, we feel that there is no need to conduct any such study relating to O&M expenses.

Further, It is noted that FIA has requested for independent studies on various building blocks without any substantial evidence-based feedback as part of their comments for individual building blocks. We would like to humbly submit that the tariff determination process has already been through various levels of due diligence and scrutiny by the Authority. Any further studies would entail longer due diligence time, thereby further delaying of the tariff order. Consequently, the tariff recovery period will reduce further with increased aeronautical charges, which will not be in the interest of any stakeholder including airlines.

14.5 Authority's analysis of Stakeholders' comments regarding ARR for the Third Control Period

14.5.1 The Authority has noted the comments of stakeholders regarding carry forward of some portion of the ARR and has the following views:

- The Authority notes TKIAL's comment stating that the last major capex incurred was in the year 2012 and that a total of Rs. 1000 crores have been incurred over the last 30 years. The Authority notes that comparing the amount spent over the last 30 years with the present scenario is not appropriate. For instance, the Authority notes that the Terminal Building was constructed at that time at a cost of approximately Rs. 150 crores, which is considerably less than the base cost of Rs. 879 crores submitted by TKIAL for the construction of the new domestic terminal.

- The Authority notes that TKIAL has on-going capital expenditure projects and other planned works, which have resulted in a higher ARR for the Third Control Period, whereas the existing traffic base is not sufficient for the complete recovery of ARR in the current Control Period and this would require a significant increase in tariffs. The Authority is of the view that keeping the tariff at the current level for the entire control period and postponing the recovery of shortfalls to the next control period would create substantial recovery burden and lead to steep tariff increases in the Fourth Control Period.
- The Authority is also cognizant of the fact that there are certain obligations under the Concession Agreement, which need to be fulfilled by TKIAL. Further, the Aeronautical tariff decided by the Authority is being implemented only in the current Financial Year (1st July 2024), thereby resulting in only a lesser number of tariff years being available for recovery of the ARR.
- Further, the period available for recovery of ARR through revised tariffs is short owing to the delays in the tariff determination process as a result of the provisions of the CA (due to obligation under clause 28.11.1 of the CA, which states that the new Concessionaire shall have not less than 365 days from the COD to seek revision of the Aeronautical Charges from AERA).
- The Authority also notes the fact that the true up, with the underlying carrying cost, has been undertaken for a period of six (6) years – Five (5) Tariff years of the Second Control Period, the period up to COD and the period from COD till 31st March 2022.

  Considering the above, the Authority has adjusted the rate card and tariff growths over the Third Control Period by considering full recovery of the ARR in the remaining tariff years of the Third Control Period.

14.5.2 With respect to TKIAL's comment relating to Tariff Card for TCP, the Authority would like to state that based on the Authority's decisions regarding the various regulatory building blocks, the ARR has been re-computed by the Authority and necessary adjustments have been made to the tariff rate card. The Authority also notes the comments of TKIAL on providing an opportunity to discuss the ATP as per the finally approved ARR. The Authority hereby clarifies that it is a uniform practice followed by AERA in all PPP airports, wherein the Authority analyses the comments from all the stakeholders, the counter comments of TKIAL, and then rationalizes the tariff rate card.

14.5.3 The Authority has noted FIA's comment on increase of tariff as given in para 14.3.4. The Authority has also examined counter comments from TKIAL and AAI on the same in para 14.4.1 and para 14.4.2 respectively. Further analysis on the comments and counter comments by the Authority is detailed in para 14.5.1 and para 14.5.5.

Air Freight Station

14.5.4 The Authority has noted comments of FIA on AFS Cargo and that the tariff of AFS Cargo should be lesser than that levied on General Cargo and the response of TKIAL. As for the cargo handling rates for AFS Cargo, the Authority has drawn inference from the Policy guidelines on 'Air Freight Station' (AFS) issued by Ministry of Civil Aviation (MoCA) in October 2014. This Policy shall create an off airport common user facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/export goods, loaded and empty Unit Load devices (ULDs) and cargo in bulk/loose for outright export.
- Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- Authorizing some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs could be fully utilized.

The Authority notes that the above Policy Guidelines on AFS has larger national intent and it aims to strengthen and develop air cargo logistics in the Country and the same is expected to reduce the bottlenecks in air cargo logistics and help in ease of doing business, particularly for exporters. AERA supports the progressive step taken by the Government of India to improve the air cargo logistics in the Country.

Further, at the Consultation stage (refer para 14.2.7 of this Tariff Order), AERA had directed TKIAL to submit a separate tariff rate in case the cargo is received from the approved AFS and factor it in the Tariff Rate Card. However, AERA notes that TKIAL has not submitted a separate tariff rate for the Cargo received from an approved AFS, in its Tariff Rate Card. The Authority notes that pursuant to the operationalization of AFS facility in future, some of the cargo handling activities, which in normal course are performed by the CTOs/Airport Operator at their Cargo Terminals at TRV, will get shifted to AFS facility as detailed below:

- Acceptance of Cargo from the Shippers/Agents
- Palletization, Unit Load Device (ULD) build-up for export cargo.
- X-ray scanning of export cargo & compliance of BCAS & Customs regulatory norms.

In view of the above, the Authority notes that the handling of AFS Cargo in palletized form at city side of Cargo Terminal is comparatively less cumbersome than processing the cargo coming in loose packets from different shippers/agents. Further, AFS Cargo is likely to be held at the Airport's Cargo Terminal for a shorter duration due to lesser processing activities involved. The AO/CTO is expected to save on processing time and lower deployment of manpower in respect of AFS Cargo, resulting in cost savings while handling AFS Cargo.

The Authority, after considering the above and taking cognizance of the intent of MoCA's AFS Policy dated 28th October 2014, to encourage the concept of AFS Cargo in the country, as a step towards improvement of air cargo logistics, has concluded that though in case of AFS Cargo, many of the activities, similar to handling in general cargo are still to be performed by the CTOs but those are not to the extent as performed for General Cargo(cargo directly handled by Airport Operator/CTOs). In this background, the Authority decides 30% lower TSP charges for AFS cargo after a thorough examination of the facts on the ground. The 30% proposed above is considered for the initial years. The same would be reviewed once the scheme matures.

The Authority directs TKIAL to maintain separate accounts for its Cargo Handling and Fuel services and submit the Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.

14.5.5 The Authority has reviewed both FIA's and TKIAL's comments with regards to the Tariff Rate Card. The Authority notes the reasons for tariff increase mentioned by TKIAL and has decided to not carry forward a certain portion of the ARR to the next Control Period.

The Authority has noted FIA's comments as given in para 14.3.7 and the responses provided by TKIAL in para 14.4.5. The Authority has to balance the interest of all stakeholders and also ensure that the rates determined are not excessive. The Authority accordingly decides to balance the interest of the stakeholders and determine the rate card. The Authority has, as part of the tariff determination exercise, rationalized the regulatory building blocks such as CAPEX (rationalizing the cost of the capital projects, rationalizing the Terminal Building ratio etc.), O&M expenses, Non-Aeronautical Revenues etc. submitted by TKIAL for the Third Control Period. It is pertinent to note that the new Aeronautical tariff is implemented from July 1, 2024, thereby resulting in less than three (3) tariff years being available for recovery of the ARR.

The Authority has thus revised the tariff rate card proposed by TKIAL, by increasing the Aeronautical tariff in a progressive manner after making the necessary revisions in the regulatory building blocks based on detailed analysis as given in the relevant paras of the Tariff Order. AERA would like to state that the proposed tariff card submitted by AO is not the final decision of the Authority and is purely to aid the consultation process so that Stakeholder may have a better understanding of the potential changes in tariff while preparing the responses. The Authority does its own due diligence with respect to the same and the tariff rates have been finalized based on the comments of all the Stakeholders. The Authority has ensured a balanced approach so that no Stakeholder benefits at the expense of others. The Authority also notes the ICAO guiding principles on Non-discrimination and simplicity as fundamental features in the Tariff Card.

14.5.6 With regard to the comments of FIA and the response of TKIAL on levying UDF on the disembarking passengers, it is clarified that Authority has decided to allow UDF on disembarking passengers. The Authority notes that:

- Arriving passengers also use airport infrastructure, even if it is to a lesser extent. Hence, charging a proportion of UDF on arriving passengers is justified.
- In the case of Trivandrum, over 30% of the ARR is towards the shortfall of AAI in the Second Control Period and pre-COD Period. Hence, if a higher tariff is allowed by way of UDF on departing and arriving passengers, it will help AO to meet its contractual obligations.
- Significant investment is being made by TKIAL in improvement of infrastructure at the airport. Hence, levying higher tariff only on embarking passengers may not be justified.

14.5.7 With respect to FIA's comment on "*Will the above UDF effective date shall be considered as Travel date or sale date or both-travel and sale date and domestic flight/international flight*", the Authority has noted FIA's comment and has clarified the issue in the Rate Card. With respect to FIA's comment on payment of collection charges, the Authority is of the opinion that the collection charges are a matter between the Airport Operator and the Airlines. The revenue from CUTE, CUSS, CUPPS are part of Aeronautical Revenue, and the same treatment is followed at other airports as well. This revenue component is used for recovery of ARR and helps in reducing Aeronautical tariff levied towards Landing and Parking charges.

The Authority has noted the comments of FIA which state that "*As per standard practice, 15mins time each after touchdown and before takeoff of aircraft is provided as an exemption. We would want to propose the same industry practice to be implemented here.*" and is of the view that Parking time will be calculated based on ON-BLOCK and OFF-BLOCK time as recorded at Airport Operations Control Centre (AOCC). Therefore, there is no need to separately factor in the taxiing time. Further, the practice of recording parking time based on ON-BLOCK and OFF-BLOCK time is generally followed at other PPP airports as well. With respect to FIA's comment " *In case of an aircraft being parked beyond 24 hours due to technical or any other*

reasons, the parking charges shall be levied on a weekly basis in-line with the governing tariff order. Query: Please clarify which governing tariff order is being mentioned above. Please provide the corresponding rate card.", the Authority hereby clarifies that the governing order is the tariff order issued by the Authority for the Third Control Period for TRV, Thiruvananthapuram.

With respect to FIA's comment on "*. For calculating chargeable parking time, part of an hour shall be rounded off to the next hour*", the Authority has carefully examined FIA's comment and is of the view that it is a standard practice of rounding off part of an hour to the next hour. In case of other Airports like BIAL. HIAL, the same practice is followed. With respect to FIA's comment on "*AERA to review our comment at* para 6.3.2 of this Tariff Order *above*", the Authority's has already clarified the issue in relevant paragraphs.

Other issues raised by FIA like variable tariff card, Aviation Security Fee, UDF etc. have been clarified in the Tariff Rate Card.

Variable tariff Plan

14.5.8 The Authority notes FIA's comment on the Variable Tariff Plan and the responses provided by TKIAL and would like to state the following:

The Authority has examined the Variable Tariff Plan (VTP) submitted by TKIAL and has decided to consider the VTP for the TCP as this will aid in developing new routes leading to generation of additional revenue. This will help to reduce aeronautical charges in the long term and also to encourage growth in international traffic.

The Authority directs TKIAL to ensure that the proposed VTP will not be discriminatory, as mandated by ICAO.

Accordingly, the Authority agrees to accept the VTP as this will help in developing new international routes leading to additional revenue generation and will also help in decreasing the aeronautical tariff in the long run. The Authority would like to further state that it will be beneficial for the airline in the current situation and will help to revive the traffic.

The Authority also directs TKIAL to keep a separate record of accounts for incentives granted, revenue generated, and the expenditure incurred in this regard during the TCP for the information of all the Stakeholders and the Authority, so as to take a considered view during tariff determination for the next Control Period.

Based on its examination, the Authority decides to consider the Variable Tariff Plan effective from the date of effect of the Tariff Rate Card as mentioned in Annexure 1 of this Tariff Order.

Regarding Shrinkage in control Period

14.5.9 The Authority has noted FIA's concerns on the recovery burden on account of shrinkage in the Control Period and TKIAL's comments on the same. The Authority would like to emphasize that the tariff determination process for TKIAL was conducted in strict adherence to the AERA Act, AERA Guidelines of 2011, and the relevant provisions outlined in the Concession Agreement (CA).

AERA generally mandates early submission of the tariff proposals by the Airport Operators. It is to be noted that Thiruvananthapuram International Airport is a brownfield airport, and TKIAL had submitted its Multi-Year Tariff Proposal (MYTP) dated 21st February 2023 i.e. one year four months after achieving the Commercial Operation Date (COD) on 14th October 2021 based on its assessment of actual cost incurred

etc. This delay in the submission of MYTP and other details by AAI and the new Concessionaire was due to delays in the hand-over/take-over of the Airport on account of unforeseen circumstances such as the COVID -19 pandemic.

Also, the Authority's analysis is exhaustive in nature and requires a reasonable amount of time to examine and evaluate the various building blocks, keeping in mind the need to balance the interests of all stakeholders. During the process of evaluation, the Authority has sought various clarifications from time to time, from AAI and the new Concessionaire on the various regulatory building blocks, based on which aeronautical tariff has been determined by the Authority. In the background of the special circumstances involving change of AO, provisions of Concession Agreement and two Airport Operators being involved in the tariff determination process, it has resulted in the time lag in the determination of tariff for the Third Control Period for TKIAL.

The Authority also notes the comments of FIA on conducting an independent study on passengers and air traffic at selected airports. In this regard, the Authority believes that the requirement for an independent study will depend upon the size of the airport and the scale of operations. If AERA feels that there is a need arising in the future, it may commission an independent study for the future Control Periods of TKIAL.

14.5.10 With respect to DIAL comments on Full Recovery of ARR, please refer to the Authority's comments in Para 14.5.1.

14.5.11 Based on the decisions taken by the Authority with respect to the various regulatory building block in the Second Control Period and the Third Control Period and the tariff plan approved by the Authority, the recomputed ARR for the Third Control Period is given below.

Table 220: ARR decided by the Authority for the Third Control Period

(Rs. in crores)

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
Average RAB (A)	Table 160	458.16	464.49	552.80	1,032.16	1,465.95	
Fair Rate of Return (B)	Table 164	12.21%	12.21%	12.21%	12.21%	12.21%	
Return on Avg. RAB (C=A*B)		**55.94**	**56.71**	**67.50**	**126.03**	**178.99**	**485.17**
O&M expenses incl. working capital interest & finance charges (D)	Table 206	176.67	202.68	251.27	298.45	359.04	**1,288.12**
Depreciation (E)	Table 159	30.75	31.01	37.19	58.33	76.39	**233.67**
Tax (F)	Table 216	-	-	-	-	50.39	**50.39**
ARR (G=C+D+E+F)		**263.36**	**290.41**	**355.96**	**482.81**	**664.82**	**2,057.35**
PV of Under-recovery of AAI as on 31st March 2023 (H)*	Table 60	789.29					**789.29**
PV of Under-recovery of TKIAL as on 31st March 2023 (I)	Table 85	58.43					**58.43**
Total ARR (J=G+H+I)		**1,111.08**	**290.41**	**355.96**	**482.81**	**664.82**	**2,905.07**
NAR (K)	Table 213	20.50	87.11	89.81	93.14	102.39	**392.96**
30% NAR (L=30%*K)		6.15	26.13	26.94	27.94	30.72	**117.89**
Net ARR (M=J-L)		**1,104.93**	**264.27**	**329.02**	**454.86**	**634.10**	**2,787.18**
Discount Factor @12.21% (N)		1.00	0.89	0.79	0.71	0.63	
PV of ARR as on 31st March 2023 (O=M*N)		**1,104.93**	**235.52**	**261.31**	**321.95**	**399.97**	**2,323.68**
Sum of PV of ARR (P)							**2,323.68**
Total passenger traffic (MPPA) (Q)	Table 95						24.70
Yield per passenger (YPP) (Rs.) (R=P/Q)							**940.70**

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
Total departing passenger traffic (MPPA) (S)	Table 95						12.35
Yield per departing passenger (Rs.) (T=P/S)							**1,881.40**

14.5.12 As can be seen above, the Net ARR decided by the Authority for the Third Control Period is Rs. 2,787.18 crores as compared to Rs. 2,694.71 crores proposed by the Authority at the consultation stage. Following are the key reasons based on the adjustments, revisions and rationalization carried out by the Authority:

A. Consideration of actual Operation and Maintenance expenses for FY 2023-24 increase in expense amounting to Rs. 52.98 crores
B. Impact of change in the Inflation rates considered for the Tariff Order (refer Table 169).
C. Revision in tax from CP stage to Order Stage based on actuals / projected aero revenue based on Tariff card, increase amounting to Rs. 43.49 crores.

14.5.13 The Authority, based on the revised ARR and accordingly the tariffs decided by it, computed the projected Aeronautical Revenue for TKIAL for the Third Control Period as follows:

Table 221: Projected Aeronautical Revenue decided by the Authority for the Third Control Period

(Rs. in crores)

Particulars	Ref.	FY23	FY24	FY25	FY26	FY27	Total
PV of ARR as on 31st March 2023 (Refer Table 220)	A	1,104.93	235.52	261.31	321.95	399.97	**2,323.68**
Aeronautical Revenue							
Landing Revenue	B	40.72	48.24	142.38	280.57	339.63	**851.53**
Parking & Housing Revenue	C	0.48	0.87	1.55	1.77	1.99	**6.67**
UDF Revenue	D	177.37	213.61	383.26	527.10	612.55	**1,913.89**
Cargo Revenue	E	0.65	2.10	4.82	17.86	21.34	**46.76**
Fuel Revenue	F	-	-	35.13	51.10	54.78	**141.02**
CUTE Revenue	G	3.71	4.67	4.49	4.91	5.28	**23.06**
Ground Handling Revenue	H	15.08	29.82	34.33	37.45	40.14	**156.83**
Others	I	3.83	4.02	-	-	-	**7.85**
Total Aeronautical Revenue	**J=Sum(B:I)**	**241.85**	**303.33**	**605.96**	**920.77**	**1,075.71**	**3,147.61**
PV Factor	K	1.00	0.89	0.79	0.71	0.63	
PV of Aero Revenue as on 31st March 2023	**L=J*K**	**241.85**	**270.32**	**481.26**	**651.71**	**678.53**	**2,323.67**

14.6 Authority's decisions regarding Aggregate Revenue Requirement for the Third Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to ARR for the Third Control Period.

14.6.1 To consider the ARR and YPP for the Third Control Period for TKIAL as per Table 220 and true up the same at the time of determination of tariffs for the Fourth Control Period.

14.6.2 To consider projected Aeronautical Revenue for TKIAL for the Third Control Period as per Table 221.

14.6.3 To consider VTP effective from 1st July 2024 as given in Annexure 1 – B of this Tariff Order.

14.6.4 To direct TKIAL to keep a separate record of landing charges earned, expenditure incurred, and incentives granted under VTP during the Third Control Period for information of stakeholders and AERA so as to take

a considered view for determination of Aeronautical Tariff for the next Control Period. The Authority further directs TKIAL to ensure compliance with the ICAO principles of non-discrimination.

14.6.5 To direct TKIAL to maintain separate accounts for its Cargo Handling and Fuel services and to submit the Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.

14.6.6 To consider Tariff Rate Card for TKIAL for the Third Control Period as per Annexure 1 – A, B & C.

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15 SUMMARY OF AUTHORITY'S DECISIONS

The below mentioned summary provides the Authority's decision relating to relevant chapters regarding the tariff determination for the Third Control Period

Chapter 4: True Up of AAI for the Second Control Period and Pre-COD Period

4.16.1 To consider the Passenger traffic and ATM as detailed in para 4.4.9 (Table 12) for true up of the Second Control Period and Pre-COD Period.

4.16.2 To consider capital additions and aeronautical allocation of assets as detailed in Table 25.

4.16.3 To recompute Depreciation considering the revised allocation of assets as detailed in para 4.6.6 (Table 30) for true up of AAI for the Second Control Period and Pre-COD Period.

4.16.4 To consider RAB for AAI as detailed in para 4.7.1 (Table 31) for true up of the Second Control Period and Pre-COD Period.

4.16.5 To consider Deemed Initial RAB for TRV as detailed in para 4.7.5 (Table 32).

4.16.6 To consider FRoR as detailed in para 4.8.16 for true up of the Second Control Period and Pre-COD Period

4.16.7 To not consider return on the cost of land for true up of the Second Control Period and Pre-COD Period.

4.16.8 To consider O&M expenses and their allocation as suggested by the study on efficient O&M expenses for TRV (summary of the Study is provided in Annexure 3 and the study is attached as Appendix 2) and as detailed in Table 46 for true up of Second Control Period and Pre-COD Period

4.16.9 To consider Non-aeronautical Revenue as detailed in para 4.11.10 (Table 52) for true up of the Second Control Period and Pre-COD Period.

4.16.10 To consider Aeronautical Revenue as detailed in para 4.12.7 (Table 56) for true up of the Second Control Period and Pre-COD Period.

4.16.11 To consider Aeronautical Tax as detailed in para 4.13.4 (Table 59) for true up of the Second Control Period and Pre-COD Period.

4.16.12 To consider the present value of under-recovery of Rs. 789.29 crores (as on 31st March 2023) for true up of AAI for the Second Control Period and Pre-COD period as per Table 60 and readjust the same in the ARR for the Third Control Period.

Chapter 5: True Up of TKIAL for the Post COD Period from COD till 31st March 2022

5.12.1 To consider RAB and depreciation for the period from COD till 31st March 2022 as per Table 67.

5.12.2 To consider FRoR for the period from COD till 31st March 2022 as per Table 68.

5.12.3 To consider O&M expenses for the period from COD till 31st March 2022 as per Table 75.

5.12.4 To consider Non-Aeronautical Revenue for the period from COD till 31st March 2022 as per Table 79.

5.12.5 To consider Aeronautical Revenue for the period from COD till 31st March 2022 as per Table 81.

5.12.6 To consider Aeronautical Tax for the period from COD till 31st March 2022 as per Table 83.

5.12.7 To consider under recovery of Rs. 58.43 crores for True-up of TKIAL as per Table 85 for the period from COD till 31st March 2022 and readjust the same in the ARR for the Third Control Period.

Chapter 6: Traffic for the Third Control Period

6.6.1 To consider the Passenger traffic, ATM and Cargo traffic for the Third Control Period for TRV as per Table 95.

6.6.2 To true up the traffic volume (Passengers, ATM and Cargo) based on actual traffic in the Third Control Period while determining tariffs for the Fourth Control Period.

Chapter 7: Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base (RAB) for the Third Control Period

7.10.1 To consider the Terminal Building ratio of 90%:10% in line with the Study on Allocation of Assets, IMG norms and as approved for other similar Airports.

7.10.2 To allow IDC during the Third Control Period and not to allow Financing Allowance as mentioned in para 7.3.147.

7.10.3 To adopt the capitalization of Aeronautical Expenditure for the Third Control Period in accordance with Table 158.

7.10.4 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule. The same will be examined during the true up of the Third Control Period, at the time of determination of tariff for the Fourth Control Period.

7.10.5 To consider GST on RAB/CWIP and Stamp Duty on actual incurrence basis, as detailed in para 7.3.150 and 7.3.149 respectively.

7.10.6 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the Fourth Control Period (as explained in para 7.3.150).

7.10.7 To true up the Aeronautical Capital expenditure based on actuals, after evaluating efficiency and reasonableness, at the time of determination of tariff for Fourth Control Period.

7.10.8 To adopt Aeronautical Depreciation as per Table 159 for the Third Control Period.

7.10.9 To true up the Depreciation of the Third Control period based on the actual asset additions and actual date of capitalization during the tariff determination of the Fourth Control Period.

7.10.10 To consider average RAB for the Third Control Period for TRV as per Table 160.

7.10.11 To true up the RAB based on actuals at the time of tariff determination for the Fourth Control period.

Chapter 8: Fair Rate of Return (FRoR) for the Third Control Period

8.6.1 To consider the Cost of equity at 15.18%.

8.6.2 To consider the notional debt to equity (gearing) ratio of 48:52 in line with target gearing ratio being considered in case of other PPP airports.

8.6.3 To consider cost of debt of 9% for the Third Control Period

8.6.4 To consider FRoR of 12.21% for the Third Control Period based on above mentioned Cost of equity, Cost of debt and gearing ratio.

Chapter 9: Inflation for the Third Control Period

9.6.1 To consider the inflation rate as per Table 169.

Chapter 10: Operations and Maintenance (O&M) Expenses for the Third Control Period

10.6.1 To consider O&M Expenses for the Third Control Period as per Table 206.

10.6.2 To consider the O&M expenses incurred by TKIAL during the Third Control Period subject to reasonableness and efficiency, at the time of tariff determination for the next Control Period.

Chapter 11: Non-Aeronautical Revenue for the Third Control Period

11.6.1 To consider Non-Aeronautical Revenues for the Third Control Period for TRV as per Table 213.

11.6.2 Non-Aeronautical Revenue will be trued up at the time of tariff determination of next control period if it is higher than that proposed by the Authority in Table 213.

Chapter 12: Taxation for the Third Control Period

12.6.1 To consider the Taxation for the Third Control Period for TRV as per Table 216.

12.6.2 To true up the aeronautical tax amount appropriately taking into consideration all relevant factors at the time of tariff determination for the Fourth Control Period.

Chapter 13: Quality of Service for the Third Control Period

13.5.1 Not to consider any adjustment towards tariff determination for the Third Control Period with regards to Quality of Service of TRV.

13.5.2 TKIAL should ensure that service quality at TRV conforms to the performance standards as indicated in the Concession Agreement throughout the Third Control Period.

Chapter 14: Aggregate Revenue Requirement for the Third Control Period

14.6.1 To consider the ARR and YPP for the Third Control Period for TKIAL as per Table 220 and true up the same at the time of determination of tariffs for the Fourth Control Period.

14.6.2 To consider projected Aeronautical Revenue for TKIAL for the Third Control Period as per Table 221.

14.6.3 To consider VTP effective from 1st July 2024 as given in Annexure 1 – B of this Tariff Order.

14.6.4 To direct TKIAL to keep a separate record of landing charges earned, expenditure incurred, and incentives granted under VTP during the Third Control Period for information of stakeholders and AERA so as to take a considered view for determination of Aeronautical Tariff for the next Control Period. The Authority further directs TKIAL to ensure compliance with the ICAO principles of non-discrimination.

14.6.5 To direct TKIAL to maintain separate accounts for its Cargo Handling and Fuel services and to submit the Annual Compliance Statement (ACS) for each accounting year (ending on 31st March) as per AERA CGF Guidelines.

14.6.6 To consider Tariff Rate Card for TKIAL for the Third Control Period as per Annexure 1 – A, B & C.

16 ORDER

16.1.1 In exercise of power conferred by section 13 (1) (a) of the AERA Act 2008 and based on the above decisions, the Authority hereby determines the aeronautical tariff to be levied at Thiruvananthapuram International Airport for the Third Control Period as placed in Annexure 1.

16.1.2 In exercise of power conferred by section 13 (1) (b) of the AERA Act, 2008, read with rule 89 of the Aircraft Rules,1937 made under the Aircraft Act,1934, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure 1 to the Order for the current Control Period.

16.1.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.

16.1.4 The order shall be made effective from 1st July 2024.

16.1.5 Airport operator shall submit its MYTP to the Authority for the Fourth Control Period in a timely manner as per the Authority's Guideline, 2011.

By the Order and in the name of the Authority

(Ram Krishan)
Director (P&S)

To,

Mr. Rahul Bhatkoti
Chief Airport Officer,
TRV (Kerala) International Airport Limited,
Thiruvananthapuram

Copy to:

1. **Secretary,** Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003
2. **Directorate General of Civil Aviation:** for issuance of AIC
3. **The Chairman,** Airports Authority of India, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003

17 ANNEXURES

17.1 Annexure 1: Tariff Card

Tariff Card Pertaining to Thiruvananthapuram International Airport (TRV), Thiruvananthapuram for the Third Control Period as approved by the Authority - Effective from 1st July 2024 to 31st March 2027

Annexure 1 – A: Landing Charges, Parking Charges, UDF & Fuel Infrastructure Charges

17.1.1 Landing Charges

Applicable rates from July 1, 2024 to March 31, 2027

Rate in Rs. per MT

Flight	July 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027
Domestic	890	1,400	1,650
International	1,245	1,850	2,050

Notes:

1. Weight of an aircraft means Maximum Take-Off Weight (MTOW) in MT (i.e. 1,000 Kg) as indicated in the Certificate of Airworthiness (CoA).
2. Landing charges shall be calculated on the basis of nearest MT (i.e., 1,000 kg)
3. Above mentioned rates are Rack Rates (RR), wherever necessary in the tariff order.
4. Landing charges shall be a higher of the charges derived as per above matrix or as mentioned in below table:

Flight	July 1, 2024 to March 31, 2025	April 1, 2025 to March 31, 2026	April 1, 2026 to March 31, 2027
Domestic	16,000	16,800	17,600
International	55,300	58,000	60,900

5. Domestic legs of international routes flown by Indian operators to be treated as domestic flights as far as landing charges are concerned, irrespective of the flight numbers assigned to such flights.
6. No landing charges shall be payable in respect of:
   a. Aircrafts with a maximum certified passenger capacity of less than 80 seats, being operated by domestic scheduled operators at the airport.
   b. Training flights operated by DGCA approved flying schools/flying training institutes.
   c. Helicopters of all types (not applicable to non-scheduled operators).
   d. Military aircraft (Government of India) including para-military forces such as BSF, Coast Guard etc.

17.1.2 Parking Charges

Applicable rates from July 1, 2024 to March 31, 2025

Rate in Rs. per MT per hour

Details	Weight of Aircraft	Domestic Flight	International Flight
Parking charges (First two hours after free parking period)	Upto 100 MT	10.15	10.15
	Above 100 MT	10.15	8.84
Parking charges (beyond four hours)	Upto 100 MT	20.30	20.30
	Above 100 MT	20.30	17.68

Applicable rates from April 1, 2025 to March 31, 2026

Rate in Rs. per MT per hour

Details	Weight of Aircraft	Domestic Flight	International Flight
Parking charges (First two hours after free parking period)	Upto 100 MT	10.65	10.65
	Above 100 MT	10.65	9.28
Parking charges (beyond four hours)	Upto 100 MT	21.30	21.30
	Above 100 MT	21.30	18.56

Applicable rates from April 1, 2026 to March 31, 2027

Rate in Rs. per MT per hour

Details	Weight of Aircraft	Domestic Flight	International Flight
Parking charges (First two hours after free parking period)	Upto 100 MT	11.19	11.19
	Above 100 MT	11.19	9.74
Parking charges (beyond four hours)	Upto 100 MT	22.38	22.38
	Above 100 MT	22.38	19.48

Notes:

1. Weight of an aircraft means MTOW in MT (1000 kg) as indicated in the certificate of airworthiness filed with DGCA.
2. The charges set forth herein shall be calculated based on the nearest rounded off MT.
3. Free parking is allowed on all aircraft stands (Contact and Remote) for the first two hours.
4. For the next two hours, normal parking rates as mentioned above shall be applicable. After this period, the charges shall be double of the normal parking charges.
5. Parking time will be calculated based on On-Blocks and Off-Blocks time as recorded at the Airport Operations Control Centre (AOCC).
6. For calculating chargeable parking time, part of an hour shall be rounded off to the next hour.
7. In case of an aircraft being parked beyond 24 hours due to technical or any other reasons, the parking charges shall be levied on a weekly basis in line with this tariff order.

17.1.3 **User Development Fee (UDF)**

Applicable rates for travel date from July 1, 2024 to March 31, 2025

Rate in Rs.

Type of Passenger	Domestic	International
Embarking Passenger	770	1,540
Disembarking Passenger	330	660

Applicable rates for travel date from April 1, 2025 to March 31, 2026

Rate in Rs.

Type of Passenger	Domestic	International
Embarking Passenger	840	1,680
Disembarking Passenger	360	720

Applicable rates for travel date from April 1, 2026 to March 31, 2027

Rate in Rs.

Type of Passenger	Domestic	International
Embarking Passenger	910	1,820
Disembarking Passenger	390	780

Notes:

1. Collection Charges on User Development Fees (UDF): As per the agreement between TKIAL and Airlines.
2. For calculating UDF in Foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the first fortnight and rate as on 15th of the month for tickets issued in the second fortnight shall be adopted.
3. Above UDF charges will be applicable on the tickets issued on or after July 1, 2024.
4. Exemptions in Payment of User Development Fee (UDF) - In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF:
   a. Children (Under the age of 2 years)
   b. Holders of Diplomatic Passport.
   c. Airlines crew on duty including sky marshals and airline crew on board for the particular flight only (this would not include Dead Head Crew, or ground personnel),
   d. Persons travelling on official duty on aircraft operated by Indian Armed Forces.
   e. Persons travelling on official duty for United Nations Peace Keeping Missions.
   f. Transit/transfer passengers (A person is treated in-transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket. In case two separate tickets are issued, it would not be considered as Transit passenger.)
   g. Passengers Embarking from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.

17.1.4 **Fuel Infrastructure Charges**

Applicable rates from July 1, 2024 to March 31, 2027

Rate in Rs. per KL

Fuel Infrastructure Cost (including Aircraft Refueling)	Aircraft Defueling	Aircraft re-fueling of defueled product	
		Within 24 hours	Beyond 24 hours
Rs. 2,200 per KL	Rs. 300 per KL	Rs. 350 per KL	Rs. 400 per KL

17.1.5 **General Conditions**

1. All above mentioned charges (Landing, Parking, UDF and Fuel Infrastructure Charge) are exclusive of applicable taxes.
2. Aviation Security Fee (ASF) shall be applicable as prescribed by Government of India/ MoCA from time to time.
3. Flights operating under the Regional Connectivity Scheme will be exempted from charges as per Order No. 20/2016-17 dated 31.03.2017 (as amended from time to time) of the Authority from the date the scheme is operationalized by the GoI.
4. All the charges applicable to Indian Carriers (including international operations) will be done in INR and to International Carriers in USD.
5. For all the above charges, the Airlines will be allowed a credit period as may be decided by TKIAL from time to time.

Annexure 1 – B: Variable Tariff Plan for Scheduled Airlines

17.1.6 VTP Applicable Rates for Scheduled Passenger Airlines

Type	Rack Rate (RR) per MT in Rs.	Existing Flight	New Route	New Route	New Route
			Year 1	Year 2	Year 3
Landing Charges					
Domestic Flights	RR	0	0.50 * RR		
International Flights					
Rate per MTOW (MTOW <= 100 MT)	RR	0	0.25 * RR	0.50 * RR	0.75 * RR
Rate per MTOW (MTOW > 100 MT)	RR	0	0.25 * RR	0.50 * RR	0.75 * RR

Validity

The VTP for applicable domestic and international flights is valid from the date of commencement of operations and for the duration of 12 months for domestic new route and 36 months for the new international route.

The Variable Tariff Plan (VTP) shall be valid till 31st March 2027

Notes:

1. No discount over and above the Variable Tariff Plan is applicable.
2. VTP is applicable only for scheduled passenger airlines, as applicable in the table above.
3. Scheduled Airline must operate VTP eligible flights for (a) a minimum of 42 weeks within a rolling 12-month period; and (b) ensure strict slot adherence on laid down parameters of the Airport Operator, to qualify for the incentive.
4. The payment of landing charges should be done by the airline in full without any deductions, as per the invoicing by TKIAL. The settlement shall be provided in the form of a 'Credit Note' at the end of each 12-month period.
5. TKIAL reserves the right to change any term or condition of this VTP, withdraw or replace any of the category, at any time at its absolute discretion, by way of prior approval of AERA.

Definition of Category

1. **Existing flights:** Flights that are currently being operated at Thiruvananthapuram International Airport.
2. **New Route:** A flight to a new destination that is currently unserved (no scheduled operations) from Thiruvananthapuram by any airline. (Destination must be unserved for the previous 36 months).

   E.g. *Airline A introduces a new nonstop route Thiruvananthapuram - London, or Thiruvananthapuram-Gwalior which is currently unserved from Thiruvananthapuram by any airline.*
3. **RR:** Rates mentioned in Para 17.1.1 of the Tariff Order.

Annexure 1 – C: Cargo Charges

17.1.7 **Export Cargo**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Type of Charge	Rate per Kg (Rs.)	Minimum rate per consignment (Rs.)
1	**Terminal, Storage and Processing Charges ***		
	General	1.18	200
	Special	2.13	356
	Valuable	4.36	726
	Perishable	1.07	182
2	**Demurrage Charges (Leviable from Shippers)**		
	General	1.10	182
	Special	2.18	356
	Valuable	4.36	726
	Perishable	1.10	182

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Type of Charge	Rate per Kg (Rs.)	Minimum rate per consignment (Rs.)
1	**Terminal, Storage and Processing Charges ***		
	General	1.30	220
	Special	2.34	392
	Valuable	4.80	799
	Perishable	1.18	200
2	**Demurrage Charges (Leviable from Shippers)**		
	General	1.21	200
	Special	2.40	392
	Valuable	4.80	799
	Perishable	1.21	200

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Type of Charge	Rate per Kg (Rs.)	Minimum rate per consignment (Rs.)
1	**Terminal, Storage and Processing Charges ***		
	General	1.43	242
	Special	2.57	431
	Valuable	5.28	879
	Perishable	1.30	220
2	**Demurrage Charges (Leviable from Shippers)**		
	General	1.33	220
	Special	2.64	431
	Valuable	5.28	879
	Perishable	1.33	220

**If Cargo at TKIAL, is received through approved AFS, then 30% lower TSP (Terminal, Storage and Processing) charges shall be applicable.*

Airports Economic Regulatory Authority of India

Notes:

1. The applicable free period for export cargo shall be as per Government Regulations, issued from time to time.
2. Consignments of human remains, coffins including unaccompanied baggage of deceased and Human eyes will be exempted from the purview of Terminal, Storage and Processing and Demurrage charges. No XBIS/ETD usage charges will also be leviable on these shipments.
3. Terminal, Storage and processing charges are inclusive of Forklift charges wherever Forklift usage is involved. No separate Forklift charges will be levied.
4. Special cargo consists of live animals and hazardous goods.
5. Charges will be levied on the 'gross weight' or the 'chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
6. For misdeclaration of weight above 2% and up to 5% of declared weight, penal charges @ double the applicable Terminal, Storage and Processing charges and for variation above 5%, the penal charges @ 5 times the applicable Terminal, Storage and Processing charges will be leviable on the differential weight, subject to minimum amount equivalent to the applicable minimum Terminal Storage and Processing Charges. No penal charges will be leviable for variation upto and inclusive of 2%. (For any variation, all the documents/ records to be invariably amended). No weight variation acceptable in the case of VAL consignments.
7. Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewellery, jewellery & watches made of silver, gold platinum and items valued at USD 1000 per Kg. and above.
8. Terminal Operator shall levy packing/repacking charges @ 2% of packages per shipping bill with a minimum of INR 20.00 for FY 2024-25, INR 22.00 for FY 2025-26 & INR 24.00 for FY 2026-27 per Airway Bill. Packing / Repacking charges will be at INR 10.00 for FY 2024-25, INR 11.00 for FY 2025-26 & INR 12.00 for FY 2026-27 per packet.
9. XBIS usage charges INR 1.22 per kg for FY 2024-25, INR 1.34 per kg for 2025-26, & INR 1.47 per kg for FY 2026-27 subject to minimum of INR 183.00 for FY 2024-25, INR 201 for FY 2025-26, & INR 221 for FY 2026-27 per shipment. The same is applicable at 50% per kg subject to minimum of INR 122.00 for FY 2024-25, INR 134.00 for FY 2025-26, & INR 147.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.
10. Charges shall be leviable separately for installation / commissioning / maintenance of Air Cargo Inspection System (ACIS) as stipulated by CBIC, as & when implemented.
11. Merchant Over Time (MOT) charges @ Rs. 200.00 for FY 2024-25, INR 220 for FY 2025-26, & INR 242.00 for FY 2026-27 per consignment for admitting cargo beyond normal working hours, wherever 24x7 Export Cargo operation does not exist.
12. The export TSP charges paid in advance through online by the shippers/ agents will be refunded in case the export cargo is not physically brought to the Air Cargo Terminal for processing on the same day subject to retention of minimum rate per consignment of General/ Special/ Valuable cargo respectively. Proportionate Applicable GST on minimum rate will also be retained.

13. For the Export Cargo withdrawal from the examination area, withdrawal demurrage charge will be collected equivalent to examination area demurrage charges. Similarly, for the withdrawal of export cargo from the bonded area, bonded area demurrage charges will be collected.
14. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
15. No X-Ray charges leviable for the Custom cleared Export Cargo moving by bonded trucks to other destinations.
16. All minimum charges shall be rounded off to the nearest Rupee 1.00
17. All Bills shall be rounded up to the nearest higher of Rupee 1.00
18. All the above charges are excluding GST, which will be levied at applicable rates announced by the Government of India from time to time.
19. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for FY 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

17.1.8 **Import Cargo**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Type of Charge	Rate per Kg (Rs.)	Minimum rate per consignment (Rs.)
1	**Terminal, Storage and Processing Charges ***		
	General	7.20	196
	Special	14.36	385
	Valuable	14.36	1162
2	**Demurrage Charges (per day)**		
	General (Up to 96 Hrs/ 4 working days) including free period	2.09	472
	General (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	4.17	
	General (Beyond 720 Hrs/ 30 days)	6.26	
	Special (Up to 96 Hrs/ 4 working days) including free period	4.17	929
	Special (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	8.32	
	Special (Beyond 720 Hrs/ 30 days)	12.49	
	Valuable (Up to 96 Hrs/ 4 working days) including free period	8.32	1859
	Valuable (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	16.65	
	Valuable (Beyond 720 Hrs/ 30 days)	24.97	

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Type of Charge	Rate per Kg (Rs.)	Minimum rate per consignment (Rs.)
1	**Terminal, Storage and Processing Charges ***		
	General	7.92	216
	Special	15.80	424
	Valuable	15.80	1278

Sl. No.	Type of Charge	Rate per Kg (Rs.)	Minimum rate per consignment (Rs.)
2	**Demurrage Charges (per day)**		
	General (Up to 96 Hrs/ 4 working days) including free period	2.30	519
	General (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	4.59	
	General (Beyond 720 Hrs/ 30 days)	6.89	
	Special (Up to 96 Hrs/ 4 working days) including free period	4.59	1022
	Special (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	9.15	
	Special (Beyond 720 Hrs/ 30 days)	13.74	
	Valuable (Up to 96 Hrs/ 4 working days) including free period	9.15	2045
	Valuable (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	18.32	
	Valuable (Beyond 720 Hrs/ 30 days)	27.47	

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Type of Charge	Rate per Kg (Rs.)	Minimum rate per consignment (Rs.)
1	**Terminal, Storage and Processing Charges ***		
	General	8.71	238
	Special	17.38	466
	Valuable	17.38	1406
2	**Demurrage Charges (per day)**		
	General (Up to 96 Hrs/ 4 working days) including free period	2.53	571
	General (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	5.05	
	General (Beyond 720 Hrs/ 30 days)	7.58	
	Special (Up to 96 Hrs/ 4 working days) including free period	5.05	1124
	Special (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	10.07	
	Special (Beyond 720 Hrs/ 30 days)	15.11	
	Valuable (Up to 96 Hrs/ 4 working days) including free period	10.07	2250
	Valuable (Between 96 Hrs and 720 Hrs/ 5 and 30 days)	20.15	
	Valuable (Beyond 720 Hrs/ 30 days)	30.22	

**If Cargo at TKIAL, is received through approved AFS, then 30% lower TSP (Terminal, Storage and Processing) charges shall be applicable.*

Notes:

1. Free storage period for import cargo shall be 48 hrs. (02 working days) from the date and time of segregation reflected in the ICEGATE. For the next 48 hrs, (02 working days), demurrage will be charged at "per kg per day" non-cumulative basis, provided the consignment is cleared within 96 hrs. (04 working days), from the date and time of segregation reflected in the ICEGATE. If clearance is affected after 96

hrs. (04 working days), demurrage will accrue for the entire period from the date/time of segregation reflected in the ICEGATE.

2. Consignments of human remains, coffins including baggage of deceased and Human eyes will be exempted from the purview of Terminal, Storage and Processing charges and Demurrage charges.
3. Terminal, Storage and processing charges are inclusive of Forklift charges wherever Forklift usage is involved. No separate Forklift charges will be levied.
4. Charges will be levied on the 'gross weight' or the 'chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) volume weight is wrongly indicated on the Airway Bill and is actually found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight' or 'chargeable weight' whichever is higher.
5. Special Import cargo consists of cargo stored in cold storage, live animals and hazardous goods.
6. Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry & watches made of silver, gold platinum and items valued at USD 1000 per Kg. and above.
7. Any product/commodity having inbuilt/ mounted with Lithium batteries will be continued to be treated as Hazardous Cargo for storage / handling purpose Special charges will be levied accordingly.
8. Wherever 24 hours operations are NOT implemented due to lack of presence of all related/regulatory agencies, INR 200.00 for FY 2024-2025, INR 220.00 for FY 2025-2026, & INR 242 for FY 2026-2027 per consignment will be levied as overtime charges in addition to next working day demurrage charges.
9. XBIS usage charges INR 1.22 per kg for FY 2024-2025, INR 1.34 per kg for FY 2025-2026, & INR 1.47 per kg for FY 2026-2027 subject to minimum of INR 183.00 for FY 2024-2025, INR 201.00 for FY 2025-2026, & INR 221 for FY 2026-2027 per consignment (as per the requirement of Customs for speedy clearance of import cargo).
10. Charges shall be leviable on airlines separately for installation/ commissioning/ maintenance of Air cargo Inspection System (ACIS) as stipulated by CBIC, as and when implemented.
11. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
12. All minimum charges shall be rounded off to the nearest Rupee 1.00.
13. All Bills shall be rounded up to the nearest higher of Rupee 1.00.
14. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
15. Opening / Repacking Charges: INR 10.00 for FY 2024-25, INR 11.00 for 2025-26, & INR 12.00 for FY 2026-27 per pkg. subject to minimum of INR 20.00 for FY 2024-25, INR 22.00 for 2025-26, & INR 24.00 for FY 2026-27 per consignment.
16. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

17.1.9 **Schedule of charges leviable to Airlines for various International Cargo handling Services by TKIAL at the Cargo Terminal**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Activity	Minimum Charges	Per Kg (Rs.)
1	Charges for Export Cargo unitization/handling	Rs. 574 /- per EGM	2.54
2	Charges for Import De-stuffing	Rs. 444 /- per IGM	1.96

Sl. No.	Activity	Minimum Charges		Per Kg (Rs.)
3	Carting charges for transshipment of Import/Export Cargo (if Terminal Operator provides service)	Rs. 296 /- per CTM		3.88
4	Carting of cargo from aircraft stand to Cargo Terminal and vice-versa (if services of GHA not available)	Rs. 296 /- per CTM		0.86 per kg
5	(i) Storage Charges for General Export uplifted beyond free period			2.63 per kg per day
	(ii) Storage Charges for valuable Export Cargo/ Perishable/Live Animals and Hazardous Cargo uplifted beyond free period			5.26 per kg per day
6	(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	General Bulk Cargo (in Rs) (kg/day)		Loaded ULD (in Rs) (ULD/day)
		2.63		1050
	(ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	Valuable (per kg/day in Rs.)	HAZ/PER/ Live Animals (per kg/day in Rs.)	Minimum Per Consignment/AWB (in Rs.)
		6.64	4.36	366

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Activity	Minimum Charges		Per Kg (Rs.)
1	Charges for Export Cargo unitization/handling	Rs. 631 /- per EGM		2.79
2	Charges for Import De-stuffing	Rs. 488 /- per IGM		2.16
3	Carting charges for transshipment of Import/Export Cargo (if Terminal Operator provides service)	Rs. 326 /- per CTM		4.27
4	Carting of cargo from aircraft stand to Cargo Terminal and vice-versa (if services of GHA not available)	Rs. 326 /- per CTM		0.95 per kg
5	(i) Storage Charges for General Export uplifted beyond free period			2.89 per kg per day
	(ii) Storage Charges for valuable Export Cargo/ Perishable/Live Animals and Hazardous Cargo uplifted beyond free period			5.79 per kg per day
6	(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	General Bulk Cargo (in Rs) (kg/day)		Loaded ULD (in Rs) (ULD/day)
		2.89		1155
	(ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed	Valuable	HAZ/PER/ Live Animals	Minimum Per Consignment/AWB

Sl. No.	Activity	Minimum Charges		Per Kg (Rs.)
	Custodian within 5 hours of flight landing (subject to Customs stipulation)	(per kg/day in Rs.)	(per kg/day in Rs.)	(in Rs.)
		7.30	4.80	403

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Activity	Minimum Charges		Per Kg (Rs.)
1	Charges for Export Cargo unitization/handling	Rs. 694 /- per EGM		3.07
2	Charges for Import De-stuffing	Rs. 537 /- per IGM		2.38
3	Carting charges for transshipment of Import/Export Cargo (if Terminal Operator provides service)	Rs. 359 /- per CTM		4.70
4	Carting of cargo from aircraft stand to Cargo Terminal and vice-versa (if services of GHA not available)	Rs. 359 /- per CTM		1.05 per kg
5	(i) Storage Charges for General Export uplifted beyond free period			3.18 per kg per day
	(ii) Storage Charges for valuable Export Cargo/ Perishable/Live Animals and Hazardous Cargo uplifted beyond free period			6.37 per kg per day
6	(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	General Bulk Cargo (in Rs) (kg/day)		Loaded ULD (in Rs) (ULD/day)
		3.18		1271
	(ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	Valuable	HAZ/PER/ Live Animals	Minimum Per Consignment/AWB
		(per kg/day in Rs.)	(per kg/day in Rs.)	(in Rs.)
		8.03	5.28	443

Notes:

1. Demurrage charges on Import Transshipment cargo will be as applicable to Import cargo except that no handling charges shall be levied on the airlines handled by the terminal operator where the TP cargo handed over to the airlines on airside designated area on the airport. Minimum charges will be applicable accordingly.
2. Demurrage charges on Transshipment cargo from Domestic to International and from International to International shall be treated as same as applicable for export cargo, after allowing the normal free period and subject to payment of minimum applicable export demurrage charges.
3. The free period for export cargo for the carrier from the time of entry in bonded area till upliftment shall be as per Government regulations issued from time to time.
4. No free period may be allowed on second time handling/upliftment of export cargo from cargo terminal. Applicable charges (Demurrage/Storage) shall be levied.

5. In case of Transit ULDs brought by the Airlines handed over to the terminal operator for Storage in the Bonded Area/ETV stacker for any reasons, the Storage Charges as per point 6(i) & 6(ii) of the above table shall be levied.
6. The free period for export cargo for the NSOs in the bonded area, would be same as applicable for scheduled carrier as per the government regulations issued from time to time, from the time of physical acceptance at bonded area.
7. XBIS usage charges @ INR 1.22 per kg for FY 2024-25, INR 1.34 per kg for FY 2025-26, & INR 1.47 per kg for FY 2026-27 subject to minimum of INR 183.00 for FY 2024-25, INR 201.00 for FY 2025-26, & INR 221.00 for FY 2026-27 per shipment at Export. The same is applicable at 50% per kg subject to minimum of INR 122.00 for FY 2024-25, INR 134.00 for FY 2025-26, & INR 147.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.
8. Charges shall be leviable separately for installation / commissioning / maintenance of Air Cargo Inspection System (ACIS) as stipulated by CBIC, as & when implemented.
9. Additional Packing services required by Airlines for any shipment shall be additionally chargeable.
10. All the Scheduled Airlines shall maintain Security Deposit for adequate amount as prescribed by the terminal operator for the cargo operations apart from the security deposit for License Fee and enter into an agreement for availing credit facility as per the policy prescribed from time to time.
11. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
12. All minimum charges shall be rounded off to the nearest Rupee 1.00
13. All Bills shall be rounded up to the nearest higher of Rupee 1.00
14. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
15. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

17.1.10 **Domestic Outbound Cargo Charges leviable on Shippers/ Consignor(s) etc.**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Type of Charge	per Kg (Rs.)	Minimum Charges (Rs.)
1	**Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)**		
	a) General Cargo	1.16	170
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.31	338
2	**Demurrage Charges/Storage**		
	a) General Cargo	1.16/kg/day	170
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.31/kg/day	338
3	Amendment of Airway Bill	154.00 per AWB	
4	Return Cargo Charges	154.00 per AWB	

Sl. No.	Type of Charge	per Kg (Rs.)	Minimum Charges (Rs.)
5	Strapping/Re-packing Charges	Rs. 11.00 per package subject to a minimum of Rs. 21.00 per AWB for the actual services provided by TKIAL	

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Type of Charge	per Kg (Rs.)	Minimum Charges (Rs.)
1	**Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)**		
	a) General Cargo	1.28	187
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.54	372
2	**Demurrage Charges/Storage**		
	a) General Cargo	1.28/kg/day	187
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.54/kg/day	372
3	Amendment of Airway Bill	169.00 per AWB	
4	Return Cargo Charges	169.00 per AWB	
5	Strapping/Re-packing Charges	Rs. 12.00 per package subject to a minimum of Rs. 23.00 per AWB for the actual services provided by TKIAL	

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Type of Charge	per Kg (Rs.)	Minimum Charges (Rs.)
1	**Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)**		
	a) General Cargo	1.41	206
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.79	409
2	**Demurrage Charges/Storage**		
	a) General Cargo	1.41/kg/day	206
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.79/kg/day	409
3	Amendment of Airway Bill	186.00 per AWB	
4	Return Cargo Charges	186.00 per AWB	
5	Strapping/Re-packing Charges	Rs. 13.00 per package subject to a minimum of Rs. 25.00 per AWB for the actual services provided by TKIAL	

Notes:

1. The free period for outbound domestic cargo shall be 12 hours for examination/processing by the shipper/consignor/authorized representative etc. and 12 hours for airlines at SHA.
2. Consignment of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the purview of domestic cargo handling & demurrage charges. No XBIS/ETD usage charges will also be leviable on these shipments.

3. The domestic cargo handling charges are inclusive of forklift charges wherever forklift usage is involved. No separate forklift charges will be levied.
4. As per IATA definition, Special cargo consists of cold storage, live animals, hazardous goods & valuable cargo.
5. Charges will be levied on the 'gross weight' or the chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
6. For mis-declaration of weight above 2% and upto 5% of declared weight, penal charges @ double the applicable domestic cargo handling charges and for variation above 5%, the penal charges @ 5 times the applicable domestic cargo handling charges will be leviable on the differential weight, subject to minimum amount equivalent to the applicable minimum domestic cargo handling Charges. No penal charges will be leviable for variation upto and inclusive of 2%. No weight deviation permissible in VAL Cargo.
7. XBIS usage charges INR 1.06 per kg for FY 2024-25, INR 1.17 per kg for FY 2025-26, & INR 1.29 per kg for FY 2026-27 subject to minimum of INR 159.00 for FY 2024-25, INR 175.00 for FY 2025-26, & INR 193.00 for FY 2026-27 per AWB. The same is applicable at 50% per kg subject to minimum of INR 106.00 for FY 2024-25, INR 117.00 for FY 2025-26, & INR 129.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.
8. All minimum charges shall be rounded off to the nearest Rupee 1.00
9. All Bills shall be rounded up to the nearest higher of Rupee 1.00
10. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
11. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for FY 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

17.1.11 **Domestic Inbound Cargo Charges leviable on Consignee(s) etc.**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Type of Charge	per Kg (Rs.)	Minimum Charges (Rs.)
1	**Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)**		
	a) General Cargo	1.16	170
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.31	338
2	**Demurrage Charges/Storage**		
	a) General Cargo	1.16/kg/day	170
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.31/kg/day	338

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Type of Charge	per Kg (Rs.)	Minimum Charges (Rs.)
1	**Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)**		
	a) General Cargo	1.28	187
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.54	372
2	**Demurrage Charges/Storage**		
	a) General Cargo	1.28/kg/day	187
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.54/kg/day	372

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Type of Charge	per Kg (Rs.)	Minimum Charges (Rs.)
1	**Terminal, Storage and Processing Charges (Standard Charges for processing & Handling at Air Cargo Terminal)**		
	a) General Cargo	1.41	206
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.79	409
2	**Demurrage Charges/Storage**		
	a) General Cargo	1.41/kg/day	206
	b) Special (AVI)/PER/HAZARDOUS/VAL	2.79/kg/day	409

Notes:

1. The free period for inbound domestic cargo shall be one working day for processing/delivery by the consignee/authorized representative etc.
2. Consignment of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the purview of domestic cargo handling & demurrage charges.
3. The domestic cargo handling charges are inclusive of forklift charges wherever forklift usage is involved. No separate forklift charges will be levied.
4. Charges will be levied on the 'gross weight' or the chargeable weight' of the consignment, whichever is higher. Wherever the 'gross weight' and (or) 'volume weight' is wrongly indicated on the Airway Bill and is found more, charges will be levied on the 'actual gross weight' or 'actual volumetric weight', whichever is higher.
5. As per IATA definition, Special cargo consists of cargo stored in cold storage, live animals, valuable & hazardous goods.
6. Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, travelers' cheques, diamonds (including diamonds for industrial use), diamond jewellery, jewellery & watches made of silver, gold platinum & items valued at US$ 1000 and above.
7. All minimum charges shall be rounded off to the nearest Rupee 1.00
8. All Bills shall be rounded up to the nearest higher of Rupee 1.00
9. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.

10. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

17.1.12 **Schedule of charges leviable on Airlines for Domestic Cargo Handling**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Activity	Per Kg (Rs.)	Minimum per flight (Rs.)
1	Unloading of incoming cargo loaded on trolleys (Bulk cargo handling)	1.16	154
2	Loading of outgoing cargo on trolleys (Bulk cargo handling)	1.16	154
3	Loading of Container/Pallet	2.05	385
4	De-stuffing of Container/Pallet	2.05	385

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Activity	Per Kg (Rs.)	Minimum per flight (Rs.)
1	Unloading of incoming cargo loaded on trolleys (Bulk cargo handling)	1.28	169
2	Loading of outgoing cargo on trolleys (Bulk cargo handling)	1.28	169
3	Loading of Container/Pallet	2.26	424
4	De-stuffing of Container/Pallet	2.26	424

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Activity	Per Kg (Rs.)	Minimum per flight (Rs.)
1	Unloading of incoming cargo loaded on trolleys (Bulk cargo handling)	1.41	186
2	Loading of outgoing cargo on trolleys (Bulk cargo handling)	1.41	186
3	Loading of Container/Pallet	2.49	466
4	De-stuffing of Container/Pallet	2.49	466

Notes:

1. All minimum charges shall be rounded off to the nearest Rupee 1.00
2. All Bills shall be rounded up to the nearest higher of Rupee 1.00
3. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
4. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

17.1.13 **Schedule of charges leviable on Non-Scheduled Operators**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Activity	Minimum Charges (Rs.)		Per Kg (Rs.)
1	Unitization/loading charges	Rs. 726 per EGM		4.30 per kg
2	Charges for De-stuffing	Rs. 835 per IGM		3.25 per kg
3	Carting charges for Transshipment Cargo to other Domestic Airlines (if TKIAL provides service)	Rs. 556 per CTM		6.33 per kg
4	Carting of cargo from Cargo Terminal to aircraft stand and vice-versa (if services of GHA not available)	Rs. 556 per CTM		1.39 per kg
5	(i) Storage Charges for General Export uplifted beyond free period			4.34 per kg per day
	(ii) Storage Charges for valuable Export Cargo/ Perishable/Live Animals and Hazardous Cargo uplifted beyond free period.			8.74 per kg per day
6	(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	General Bulk Cargo		Loaded ULD
		(in Rs) (kg/day)		(in Rs) (ULD/day)
		4.34		1734
	(ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	Valuable	HAZ/PER/Live Animals	Minimum Charges Per Consignment/AWB
		(per kg/ day in Rs.)	(per kg/ day in Rs.)	(in Rs.)
		10.92	7.23	602

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Activity	Minimum Charges (Rs.)	Per Kg (Rs.)
1	Unitization/loading charges	Rs. 799 per EGM	4.73 per kg
2	Charges for De-stuffing	Rs. 919 per IGM	3.58 per kg
3	Carting charges for Transshipment Cargo to other Domestic Airlines (if TKIAL provides service)	Rs. 612 per CTM	6.96 per kg
4	Carting of cargo from Cargo Terminal to aircraft stand and vice-versa (if services of GHA not available)	Rs. 612 per CTM	1.53 per kg
5	(i) Storage Charges for General Export uplifted beyond free period		4.77 per kg per day
	(ii) Storage Charges for valuable Export Cargo/ Perishable/Live Animals and Hazardous Cargo uplifted beyond free period.		9.61 per kg per day
6	(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs	General Bulk Cargo	Loaded ULD
		(in Rs) (kg/day)	(in Rs) (ULD/day)
		4.77	1907

Sl. No.	Activity	Minimum Charges (Rs.)		Per Kg (Rs.)
	appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)			
	(ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	Valuable	HAZ/PER/Live Animals	Minimum Charges Per Consignment/AWB
		(per kg/ day in Rs.)	(per kg/ day in Rs.)	(in Rs.)
		12.01	7.95	662

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Activity	Minimum Charges (Rs.)		Per Kg (Rs.)
1	Unitization/loading charges	Rs. 879 per EGM		5.20 per kg
2	Charges for De-stuffing	Rs. 1011 per IGM		3.94 per kg
3	Carting charges for Transshipment Cargo to other Domestic Airlines (if TKIAL provides service)	Rs. 673 per CTM		7.66 per kg
4	Carting of cargo from Cargo Terminal to aircraft stand and vice-versa (if services of GHA not available)	Rs. 673 per CTM		1.68 per kg
5	(i) Storage Charges for General Export uplifted beyond free period			5.25 per kg per day
	(ii) Storage Charges for valuable Export Cargo/ Perishable/Live Animals and Hazardous Cargo uplifted beyond free period.			10.57 per kg per day
6	(i) Penal/Storage charges on Airlines/Agencies for not handing over of general import cargo (including courier cargo) to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	General Bulk Cargo		Loaded ULD
		(in Rs) (kg/day)		(in Rs) (ULD/day)
		5.25		2098
	(ii) Penal/Storage charges on Airlines/Agencies for not handing over of 'Val'/ Haz/Perishable/Live Animal Import Cargo to the Customs appointed Custodian within 5 hours of flight landing (subject to Customs stipulation)	Valuable	HAZ/PER/Live Animals	Minimum Charges Per Consignment/AWB
		(per kg/ day in Rs.)	(per kg/ day in Rs.)	(in Rs.)
		13.21	8.75	728

Notes:

1. Demurrage charges on Import Transshipment cargo will be as applicable to Import cargo except that no handling charges shall be levied on the airlines handled by the terminal operator where the TP cargo handed over to the airlines on airside designated area on the airport. Minimum charges will be applicable accordingly.
2. Demurrage charges on Transshipment cargo from Domestic to International and from International to International shall be treated as same as applicable for export cargo, after allowing the normal free period and subject to payment of minimum applicable export demurrage charges.

3. The free period for export cargo for the NSOs in the bonded area, would be same as applicable for scheduled carrier as per the government regulations issued from time to time, from the time of physical acceptance at bonded area.
4. NSO operators/their authorized agencies shall register with Terminal operator along with all required permission/documents from Customs & DGCA and various other regulatory agencies and are required to maintain security deposit with Terminal Operator equivalent to two month's transactions or as advised. In addition to security deposit, NSO operators may maintain running account with the terminal operator with adequate balance to avoid Cash & carry model.
5. No free period may be allowed on second time handling/upliftment of export cargo from cargo terminal. Applicable charges (Demurrage/Storage) shall be levied.
6. In case of Transit ULDs brought by the Airlines handed over to the terminal operator for Storage in the Bonded Area/ETV stacker for any reasons, the Storage Charges as per point 6(i) & 6(ii) of the above table shall be levied.
7. XBIS usage charges INR 1.22 per kg for FY 2024-25, INR 1.34 per kg for FY 2025-26, & INR 1.47 per kg for FY 2026-27 subject to minimum of INR 183.00 for FY 2024-25, INR 201.00 for 2025-26, & INR 221.00 for FY 2026-27per shipment at Export. The same is applicable at 50% per kg subject to minimum of INR 122.00 for FY 2024-25, INR 134.00 for FY 2025-26, & INR 147.00 for FY 2026-27 per ODC shipment where physical check with the help of ETDs are facilitated. However, for random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.
8. Charges shall be leviable separately for installation / commissioning / maintenance of Air Cargo Inspection System (ACIS) as stipulated by CBIC, as & when implemented.
9. Any other agencies operating at the airport utilizing the terminal operator's equipment like Forklift, Tractor and any other equipment shall be charged separately.
10. All minimum charges shall be rounded off to the nearest Rupee 1.00
11. All Bills shall be rounded up to the nearest higher of Rupee 1.00
12. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
13. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

17.1.14 **Regulated Agent Facilitation (for Export and Domestic Outbound)**

Applicable rates from July 1, 2024 to March 31, 2025

Sl. No.	Activity	Minimum Charges (Rs.)	Per Kg (Rs.)
1	i) X-Ray Machine Usage Charges (Export)	Rs. 183 per Consignment/AWB	1.22 per kg
	ii) Use of ETD for ODC (Export)	Rs. 122.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.	0.61 per kg
2	i) X-Ray Machine Usage Charges (Domestic outbound)	Rs. 159 per Consignment/AWB	1.06 per kg

Sl. No.	Activity	Minimum Charges (Rs.)	Per Kg (Rs.)
	ii) Use of ETD for ODC (Domestic outbound)	Rs. 106.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.	0.53 per kg
3	Screening & Certification Charges		
	i) Export	Rs. 183 per shipment/AWB	1.83 per kg
	ii) Domestic Outbound	Rs. 127 per shipment/AWB	1.40 per kg
4	Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines)	Rs. 1060 per flight (Subject to negotiation based on type of Aircraft and load)	0.11 per kg

Applicable rates from April 1, 2025 to March 31, 2026

Sl. No.	Activity	Minimum Charges (Rs.)	Per Kg (Rs.)
1	i) X-Ray Machine Usage Charges (Export)	Rs. 201 per Consignment/AWB	1.34 per kg
	ii) Use of ETD for ODC (Export)	Rs. 134.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.	0.67 per kg
2	i) X-Ray Machine Usage Charges (Domestic outbound)	Rs. 175 per Consignment/AWB	1.17 per kg
	ii) Use of ETD for ODC (Domestic outbound)	Rs. 117.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.	0.59 per kg
3	Screening & Certification Charges		
	i) Export	Rs. 201 per shipment/AWB	2.01 per kg
	ii) Domestic Outbound	Rs. 140 per shipment/AWB	1.54 per kg
4	Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines)	Rs. 1166 per flight (Subject to negotiation based on type of Aircraft and load)	0.12 per kg

Applicable rates from April 1, 2026 to March 31, 2027

Sl. No.	Activity	Minimum Charges (Rs.)	Per Kg (Rs.)
1	i) X-Ray Machine Usage Charges (Export)	Rs. 221 per Consignment/AWB	1.47 per kg
	ii) Use of ETD for ODC (Export)	Rs. 147.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.	0.74 per kg
2	i) X-Ray Machine Usage Charges (Domestic outbound)	Rs. 193 per Consignment/AWB	1.29 per kg
	ii) Use of ETD for ODC (Domestic outbound)	Rs. 129.00 per ODC shipment/AWB where physical check with the help of ETDs are facilitated. However, in random check cases in ETDs by Airlines after scanning through XBIS, no charges to be levied for usage of ETDs.	0.65 per kg
3	Screening & Certification Charges		
	i) Export	Rs. 221 per shipment/AWB	2.21 per kg
	ii) Domestic Outbound	Rs. 154 per shipment/AWB	1.69 per kg
4	Security services for escorting of Cargo from Cargo Terminal to Aircraft and vice-versa and handing over to the Airlines representative (For both Scheduled Airline and Non-Scheduled Airlines)	Rs. 1283 per flight (Subject to negotiation based on type of Aircraft and load)	0.13 per kg

Notes:

1. All minimum charges shall be rounded off to the nearest Rupee 1.00
2. All Bills shall be rounded up to the nearest higher of Rupee 1.00.
3. All the above charges are excluding GST, which will be levied at applicable rates announced by GoI from time to time.
4. Miscellaneous charges @ INR 2.00/kg for FY 2024-25, INR 2.20/kg for 2025-26, & INR 2.42/kg for FY 2026-27 for the service requests from the customers other than the services already mentioned in the above tariff chart.

AERA

17.2 Annexure 2: Summary of Study on Allocation of Assets between Aeronautical and Non-Aeronautical Assets

17.2.1 Objective

- The objective of the Study is to determine a basis for appropriate segregation of assets between Aeronautical, Non-aeronautical and Common assets as per the provisions of the AERA Act and the Concession Agreement entered into between AAI and TKIAL. The Common assets have been further segregated between Aeronautical and Non-aeronautical assets based on Terminal Building ratio, Employee Head Count ratio or Staff Quarters ratio, as appropriate.
- The Estimated Deemed Initial RAB as on 31st March 2018, as per the Concession Agreement between AAI and TKIAL was Rs. 424 crores.

17.2.2 Analysis of assets capitalized by AAI in SCP (till COD)

- The Opening RAB for FY 2016-17 of the SCP was examined as per the Study and adjusted with Rs. 12.48 crores of left out assets (refer Annexure 1 of the "*Study on allocation of Assets between Aeronautical and Non-Aeronautical Assets for TRV, Thiruvananthapuram*") which were not considered by AERA at the time of SCP order as mentioned in para 4.2 of the Study

  "4.2.2 For true-up, AAI has considered a slightly different value for Opening RAB for FY 2016-17 from what was approved by AERA in the Tariff Order for TRV for the Second Control Period. The opening RAB submitted by AAI as part of the true up proposal submission is Rs. 357.01 crores. On seeking clarification, AAI has given the following justification for the difference of Rs. 12.48 crores – "the reason for variation is that certain assets were inadvertently excluded during the tariff finalization process for the Second Control Period. However, these assets were subsequently identified and included when transferring them to TKIAL. Consequently, these assets have been duly considered and accounted for in the Opening RAB for the Second Control Period."

- AAI, at the time of SCP Order, was unable to provide information regarding these assets. However, AAI shared the information during the true-up submission. The Study carefully verified each asset that had been excluded and reconciled them with the Joint Asset Reconciliation Statement, which was jointly prepared by AAI and TKIAL after conducting a physical verification. As a result of this verification process, it was confirmed that these assets were actually present at TRV, leading to their inclusion in the Opening RAB of AAI.
- Financing Allowance claimed by AAI as mentioned in para 4.3.4 not allowed as per the Study.

  *"4.3.4 **Financing Allowance**: It was observed that in Table 5, the RAB included Financing Allowance of Rs. 10.05 crores as additions to the SCP. It was noted that AAI in the SCP has not disclosed any borrowings in the True up submission. Therefore, considering the nature of airport as brown field and the detailed explanation provided in this regard in para 6.4.2, the Study proposes not to allow financing allowance as additions for the determination of RAB"*

- Adjustments of provision of accounting standards (para 4.3.5), inclusion of interest during construction (para 4.3.6) and inclusion of the left-out assets (refer para 4.3.7) as per the Study has decreased aeronautical Gross Block by Rs. 1.82 crores.

"4.3.5 ***Financial Lease Assets (Accounting treatment Adjustment):***

• Upon detailed review of the assets, it was observed that assets worth Rs. 3.10 crores were acquired under a contract to operate the X-ray Baggage Inspection Systems (XBIS) using a Build-Operate-Transfer (BOT) model. According to this contract, AAI leased the XBIS system for a period of 6 years, with an annual lease payment of Rs. 0.65 crores. Initially, AAI treated this lease as an operating lease, recording the lease payment as part of its O&M expenses until FY 2018-19. Study on Allocation of Assets between Aeronautical and Non-Aeronautical Assets for TRV, Thiruvananthapuram

• However, in FY 2019-20, due to the implementation of accounting standard on leases, AAI reclassified the lease from an operating lease to a "Financial Lease." Consequently, the asset value of Rs. 3.10 crores were included as additions to the Regulated Asset Base (RAB).

• Nevertheless, this change in accounting treatment does not accurately reflect the true RAB for tariff determination under the AERA Act, 2008. Therefore, the Study suggests that these assets should not be considered as part of the RAB additions but rather as an expense."

"4.3.6 ***Interest on Capital Expenditure during Construction****: The Study upon detailed review of MYTP submission by AAI, noted that interest on Capital expenditure has been included in Operating and Maintenance expenses for the SCP. It was explained by AAI that the interest is associated with a loan obtained from AXIS Bank in FY 2020-21 at the headquarters level. This interest has been allocated to the station (TRV) based on the portion of the loan utilized for acquiring capital assets. According to the Study and Direction 5 of AERA, interest on Capex represents the financing cost incurred in acquiring capital assets. Therefore, this cost should be capitalized and considered as part of RAB in order to claim a return on investment. Hence, the cost has been considered as a part of capital additions commissioned and acquired through debt in FY 2020-21 and Pre COD period."*

"4.3.7 ***Left out Assets****: Further to the submission in the MYTP, AAI has informed vide email dated 17th November 2023 that it had inadvertently left out two assets amounting to Rs. 1.12 crores and capitalized in FY 2017-18, while submitting the proposal for true up of RAB as on COD. These relate to assets which were constructed by or were available with Kerala State Industrial Enterprises Limited (KSIE) that were transferred/handed over to AAI. AAI has also informed that these were later transferred to TKIAL along with other assets on COD. Hence the cost related to these assets has been considered as a part of RAB additions."*

- The classification of individual assets capitalized by AAI in the Second Control Period and Pre-COD period into Aeronautical, Non-aeronautical, ANS and Common, was examined and wherever necessary, assets were reclassified based on the information available in the FAR and the methodology detailed in Chapter 3 of the Study and were further allocated based on Terminal Building Ratio, Employee Head Count Ratio and Staff Quarters Ratio as per para 4.4.4, Table 14 and Table 15 respectively of the Study. The decrease in additions to aeronautical Gross Block due to such reclassifications is 2.84 crores.
- The reclassification, change in useful life and exclusion of assets also had an impact on the aeronautical depreciation for the Second Control Period and Pre-COD period. Therefore, the depreciation was recomputed considering the changes made to the aeronautical Gross Block. This re-computation has led to a reduction of Rs. 1.11 crores across the SCP and the Pre-COD period.
- Post adjustments, the RAB as on COD for AAI was determined to be Rs. 491.23 crores as compared to AAI's submission of Rs. 503.87 crores.

17.2.3 **Analysis of transfer of assets from AAI to TKIAL as on COD**

- The net value of aeronautical assets (including ANS assets) transferred from AAI to TKIAL as per the Joint Asset Reconciliation Statement submitted by AAI & TKIAL is Rs. 486.26 crores.
- As a result of the adjustments, reclassification, the revision in the Terminal Area Ratio and Employee Head Count Ratio and the resultant changes in depreciation, the Study determined the Initial RAB to be Rs. 483.77 crores as against the Initial RAB of Rs. 486.26 crores submitted by TKIAL.

17.2.4 **Analysis of assets capitalized by TKIAL in post-COD**

- The assets capitalized by TKIAL post COD were examined and classified into Aeronautical, Common and Non-aeronautical, based on the information in the FAR and the following laid out principles:

*"**3.2.1** As part of this Study, various asset categories have been reviewed and a basis has been developed for the classification of assets into Aeronautical, Non-aeronautical, ANS and Common.*

***3.2.2** Assets which are directly used for rendering of aeronautical services defined under section 2 (a) of the AERA Act of 2008 are classified as Aeronautical Assets. As per Section 2 (a) of the Act, "aeronautical service" means any service provided for:*
i. navigation, surveillance and supportive communication thereto for air traffic management,
ii. the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at an airport,
iii. ground safety services at an airport,
iv. ground handling services relating to aircraft, passengers and cargo at an airport,
v. the cargo facility at an airport,
vi. supplying fuel to the aircraft at an airport, vii. services for a stakeholder at an airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority.
***3.2.3** TKIAL commenced the operations at TRV from 14th October 2021 (COD). In the context of the Control Period and true-up process, it is essential to highlight that the COD of TRV, which took place in FY 2021-22, falls outside the control period of 5 years of the Second Control Period for true up purposes. However, in Public Notice No. 05/2022-23, issued on 20th June 2022, AERA made a decision to consider the true-up for the period from 1st April 2021 to 31st March 2022, during the determination of tariffs for the upcoming Third Control Period.*
***3.2.4** Therefore, in the Study, it is necessary to examine the asset allocation followed by both AAI (until COD) as well that followed by TKIAL (post COD). The criteria explained in Para 3.1 above would also be applicable for the assets capitalized by TKIAL. The same can be inferred from Clause 1.1 of the Concession Agreement signed between AAI and TKIAL. The relevant sections of the clause are as follows:*
• "Aeronautical Assets" means the assets which are necessary or required for the performance of Aeronautical Services at the Airport and shall include such other assets as the Concessionaire may procure from time to time, in accordance with the provisions of this Agreement, for or in relation to performance of Aeronautical Services, and does not include Non-Aeronautical Assets.
• "Aeronautical Services" has the meaning as set forth in the AERA Act."

- Further allocated by considering the Terminal Building ratio of 90%:10% and Employee Head Count Ratio of 98.19%: 1.81%. As a result, there was a reduction of Rs. 0.33 crores in the aeronautical capital additions post COD.
- TKIAL had also considered a Financing Allowance of Rs. 0.14 crores under the capital additions submitted by them. The Study has proposed to exclude this amount of Rs. 0.14 crores from the aeronautical capital additions post COD based on the rationale shared in para 6.4.2

  "6.4.2 Review of TKIAL's claim as well as the justification provided for the same in detail and the Study's views on the same are as shown below:

  • Providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators as the investment in the asset class will then be equated to risk free rate of return.

  • Further, provision of Financing Allowance will disincentivize the Airport Operators from ensuring timely completion of projects and delivery of services to the users. Therefore, a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred if debt is used for funding projects.

  • Furthermore, the future returns from the project should generate adequate returns to cover the cost of equity during the construction stage. The airport operator is adequately compensated for the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.

  • Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, financing allowance was provisioned in the initial stages to such airports. It may be further noted that financing allowance was never provided in the case of brownfield airports like MIAL, DIAL and other AAI airports. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development, after which IDC was permitted on the debt portion of the proposed capital expenditure.

  • It is pertinent to note that in case of a greenfield airport, investment in regulatory blocks by the Airport Operator would not make the airport facilities available to the passengers. Brownfield and Greenfield airports can't be equated on this issue. In greenfield airports, the tariff is not applicable, and no revenue is available to the Airport Operator till the aeronautical services have been created and put to use. However, in the case of brownfield airports, where the AO brings in additional investments, the airport facilities are mobilized and enabled to other functional parts of the airport, which remains functional, and the AO keeps on enjoying the charges from the users. In the case of TRV, the Airport ought to be considered as a brownfield airport, which would not be eligible for an allowance on equity portion of newly funded capital projects.

  • Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt."

- The asset adjustments also have an impact on depreciation. Further, it was observed that the useful lives considered by TKIAL for certain assets were not in line with AERA Order No. 35/2017-18 dated 12th January 2018. The Study recomputed the depreciation for Post COD period after revising the useful life of assets wherever necessary.
- Accordingly, the RAB for TKIAL as on 31st March 2022 was determined to be Rs. 457.94 crores.

17.2.5 **Conclusion**

- The revised RAB (Net block of assets) as on 14th October 2021 and 31st March 2022, after the above adjustments and reclassifications are summarized in the table below:

Table 222: Summary of adjustments to RAB as on 14th October 2021 and 31st March 2022

(Rs. in crores)

Particulars	Ref.	Ref.*	Amount
RAB as on 13th October 2021, submitted by AAI	**A**	Table 5	**503.87**
Less: Financing allowance	**B**	Table 5	9.08
Adjustments and Reclassification proposed as per the Study report			
Less: Financial Lease net block as on 13th October 2021	**C**	Table 11	3.10
Add: IDC net block as on 13th October 2021	**D**	Table 11	0.16
Add: Left out assets	**E**	Table 11	1.12
Less: Reclassification of assets	**F**	Table 17	2.84
Add: Adjustments as per the Study due to reclassification/revision of depreciation	**G**	Table 22	1.11
Adjusted RAB as on 13th October 2021 for AAI	**H = A-B-C+D+E-F+G**		**491.23**
Less: Assets retained by AAI	I	Annexure 4	8.00
Add: Buildings for navigational aids/ radar installations reclassified	J		0.54
Adjusted RAB as on 13th October 2021 transferred by AAI to TKIAL	**K = H-I+J**		**483.77**
Add: Other additions to RAB by Airport Operator during the period from COD till 31st March 2022 as per the Study report	L	Table 28	4.00
Less: Depreciation for the period from COD up to 31st March 2022 as per the Study report	M	Table 33	29.83
Revised adjusted RAB as on 31st March 2022 for TKIAL	**N = K+L-M**		**457.94**

**Refers to Tables and Annexures of the Study on Allocation of Assets between Aeronautical and Non-Aeronautical Assets*

- Based on the adjustments, reclassification, reallocation and recomputed depreciation, the Regulatory Asset Base for the Second Control Period & FY 2021-22 for TRV was determined as per the Study as follows:

Table 223: RAB for SCP & FY 2021-22 as determined as per the current Study for AAI & TKIAL

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total	Pre-COD	Total	Post COD	Total
Submission by	**AAI**								**TKIAL**	
Opening RAB	357.01	454.87	437.76	450.07	485.12		507.88		486.26	
Addition	130.36	16.52	50.09	76.63	71.28	**344.88**	19.01	**363.88**	4.47	**368.35**
Depreciation	29.49	33.63	37.64	40.09	43.39	**184.24**	23.01	**207.26**	48.71	**255.96**
Sales/Disposals/ Transfers	3.01	-	0.14	1.48	5.14	**9.77**	-	**9.77**	-	**9.77**
Closing RAB	**454.87**	**437.76**	**450.07**	**485.12**	**507.88**		**503.87**		**442.02**	
Average RAB	**405.94**	**446.31**	**443.91**	**467.59**	**496.50**		**505.87**		**464.14**	
Revised as per Study	**AAI**								**TKIAL**	
Opening RAB	357.01	452.25	435.68	447.52	476.74		496.28		483.77	
Addition	127.71	16.95	49.41	70.26	67.37	**331.69**	17.48	**349.17**	4.00	**353.17**
Depreciation	29.46	33.52	37.43	39.56	42.69	**182.65**	22.53	**205.19**	29.83	**235.02**

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total	Pre-COD	Total	Post COD	Total
Sales/Disposals/Transfers	3.01	-	0.14	1.48	5.14	9.77	-	9.77	-	9.77
Closing RAB	**452.25**	**435.68**	**447.52**	**476.74**	**496.28**		**491.23**		**457.94**	
Average RAB	**404.63**	**443.96**	**441.60**	**462.13**	**486.51**		**493.75**		**470.86**	

- Based on this Study, the aeronautical capital addition for the Second Control Period, Pre and Post COD Period is Rs. 353.17 crores (Rs. 349.17 crores by AAI until COD and Rs. 4.00 crores by TKIAL post COD). There has been a total reduction of Rs. 15.18 crores in the aeronautical additions as against the submissions of AAI and TKIAL. The Initial RAB as on COD was determined as per the Study to be Rs. 483.77 crores.

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17.3 Annexure 3: Summary of Study on Efficient Operation and Maintenance expenses

17.3.1 Assessment of O&M Expenses and its allocation submitted by AAI and as per the current Study for SCP & Pre-COD Period

Allocation Ratios

- The allocations ratios submitted by AAI and recomputed as per the Study are as follows:

Table 224: Allocation Ratios submitted by AAI and recomputed as per the current Study for the SCP & Pre-COD Period

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Pre-COD Period
Submitted by AAI						
Employee Ratio (Aero : Non-Aero : ANS)	74.50% : 1.20% : 24.30%	72.31% : 1.24% : 26.45%	71.37% : 1.45% : 27.18%	70.21% : 1.06% : 28.72%	70.07% : 1.11% : 28.82%	68.02% : 1.19% : 30.79%
Employee Ratio (Aero : Non-Aero)	98.41% : 1.59%	98.31% : 1.69%	98.01% : 1.99%	98.51% : 1.49%	98.44% : 1.56%	98.28% : 1.72%
Terminal Building Ratio (Aero : Non-Aero)	92.34% : 7.66%	92.12% : 7.88%	92.21% : 7.79%	92.19% : 7.81%	93.29% : 6.71%	91.59%: 8.41%
Electricity Ratio (Aero : Non-Aero : ANS)	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%
Recomputed as per the Study						
Employee Ratio (Aero : Non-Aero : ANS)	71.71% : 3.99% : 24.3%	69.23% : 4.32% : 26.45%	68.47% : 4.35% : 27.18%	66.9% : 4.38% : 28.72%	66.75% : 4.43% : 28.82%	64.02% : 5.19% : 30.79%
Employee Ratio (Aero : Non-Aero)	94.73% : 5.27%	94.12% : 5.88%	94.02% : 5.98%	93.86% : 6.14%	93.78% : 6.22%	92.5%: 7.5%
Terminal Building Ratio (Aero : Non-Aero)	90% : 10%	90% : 10%	90% : 10%	90% : 10%	90% : 10%	90% : 10%
Electricity Ratio (Aero : Non-Aero : ANS)	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%	80.44% : 0.01% : 19.55%
Gross Block Ratio (Aero : Non-Aero : ANS)	91.82% : 2.95% : 5.23%	91.68% : 2.93% : 5.39%	91.62% : 2.79% : 5.59%	91.89% : 2.60% : 5.51%	92.17% : 2.46% : 5.37%	92.29% : 2.42% : 5.29%

17.3.2 Summary of Head wise assessment of O&M expenses submitted by AAI for SCP as per the current Study

17.3.2.1 Employee Benefit Expense

17.3.2.1.1 According to the Reasonableness assessment and trend analysis detailed in paras 3.4.3 and 3.4.4, it was noted that employee expenses witnessed an increase in FY 2017-18 and FY 2018-19. This rise can be attributed to pay revisions and provisions made for retirement benefit costs. Furthermore, the implementation of a three-year pension plan, covering the period from January 2017 to March 2019, also contributed to the rise in employee costs. Upon comparison with the approved figures of SCP and FCP actuals, the analysis of employee benefit expenses appears to be reasonable.

17.3.2.1.2 Due to revision in the allocation ratio as per the Study, the Aeronautical employee benefit expenses submitted by AAI for SCP were rationalized to Rs. 316.17 crores as per Table 17.

17.3.2.2 **Administration and General (A&G) Expense**

17.3.2.2.1 In the assessment, it was observed that the Administration and General (A&G) expenses for the SCP submitted by AAI were higher than the approved figure mentioned in the SCP order. On detailed analysis, it was observed that major reasons for the increase was interest and penalties payments and inconsistencies such as treating ANS expenses as aeronautical expense. These have been adjusted appropriately. Also, the Study has made adjustment of accounting treatment recorded by AAI for payment of lease by treating it as financial lease.

17.3.2.2.2 After adjustments, the A&G expenses seem to be reasonable as compared to SCP Order approved amount.

17.3.2.2.3 A&G expenses were adjusted, reclassified and reallocated based on principle set in para 3.3.1. Due to such revision, the Aeronautical A&G expenses submitted by AAI for SCP were rationalized to Rs. 11.96 crores as per Table 24.

17.3.2.3 **CHQ/RHQ Expense**

17.3.2.3.1 In para 3.4.11, it was noted that the CHQ & RHQ expense reported by AAI for the SCP were significantly higher than the approved amount specified in the SCP order. A comprehensive analysis was carried out as per the Study to examine and justify these expenses. As a result, the CHQ & RHQ expenses were rationalized and reallocated. Through this revision, the aeronautical CHQ & RHQ expense submitted by AAI for the SCP has been rationalized to its optimum level and allowed it to the tune of Rs. 133.72 crores (Table 27).

17.3.2.4 **Repairs and Maintenance (R&M) Expense**

17.3.2.4.1 In para 3.4.15.4, it was observed that R&M Expenses for SCP submitted by AAI was in the range that was approved in the SCP order. Upon detailed analysis, it was determined that the expenses incurred by AAI were reasonable when compared to the approved figure in the SCP order and the actual FCP expenses.

17.3.2.4.2 The Study has made adjustment in R&M expenses by re-categorizing Inline Baggage Manpower cost to Utilities & Outsourcing expenses head and R&M-BOT XBIS lease to A&G expense head (refer para 3.4.7.1(8) (1)).

17.3.2.4.3 However, from an external benchmarking perspective, the R&M Expenses of AAI appear to be on par with the expenses incurred by other comparable airports (external benchmarking is detailed in para 5.5).

17.3.2.4.4 By comparing the R&M expenses to the Opening RAB, it is concluded that the expenses incurred are within reasonable limits i.e., 6% of the Opening RAB (benchmark set by the Authority for most of the airports).

17.3.2.4.5 After considering adjustments, R&M Expenses were reclassified and reallocated based on principle set in 3.3.1. Due to such revision, the Aeronautical R&M Expenses submitted by AAI for SCP was rationalized to Rs. 59.89 crores as per Table 32.

17.3.2.5 **Utility and Outsourcing Expense**

17.3.2.5.1 In para 3.4.19, it was observed that Utility and Outsourcing Expenses for SCP submitted by AAI was higher than the approved figure in the SCP order. On detailed analysis, it was observed that expenses incurred by AAI were necessary to spend and thus appears to be reasonable as compared to approved figure in the SCP Order and FCP actuals.

17.3.2.5.2 As per para 3.4.19.3, manpower cost for AAICLAS amounting to Rs.0.36 crores have been proposed to be excluded from the aeronautical expense.

17.3.2.5.3 As per para 3.4.19.6 of the Study, Inline Baggage Manpower cost has been reclassified from R&M expense to Utilities & Outsourcing expenses in line with the hiring of manpower.

17.3.2.5.4 From an external benchmarking perspective, the Utility and Outsourcing Expenses of AAI appear to be on par with the expenses incurred by other comparable airports (external benchmarking is detailed in para 5.7).

17.3.2.5.5 After considering the adjustments, the Utility and Outsourcing Expenses were reclassified and reallocated based on principle set in para 3.3.1. Due to such revision, the Aeronautical Utility and Outsourcing Expenses submitted by AAI for SCP was rationalized to Rs. 83.56 crores as per Table 36.

17.3.2.6 **Other Outflow**

17.3.2.6.1 The category of Other Outflows includes collection charges paid to airlines and IATA for UDF and PSF. The expenses incurred for SCP exceeded the approved figures in the SCP Order because the collection charges paid to IATA were not initially considered in the projections. However, these expenses were necessary for the collection of aeronautical revenue and were based on actual figures. Therefore, they are deemed reasonable and directly related to the collection of aeronautical revenues, eliminating the need for reclassification.

17.3.2.7 **Aeronautical O&M Expenses as per the current Study for SCP**

17.3.2.7.1 Based on the analysis of the submission by AAI for SCP, the aeronautical O&M expenses of AAI as per the Study for SCP was determined to be Rs. 615.98 crores after taking into account the adjustments (Table 39), re-classification (Table 40) and re-allocation (Table 41). The break-up of O&M expenses is given below:

Table 225: Aeronautical O&M Expenses for AAI as per the current Study for SCP

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Employee Benefit Expenses	48.15	59.73	73.80	77.33	57.16	**316.17**
A&G Expenses	1.21	2.05	2.98	3.35	2.37	**11.96**
CHQ & RHQ Expenses	14.67	17.96	30.70	43.63	26.76	**133.72**
R&M Expense	11.83	11.11	11.86	11.86	13.23	**59.89**
Utility & Outsourcing Expenses	13.47	16.36	16.16	18.73	18.83	**83.56**
Other Outflows	1.53	2.64	3.01	3.06	0.45	**10.68**
Total Operating Expenditure (A)	**90.87**	**109.84**	**138.51**	**157.97**	**118.80**	**615.98**

17.3.3 **Summary of Head wise assessment of O&M expenses submitted by AAI for Pre-COD Period as per the current Study**

17.3.3.1 The Pre COD period for AAI starts from 1st April 2021 to 13th October 2021. On and after the COD, which is 14th October 2021, the TRV operations were undertaken and managed by the concessionaire, TKIAL. To reconcile the expenses incurred during the Pre COD period, which fall outside the scope of the SCP, the Study has proposed an approach. The proposed approach involves extrapolating the approved figures of FY 2020-21 from the SCP order to the Pre-COD period. This extrapolation is based on the growth rate utilized for projecting expenses in the SCP order for FY 2020-21. By employing this methodology, the Study ensures a meaningful comparison and analysis of the O&M expenses during the Pre COD period with the benchmark set in the SCP order.

Following this approach, the O&M expenses submitted by AAI for the Pre COD period have been assessed, and the results for each category of O&M expense are provided below:

17.3.3.2 **Employee Benefit Expense**

17.3.3.2.1 Based on the Reasonableness assessment carried out for Employee Benefit Expense, it was observed that employee expenses for the Pre COD period seem to be reasonable.

17.3.3.2.2 Due to revision in the allocation ratio as per the Study, the Aeronautical employee benefit expenses submitted by AAI for Pre-COD Period were reduced by Rs. 1.99 crores.

17.3.3.3 **Administration and General (A&G) Expense**

17.3.3.3.1 It was observed that A&G expenses for the Pre-COD period submitted by AAI were lower than the estimated figure. On detailed analysis, it was observed that major reasons for decrease was reversals booked under the head Prior Period Expenses that has been considered as per the Study to reduce expenses that were overbooked or incorrectly recognized in previous periods. The Study has made adjustment of lease accounting provisions recorded by AAI for payment of lease by treating it as financial lease.

17.3.3.3.2 After adjustments, the A&G expenses seem to be reasonable as compared to the estimated amount.

17.3.3.3.3 A&G expenses were adjusted, reclassified and reallocated based on principle set in para 3.3.1. Due to such revision, the Aeronautical A&G expenses submitted by AAI for Pre-COD Period were increased by Rs. 0.03 crores (Rs. 0.04 crores as per Table 47 to Rs. 0.06 crores as per Table 51).

17.3.3.4 **CHQ/RHQ Expense**

17.3.3.4.1 It was observed that AAI reported higher CHQ & RHQ expenses for the Pre COD period compared to the estimated amount. The expense for the Pre COD period was calculated by applying a 5% growth rate to the actual expenses of FY 2020-21, as submitted by AAI, since the workings for CHQ & RHQ expenses for FY 2021-22 were not finalized.

17.3.3.4.2 Therefore, based on AAI's responses, the revised CHQ & RHQ expenses were calculated using the revised FY21 figures. Through this revision, the aeronautical CHQ & RHQ expenses submitted by AAI for the Pre COD period were reduced by Rs. 2.45 crores. This needs to be suitably reviewed based on actual information to be made available before the Order.

17.3.3.5 **Repairs and Maintenance (R&M) Expense**

17.3.3.5.1 In the Pre-COD Period, it was observed that R&M Expenses submitted by AAI were higher than the estimated figures. Upon detailed analysis, it was determined that the expenses incurred by AAI were necessary and reasonable.

17.3.3.5.2 By comparing the R&M expenses to the Opening RAB, it is concluded that the expenses incurred are within reasonable limits i.e., 6% of the Opening RAB (benchmark set by the Authority for most of the airports).

17.3.3.5.3 R&M Expenses for the Pre-COD Period were reclassified and reallocated based on principle set 3.3.1. Due to such revision, the Aeronautical R&M Expenses submitted by AAI were reduced by Rs. 0.03 crores.

17.3.3.6 **Utility and Outsourcing Expense**

17.3.3.6.1 It was observed that Utility and Outsourcing Expenses for the Pre-COD Period submitted by AAI were higher than the estimated figure. On detailed analysis, it was found that expenses incurred by AAI were necessary to spend and thus appear to be reasonable.

17.3.3.6.2 After adjustments, the Utility and Outsourcing Expenses were reclassified and reallocated based on principle set in 3.3.1. Due to such revision, the Aeronautical Utility and Outsourcing Expenses submitted by AAI for Pre COD were reduced by Rs. 0.13 crores.

17.3.3.7 **Other Outflow**

17.3.3.7.1 The category of Other Outflows includes collection charges paid to airlines and IATA for UDF and PSF. The expenses incurred for the Pre-COD Period exceeded the estimated figures because the collection charges paid to IATA were initially not considered in the projections. However, these expenses were necessary for the collection of aeronautical revenue and were based on actual figures. Therefore, they are deemed reasonable and directly related to the collection of aeronautical revenues, eliminating the need for reclassification.

17.3.3.8 **Aeronautical O&M Expenses as per the current Study for Pre-COD Period**

17.3.3.8.1 Based on the analysis of the submission of AAI for Pre-COD Period, the aeronautical O&M expenses of AAI as per the Study for Pre COD period was determined to be Rs. 66.20 crores after taking into account the necessary adjustments, re-classification and re-allocation. The break-up of O&M expenses is given below:

Table 226: Aeronautical O&M Expenses for AAI as per the current Study for Pre-COD Period

(Rs. in crores)

Particulars	Pre COD
Employee Benefit Expenses	31.31
A&G Expenses	0.06
CHQ & RHQ Expenses	15.09
R&M Expense	9.58
Utility & Outsourcing Expenses	9.50
Other Outflows	0.66
Total Operating Expenditure (B)	**66.20**

17.3.4 **Aeronautical O&M expenses submitted by AAI and as per the current Study for SCP and Pre-COD Period**

17.3.4.1 The aeronautical expenses submitted by AAI and as per the Study amounted to Rs. 767.08 crores & 682.18 crores respectively. As can be seen, there is an impact of Rs. 84.90 crores on the O&M expenses due to adjustments, rationalization, reclassification and re-allocation of expenses. The table below demonstrates the comparison of O&M expenses, categorized head wise, as per AAI and as per the Study for both the SCP and Pre COD periods:

Table 227: Aeronautical O&M Expenses submitted by AAI and as per the current Study for the SCP and Pre-COD Period

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total	Pre COD	Total
As per AAI Submission								
Employee Benefit Expenses	48.71	60.58	74.97	78.42	58.01	**320.70**	33.30	**354.00**
A&G Expenses	2.61	1.90	2.56	3.92	5.59	**16.58**	0.04	**16.62**
CHQ & RHQ Expenses	32.58	43.44	42.45	52.47	31.11	**202.05**	17.54	**219.59**
R&M Expense	11.95	11.46	12.54	12.46	15.65	**64.05**	9.61	**73.66**
Utility & Outsourcing Expenses	13.64	16.57	16.52	18.68	16.83	**82.25**	9.63	**91.88**
Other Outflows	1.53	2.64	3.01	3.06	0.45	**10.68**	0.66	**11.33**
Total Operating Expenditure (A)	**111.01**	**136.60**	**152.05**	**169.01**	**127.64**	**696.30**	**70.78**	**767.08**
As per the Study								
Employee Benefit Expenses	48.15	59.73	73.80	77.33	57.16	**316.17**	31.31	**347.48**
A&G Expenses	1.21	2.05	2.98	3.35	2.37	**11.96**	0.06	**12.02**
CHQ & RHQ Expenses	14.67	17.96	30.70	43.63	26.76	**133.72**	15.09	**148.80**
R&M Expense	11.83	11.11	11.86	11.86	13.23	**59.89**	9.58	**69.47**

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total	Pre COD	Total
Utility & Outsourcing Expenses	13.47	16.36	16.16	18.73	18.83	**83.56**	9.50	**93.07**
Other Outflows	1.53	2.64	3.01	3.06	0.45	**10.68**	0.66	**11.33**
Total Operating Expenditure (B)	**90.87**	**109.84**	**138.51**	**157.97**	**118.80**	**615.98**	**66.20**	**682.18**
Variance (C = A - B)	**20.15**	**26.76**	**13.54**	**11.04**	**8.84**	**80.32**	**4.57**	**84.90**

17.3.5 **Assessment of O&M Expenses and its allocation submitted by TKIAL and as per the current Study for Post COD Period**

17.3.5.1 In FY 2021-22, TKIAL operated the airport for a period of 5.5 months post COD in which they had incurred an amount of Rs. 65.79 crores towards O&M expenses. The employee expenses of AAI, Corporate cost allocation and R&M expenses primarily contribute towards this amount. However, all the expenses were analysed separately to ascertain their reasonableness.

17.3.5.2 The average salary per TKIAL employee is higher than that of the Select Employees (of AAI) by more than ~ 75%. The Study has considered the Select employees of AAI and TKIAL as common and bifurcated the employee expenses towards them in EHCR of 98.56% and 91.67% respectively. The adjustments in the Study led to an overall reduction of Rs. 0.75 crores on the employee expenses.

17.3.5.3 Utility Expense incurred by TKIAL for the Post COD period does not reflect major change as compared to the cost incurred by AAI for Pre COD period, as there has not been any considerable change to the airport infrastructure. The utility expenses with water charges (Rs. 5.68 crores) incurred by TKIAL seems to be reasonable after netting off the recoveries from the concessionaires.

17.3.5.4 The Security expenses, as per TKIAL is Rs. 3.76 crores. The expense related to R&M of security equipment amounting to Rs. 2.04 crores were recategorized to R&M head and analysed there. The Study has further reclassified the expense as common and applied Gross Block ratio which led to an overall reduction of Rs. 2.05 crores in the Security expense.

17.3.5.5 The Corporate Support Service expense, as per the MYTP submission of TKIAL, is Rs. 7.01 crores. However, the Study has made certain adjustments to this expense which led to an overall reduction of Rs. 0.62 crores in the CSS expense.

17.3.5.6 As per the submission of TKIAL, the aeronautical A&G expenses including insurance, IT expense and Bank charges amounts to is Rs. 4.94 crores. Certain reclassifications have been carried out in the Study, resulting in the revised aeronautical A&G expenses to be Rs. 4.81 crores. This led to an overall reduction of Rs. 0.13 crores in the A&G expenses.

17.3.5.7 The R&M expenses of TKIAL were included with R&M of Security equipment in the Study and found reasonable and in the range of cost incurred by other PPP Airports. The Study has reclassified the expenses and led to the increase of R&M expenses by Rs. 1.93 crores. The R&M expense post reclassification as per the Study were lower than 6% of the opening RAB of TKIAL. Therefore, this expense does not require any rationalization.

17.3.5.8 As per the submission of TKIAL, the other outflow expenses as per TKIAL is Rs. 4.46 crores. Certain reclassifications have been carried out in the Study, because of which, other outflow expenses revised to Rs. 4.05 crores. This led to an overall reduction of Rs. 0.41 crores in the other outflow expenses.

17.3.5.9 TKIAL has submitted a cost of Rs. 1.67 crores in respect of fees payment to the Independent Engineer appointed by AAI for a period of 3 years for a fee of Rs. 11.35 crores starting from 22nd October 2021. As per Clause 24.3.1 of the Concession Agreement, this cost has to be considered as a pass-through expense by AERA. Consequently, the Study considers the fee of Rs. 1.67 crores as an O&M expense for the Post COD period.

17.3.5.10 As per the submission of TKIAL, the aeronautical O&M expenses for the Post COD Period amounts to Rs. 65.79 crores. Certain reclassifications have been carried out in the Study, because of which, the aeronautical O&M expenses as per the Study were revised to Rs. 63.84 crores. This led to an overall reduction of Rs. 2.95 crores in the aeronautical O&M expenses. The breakdown of the expenses is provided below:

Table 228: Aeronautical expenses for TKIAL for post COD period as per the current Study

(Rs. in crores)

Heads	Sub Heads	Post COD
Employee Benefit Expenses	Manpower expenses - AAI employees	27.68
	Manpower expenses - Adani employees	3.85
Utility & Outsourcing Expenses	Utility expenses	5.68
	Security expenses	1.71
CSS Expenses	Corporate Allocation	6.39
A&G Expenses	Independent Engineer Fee	1.67
	Administrative Expenses – Others	4.81
R&M Expenses	R&M	7.89
Other Outflows	Collection Charges on UDF	0.11
	Others	4.05
	Total	**63.84**

17.3.5.11 It is important to consider that TKIAL operated the airport for only 5.5 months during the Second Control Period. In such cases, it is common to have one-time expenses associated with repairs, modifications, or refurbishments when a new operator takes over the operations of an airport. To assess the reasonableness of these expenses, it is necessary to analyze trends over a longer period of time.

17.3.5.12 Drawing conclusions about the efficiency of TKIAL based on just five months of data would be premature. However, based on a broad-level assessment, there are no deviations from the trends observed at TRV in the past. While a longer timeframe would provide a more comprehensive understanding of the operator's performance, the initial analysis does not indicate any significant concerns.

17.3.6 External Benchmarking of Expenses of AAI

17.3.6.1 It is observed that, based on a per PAX basis, TRV seems to have higher operational expenses with respect to select comparable peers. However, this is primarily due to the CHQ/RHQ expenses and Employee expenses that are quite high for TRV.

17.3.6.2 The employee expenses per passenger of TRV are higher than most of the other airports due to lower passenger traffic and TRV's strategy of prioritizing customer service and quality staff leads to a higher cost structure. However, it is within the budget approved in the SCP order. Thus, the employee expenses for TRV seem to be reasonable.

17.3.6.3 The A&G expenses of TRV (4.93% of total expenses) when compared as a % of the total expenses, is slightly higher than Pune. But lower than that of Ahmedabad. Further, the expenses are the second lowest among all the airports. Thus, the A&G expenses are moderate in comparison to the other airports.

17.3.6.4 TRV's R&M expenses per average RAB are lower than most airports, even from an external benchmarking point of view, it can be concluded that the R&M expenses incurred by AAI are reasonable. These expenses were discussed in detail in the fifth chapter.

17.3.6.5 TRV is incurring the highest CHQ/RHQ expenses among its peer group and the expenses seem unreasonable. However, these expenses have been readjusted in Table 27. Since TRV was concessioned during the Second Control Period, these expenses would not appear as part of the O&M expenses in future Control Periods. However, TKIAL does incur corporate support service expenses towards its parent companies. If it is

observed that such expenses do not seem reasonable, the Study may consider capping the allowable expenses based on suitable global/regional benchmarks at the time of determination of tariffs for future Control Periods.

17.3.6.6 Based on external benchmarking, there is no evidence to suggest that the utility expenses for TRV are unreasonable.

17.3.6.7 Based on the observations from external benchmarking, it can be concluded that the operations and maintenance expenses at TRV are reasonable except for CHQ/RHQ expenses that seem exorbitantly high and are driving the overall costs high. Though the cost structure may evolve as the airport transforms to a PPP regime, the Study may still consider capping the allowable expenses based on suitable regional benchmarks at the time of determination of tariffs for future Control Periods.

17.3.7 Conclusion

17.3.7.1 Based on the analysis of the submissions of AAI and TKIAL, the O&M expenses for TRV for the Second Control Period and Pre & Post COD period is determined as per the Study to be Rs. 746.02 crores (Rs. 682.18 crores by AAI and Rs. 63.84 crores by TKIAL). The break-up of the O&M expenses is given below.

Table 229: O&M Expenses for SCP and Pre & Post COD period as per the current Study

(Rs. in crores)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total (A=sum (FY 17 to FY21))	Pre COD (B)	Total (C=A+B)	Post COD (D)	Total (E=C+D)
Employee Benefit Expenses	48.15	59.73	73.80	77.33	57.16	**316.17**	31.31	**347.48**	31.53	**379.00**
A&G Expenses	1.21	2.05	2.98	3.35	2.37	**11.96**	0.06	**12.02**	6.48	**18.50**
CHQ & RHQ or CSS Expenses	14.67	17.96	30.70	43.63	26.76	**133.72**	15.09	**148.80**	6.39	**155.19**
R&M Expense	11.83	11.11	11.86	11.86	13.23	**59.89**	9.58	**69.47**	7.89	**76.96**
Utility & Outsourcing Expenses	13.47	16.36	16.16	18.73	18.83	**83.56**	9.50	**93.07**	7.40	**100.46**
Other Outflows	1.53	2.64	3.01	3.06	0.45	**10.68**	0.66	**11.33**	4.16	**15.50**
Total Operating Expenditure	**90.87**	**109.84**	**138.51**	**157.97**	**118.80**	**615.98**	**66.20**	**682.18**	**63.84**	**746.02**

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17.4 Annexure 4: Projects not/partly considered for addition to RAB by the Authority for the Third Control Period

Projects Category	Project /Item Name	Base Cost
Other Buildings	Replacement of 11KV Old HT panels in CCR with associated works	1.65
IT – Strategic Projects	Traffic Management	0.80
IT – Strategic Projects	IT Network Segmentation	14.33
IT – Strategic Projects	IOT-enabled PAX Count, Flow and Queue Monitoring	7.64
IT – Strategic Projects	IOT-enabled Asset Tracking Project	4.93
IT – Strategic Projects	Wi-Fi Network - Passenger	4.20
IT – Strategic Projects	Vehicle Tracking and SLA Violation Reporting	0.80
IT – Strategic Projects	Landside Security Camera	0.56
IT – Strategic Projects	Wi-Fi Network - Indoor	0.39
IT – Strategic Projects	AI, IOT, R&D and other Strategic Initiatives	2.00

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17.5 Annexure 5: Clauses of the Concession Agreement entered into between AAI and TKIAL

Concession Agreement Heading	Clause No.	Clause Description
AO obligation regarding Conditions Precedent within 180 days	4.1.3	Except as may have been specifically otherwise provided in this Agreement, the Conditions Precedent required to be satisfied by the Concessionaire within a period of 180 (one hundred and eighty) days from the date of this Agreement shall be deemed to have been fulfilled, when the Concessionaire shall, subject to the satisfaction of the Authority, have: (a) provided performance security to the Authority in accordance with Clause 9.1 ; (b) procured all the Applicable permits as may be required for the commencement of the project unconditionally, or if subject to conditions, then all such conditions required to be fulfilled by the date specified therein shall have been satisfied in full, and such Applicable Permits are in full force and effect; (c) executed and procured execution of the Escrow Agreement in the form provided in Schedule M and the same shall have become effective in accordance with the terms thereof; (d) executed and procured the execution of the CNS-ATM Agreement in the form provided in Schedule Q and the same shall have become effective in accordance with the terms thereof; (e) maintained shareholding of the concessionaire in accordance with the requirements of the RFP and this Agreement; (f) delivered to the Authority from the selected Bidder, confirmation of the correctness of the representations and warranties, set forth in sub-clauses (c), (f), (g), (j), (k), (l), (o) and (p) of Clause 7.1 of this Agreement; (g) delivered to the Authority a legal opinion from the legal counsel of the concessionaire with respect to the authority of the Concessionaire to enter into this Agreement and the enforceability of the provisions hereof; (h) delivered to the Authority: (a) a list of Construction works it proposes to undertake in the first 7 (seven) Concession years, having due regard to the works: a. Currently being implemented by the Authority; and b. Proposed to be implemented by the Authority as on the date of signing the Agreement (and as set forth in Schedule U), (b) the scheduled date for completion of such Construction works. (i) executed and procured execution of the Memorandum of Understanding in the form provided in Schedule R and the same shall have become effective in accordance with the terms thereof. Provided that upon request in writing by the Concessionaire, the Authority may, in its discretion, waive any of the Conditions Precedent set forth in this Clause 4.1.3 for the purposes of the achievement of the COD. The Authority may, in its sole discretion, grant any waiver hereunder with such conditions as it may deem fit.
Select Employees	6.5.1, 6.5.4, 6.5.10 read with 28.4.3	**Clause 6.5.1. states that:** "(i) "Select Employees" shall mean those employees of the Authority as set forth in Schedule S (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period. The Select Employees shall stand reduced to the extent of employees who retire, are deceased or otherwise separated from Authority's services during the Joint Management Period or Deemed Deputation Period. It is clarified that the Select Employees shall not be reduced to the extent of employees who are transferred by AAI. ii. "Joint Management Period" shall mean the period commencing from the COD and ending on the date which is 1 (one) calendar year after the COD.

Concession Agreement Heading	Clause No.	Clause Description
		iii. "Deemed Deputation Period" shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom." **Clause 6.5.4 states that:** "The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period." **Clause 6.5.10 states that:** "If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the "Deficit Employees"), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs"). (i) The select Employees in respect of which the DeficitEmployee costs are payable shall be mutually identified by the Parties no later than 3 (three) months prior to the expiry of the Deemed Deputation Period. (ii) The Deficit Employee costs shall be considered for pass-through in the determination of the Aeronautical Charges. (iii) The provisions of sub-clauses 6.5.5 (i), 6.5.5 (ii), 6.5.5 (iii), and 6.5.5(iv) shall, *mutatis mutandis*, apply to payment of the Deficit Employee Costs (iv) The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges." **Clause 28.4.3 states that:** "The Parties agree and acknowledge that the Concessionaire expressly waives its right to seek as pass-through in the Aeronautical Charges such costs and/ or expenses which the Concessionaire is restrained under this Agreement from seeking to be passed-through thereunder."
Performance Security	9.1.1	The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 80,00,00,000 (Rupees Eighty crore) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security pursuant hereto, the Authority shall release the Bid Security to the Concessionaire.
Performance Security	9.1.3	After completion of Phase-I, the value of the Performance Security shall be revised to an amount equal to 10% (ten percent) of the Yearly Concession Fee paid by the Concessionaire in the Concession Year immediately preceding the Concession year in which the Phase - 1 completion date falls. Thereafter, the value of the Performance Security shall be increased by the Concessionaire every 5 (five) Concession Years to an amount equal to 10% (ten percent) of the Yearly Concession Fee paid by the Concessionaire in the immediately preceding Concession Year.
Transfer of Finances	16.1.1	All revenues, receipts, expenditure and other financial transactions for and in respect of the Airport shall be deemed to be transferred from the Authority to the Concessionaire with effect from 0000 (zero zero zero zero) hours on COD and all rights, obligations and liabilities in respect thereof shall vest exclusively in the Concessionaire from that hour and until the Transfer Date. All liabilities incurred by the Authority prior to COD, including any debt obligations and payments to the Authority or any third party, shall continue to vest in the Authority at all times, and the Authority Shall indemnify, defend, save and hold harmless the Concessionaire against any and all suits, proceedings, actions, demands

Concession Agreement Heading	Clause No.	Clause Description
		and claims for any loss, damage, cost and expense of whatever kind and nature under or in connection with any Novated Contracts or the Non-Novated Contracts arising before the COD. Provided that the Authority shall not be liable for any individual claim which is less than Rs. 2,00,00,000 (Rupees Two crore), nor shall the aggregate liability of the Authority for all claims (excluding related interest and enforcement costs) under any or all Novated contracts and/or non-novated contracts be equal to or exceed Rs 20,00,00,000 (Rupees Twenty crore).
Observation Period prior to COD	16.5	The Authority (AAI) shall for a period of 60 days prior to COD, enable the concessionaire and all persons designated by it to enter the airport and observe the functioning of the staff, equipment, systems and facilities at airport. The Authority shall instruct its staff to cooperate with the Concessionaire and its designated persons and assist them in acquiring the knowledge and skills necessary for operating the Airport after COD. Provided, however, that the provisions of this Clause 16.5 shall apply only after the Concessionaire has provided the Performance Security in accordance with the provisions of Article 9.
Restoration of Loss or damage to airport	18.7	Save and except as otherwise expressly provided in this Agreement, in the event that the Airport or any part thereof suffers any loss or damage during the Concession Period from any cause whatsoever, the Concessionaire shall, at its cost and expense, rectify and remedy such loss or damage forthwith so that the Airport conforms to the provisions of this Agreement. If such loss or damage has resulted due to any breach or default in the performance obligations of the Concessionaire under this Agreement, then, the costs undertaken by the Concessionaire on the repair or rectification or such loss or damage, shall not be taken into consideration for the purposes of the determination of the Aeronautical Charges.
Ground Handling Services	19.2	The Concessionaire shall provide or cause to be provided as per Applicable Laws and Good Industry Practice, at its own cost and expense, the infrastructure required for operation of the ground handling services required at the Airport for and in respect of the Users, like aircrafts, passengers and cargo, which shall include ramp handling, traffic handling, aircraft handling, aircraft cleaning, loading and unloading ("Ground Handling Services"). Such infrastructure shall include luggage conveyor belts, computer terminals, information technology backbone and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.
Aircraft Fueling Services	19.3	The Concessionaire shall provide, or cause to be provided, the infrastructure required for operation of fueling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice. Good Industry Practice.
Cargo facility	19.4.1	(a) The Concessionaire shall upgrade, develop, operate and maintain the Cargo Facilities in accordance with the provisions of this Agreement, Applicable Laws, Applicable Permits, relevant ICAO Documents and Annexes and Good industry Practice.
		(b) Notwithstanding anything to the contrary provided in this Clause 19.4 and Clause 23.5, it is clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A (i) the Concessionaire will not be responsible for operations, development, maintenance and management thereof, nor shall the Concessionaire be bound by the obligations set out elsewhere in this Clause 19.4; and (ii) AAICLAS shall be granted access to the airside by the Concessionaire free of cost.
		(c) It is further clarified that, where Cargo Facilities have been earmarked for AAICLAS in Schedule A, there shall be no restriction on the upgradation and/ or development of Cargo Facilities by the Concessionaire, including on grounds of quantum of cargo volumes at the Airport, business potential or impact of such additional facilities on Cargo Facilities earmarked for AAICLAS.

Concession Agreement Heading	Clause No.	Clause Description
Cargo facility	19.4.2	The Concessionaire shall:
		(a) make reasonable endeavors to ensure that the Cargo Facilities include adequate cargo and parcel space, handling equipment, storage and handling of perishable cargo and dangerous goods, space for cargo agents and customers, inspection area, office space, automation systems, screening equipment, storage facilities, and facilities for mail handling and courier shipments in accordance with the provisions of this Agreement and Good Industry Practice;
		(b) operate and maintain the Cargo Facilities and provide the associated services to airlines and consignors in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice;
		(c) provide, free of charge and in accordance with Good Industry Practice, operational space and other facilities to the customs, security, quarantine and other Designated GOI Agencies, as the case may be, for discharging their statutory functions;
		(d) install and keep operating in good working condition, web-cams, at all the strategic locations, wherever, the cargo facilities are being handled or dealt with in any manner whatsoever.
Cargo facility	19.5.1	The Concessionaire shall ensure that the Master Plan earmarks an area for Cargo Facilities, and that such area shall be used only for handling of cargo and for associated activities.
CNS/ATM Services	20.2.1	The Authority (AAI) shall, upon fulfilment of the applicable terms and conditions by Concessionaire, at the request of consessionaire, procure the execution of an agreement between the Authority and the consessionaire, substaintially in the form set forth in Schedule Q (CNS/ATM Agreement), which shall ensure the provision of CNS/ATM Services at the Airport, at all times during concession period in accordance with the practises established or recommended by from time to time pursuant to the Chicago Convention and on the same terms as applicable to simlilar services at other airports in India, and in compliance with the directions of DGCA. If the format of CNS/ATM agreement is changed or modified by the Authority in its sole discretion any time after the date of this agreement but before its execution by the concessionaire, then, the concessionaire shall execute the CNS/ATM agreement in such changed or modified format.
CNS/ATM Services	20.2.2	The Designated GOI Agency, may at its own cost, install at the Airport, any radar, equipment or facilities necessary for the provision of enroute and terminal air navigation services and the Concessionaire hereby undertakes to provide all necessary civil infrastructure and necessary support assistance in respect thereof.
Target Rating and user survey	23.7.1	The Concessionaire shall participate in the user survey of ASQ undertaken by ACI or any substitute thereof, conducted every quarter and ensure that the Airport achieves and maintains a rating of at least 4.5 out of 5.0 and/ or shall appear within top 20 percentile of all airports, in its category in the World in such survey within five (5) years from the COD and maintain the same throughout the rest of the Concession Period."
Independent Engineer Fees	24.1.2	The appointment of the Independent Engineer shall be made within 90 (ninety) days of the date of execution of this Agreement, and such appointment shall be valid for a period of 3 (three) years. On the expiry or termination of the said appointment, the Authority shall appoint an Independent Engineer for a further term of 3 (three) years in accordance with the provisions of Schedule K, and such procedure shall be repeated after expiry of each appointment.
Independent Engineer Fees	24.3.1	The remuneration, cost and expenses of the Independent Engineer shall be paid by the Authority, and all such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 (fifteen) days of receiving a statement of expenditure from the Authority. Any amounts paid to the Independent Engineer

Concession Agreement Heading	Clause No.	Clause Description
		shall be considered for a pass-through for the determination of the Aeronautical Charges by the Regulator.
Yearly Reconciliation of Monthly Concession Fee	27.5.2	The cumulative Monthly concession Fee paid by the concessionaire for any concession Year shall be compared with the Yearly Concession Fee payable for that Concession Year. For the purpose of this Clause, **"Yearly Concession Fee"** shall be calculated as per the following formula: (Per Passenger Fee for International) × (International Passenger Throughput for the Concession Year) + (Per Passenger Fee for Domestic) × (Domestic Passenger Throughput for the Concession Year) The adjustment towards any differences in the cumulative Monthly Concession Fee paid by the Concessionaire for a Concession Year and the Yearly Concession Fee for that Concession Year shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the completion of the reconciliation.
Collection of Fee's by Concessionaire	28.1.1	On and from COD and till the Transfer Date, the Concessionaire has the sole and exclusive right to demand, collect and appropriate Fees from the Users for the provision of the Aeronautical Services and Non-Aeronautical Services, including the airlines and passengers, in accordance with the provisions of the Regulatory Framework and this Agreement including the terms set out in Schedule R (Memorandum of Understanding), provided that the Concessionaire may determine and collect Fees at such lower rates as may be agreed with the Users or any category of Users in accordance with the Applicable Laws and Applicable Permits.
Principles of Determination and Revision of Aeronautical charges	28.3.2	The GOI has, through the National Civil Aviation Policy dated June 15, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement. It is clarified that, for the purposes of this Agreement, the Shared-Till Approval shall apply as on the date of this Agreement notwithstanding any subsequent revision or amendment of such Shared-Till Approval
Deemed Initial RAB	28.11.3	(a) It is agreed by the parties that the concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment ("Deemed Initial RAB").
		(b) The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on 31st March 2018 is Rs. 424,00,00,000 (Rupees Four Hundred and Twenty Four crore) ("Estimated Deemed Initial RAB"). It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.
Deemed Initial RAB	28.11.4	"Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("Adjusted Deemed Initial RAB"):

Concession Agreement Heading	Clause No.	Clause Description
		(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or
		(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.
		The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.
Deemed Initial RAB	28.11.5	Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.
		(a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.
		(b) The parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc.

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18 APPENDICES

18.1 Appendix 1 – Study on Allocation of Assets between Aeronautical and Non-Aeronautical Assets
18.2 Appendix 2 – Study on Efficient Operation and Maintenance Expenses
18.3 Appendix 3 – Technical Report on Condition Assessment of Terminal TI

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