

Consultation Paper No. 09 / 2021-22



Airports Economic Regulatory Authority of India

Date of Issue: 18th June 2021

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**

Stakeholder Comments

The Authority is aware of the fact that the Aviation Sector is undergoing unprecedented turbulence and uncertainty on account of the COVID-19 global pandemic and associated lockdown situation in major cities around the world which has resulted in restrictions in air travel both domestic and international. The Authority has released this Consultation Paper currently in which the proposals have been put forward based on the Authority's analysis and observations on the Multi Year Tariff Proposal (MYTP) submitted by the Airport Operator. The Authority, after considering the views of the airport operators, industry bodies such as aviation expert agencies such as IATA, ACI and CAPA etc. on this matter, and after analyzing various scenarios, has made necessary adjustments in traffic, operating expenditure and non-aeronautical revenues on account of the expected substantial changes in the prevailing business scenario. The Authority shall consider written evidence-based feedback, comments and suggestions of all the stakeholders on the proposals made in the Consultation Paper and pass a suitable Order determining the tariff for airport services.

This Consultation Paper is being issued to seek comments from Stakeholders to ensure determination of Aeronautical Tariff for the Second Control Period in a timely manner. Accordingly, the Consultation Paper has been prepared on the information, details and clarifications provided by CHIAL till the date of issue of this Consultation Paper including Unaudited Financial Statements for FY 2020-21. The analysis laid down in this Consultation Paper will be updated based on the audited Financial Statements for FY 2020-21, if received before the issue of MYTO and based on other clarifications/ details to be provided by CHIAL during Consultation Process which will be considered appropriately at the time of issue of Multi Year Tariff Order.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, the written comments on Consultation Paper No. 09 /2021-22 dated 18th June 2021 are invited from the Stakeholders, preferably in electronic form at the following address:

Director (P&S, Tariff)
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
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Email: jaimon.skaria@gov.in copy to secretary@aera.gov.in and director-ps@aera.gov.in

Stakeholder Consultation Meeting (Virtual)	06 th July 2021
Last Date for submission of comments	16 th July 2021
Last Date for submission of counter comments	26 th July 2021

Comments and counter comments will be posted on AERA website www.aera.gov.in

For any clarification/information, Director (P&S, Tariff) may be contacted at Telephone Number: +91-11-24695048.

List of Abbreviations

Abbreviation	Expansion
AACS	Automatic Access Control System
ACI	Airport Council International
AERA	Airports Economic Regulatory Authority of India
Aero	Aeronautical
ARR	Aggregate Revenue Requirement
ATM	Air Traffic Movement
AUCC	Airport User Consultative Committee
AVDGS	Advanced Visual Docking Guidance Systems
BDDS	Bomb Detection & Disposal System
BRS	Baggage Reconciliation System
CAGR	Compounded Annual Growth Rate
CAT	Category
CCTV	Closed Circuit Television
CHIAL	Chandigarh International Airport Limited
CISF	Central Industrial Security Force
COVID-19	Coronavirus Disease Of 2019
CP	Consultation Paper
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
CUSS	Common User Self Service
CUTE	Common User Terminal Equipment
DA	Dearness Allowance
DFMD	Door Frame Metal Detector
DGCA	Directorate General of Civil Aviation
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
ETD	Explosive Trace Detector
FCP	First Control Period
FICCI	Federation of Indian Chambers of Commerce and Industry
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
FV	Future Value
FY	Financial Year
GH	Ground Handlers
GMADA	Greater Mohali Area Development Authority
GPU	Ground Power Unit
HD	High Definition
HHMD	Hand-Held Metal Detectors
HR	Human Resource
HRA	House Rent Allowance
HSVP	Haryana Shehri Vikas Pradhikaran
HUDA	Haryana Urban Development Authority
IAF	Indian Air Force
IATA	International Air Transport Association
IND AS	Indian Accounting Standards

Abbreviation	Expansion
INR	Indian Rupee
ISP	Independent Service Provider
IT	Information Technology
KMP	Key Managerial Person
MAT	Minimum Alternate Tax
MPPA	Million Passengers Per Annum
MRO	Maintenance, Repair and Overhaul
MT	Metric Ton
MYTO	Multi Year Tariff Order
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
Non-Aero	Non-Aeronautical
NPV	Net Present Value
Opex	Operating and Maintenance Expenses
PA system	Public Address System
Pax	Passengers
PBB	Passenger Boarding Bridge
PBT	Profit Before Tax
PF	Provident Fund
PSF	Passenger Service Fee
PTT	Parallel Taxi Track
QRT	Quick Reaction Team
RA Bills	Running Account Bills
RAB	Regulatory Asset Base
RNFC	Route Navigation Facility Charges
SBI	State Bank of India
SCCTV	Surveillance Closed Circuit Television
SCP	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
TCV	Threat Containment Vessel
TSP	Terminal Storage & Processing
UDF	User Development Fee
XBIS	X-Ray Baggage Inspection System
YoY	Year-on-Year

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1. BACKGROUND

1.1 Introduction

- 1.1.1 Chandigarh International Airport Limited (CHIAL), was incorporated in 2010 as a company under the Companies Act, 2013 to build and operate a new terminal of international standards at the Chandigarh Airport. It is a joint venture of the Airports Authority of India (AAI), Punjab Government through Greater Mohali Area Development Authority (GMADA) and Haryana Government through Haryana Urban Development Authority (HUDA) now called Haryana Shehri Vikas Pradhikaran (HSVP).
- 1.1.2 The shareholding of CHIAL as on 31st March 2021 was as follows:

Table 1: Shareholding Pattern of CHIAL

Shareholder	Shareholding %	Amount (Rs. Lakhs)
Airports Authority of India (AAI)	51%	4,944.19
Greater Mohali Area Development Authority (GMADA)	24.5%	2,375.15
Haryana Shahari Vikas Pradhikaran (HSVP)	24.5%	2,375.15

- 1.1.3 AAI's contribution to equity was in the form of cost of the new integrated terminal building and other assets being constructed by AAI. The balance equity was equally contributed by GMADA and HUDA by way of cost of land acquired for the project.
- 1.1.4 AAI completed the construction of the new integrated terminal building and handed it over to CHIAL on 1st September 2015. CHIAL started its operations from 19th October 2015. Chandigarh Airport is a Civil Enclave and is jointly operated by CHIAL, Indian Air Force (IAF) and Airport Authority of India (AAI). CHIAL operates the Passenger Terminal Building and Civil Apron while Indian Air Force (IAF) and Airport Authority of India (AAI) as per their internal arrangement provide major airside facilities and air navigation services at the airport.
- 1.1.5 CHIAL's major source of revenue from aeronautical services is User Development Fees (UDF) as Route Navigation Facility Charges (RNFC) and landing charges are collected by AAI and IAF respectively.
- 1.1.6 As per AERA (Amendment) Act 2019, the passenger handling threshold for definition of 'Major' Airports was revised from 1.5 million passengers ('MPPA') to 3.5 million annually. CHIAL, with a design capacity of 4.5 million passengers was declared as a major airport with effect from FY 2016-17. As per the statistics of FY 20 the actual passenger throughput at CHIAL was 2.44 MPPA.

1.2 Tariff setting principles

- 1.2.1 The legislature has provided policy guidance to the Authority regarding determination of tariff for aeronautical services under the provisions of the AERA Act, 2008. The Authority is required to adhere to this legislative policy guidance in discharge of its functions in respect of major airports. These functions are indicated in Section 13 (1) of the AERA Act, 2008, which reads as under:
- 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 for improving efficiency;

- (iv). Economic and viable operation of major airports;
 - (v). Revenue received from services other than aeronautical services;
 - (vi). Any 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;
- 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 Aircraft Rules, 1937 made under 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 the Authority authorized 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 tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.
- 1.2.2 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

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

$$ARR = (FRoR \times RAB_t) + D_t + O_t + T_t - s \times NAR_t$$

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'.

1.2.3 The Authority's Orders applied in the tariff proposals in this Consultation Paper (CP)

- (i). Normative approach to Building Blocks in Economic Regulation of Major Airports – Capital Costs Regarding
 - The Authority issued Order No. 07/2016-17 dated 06th June 2016, in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports – Capital Costs Regarding.
 - Normative Approach Order as is applicable to CHIAL will be appropriately considered by the Authority in this tariff determination process.
- (ii). Determination of useful life of airport assets
 - The Authority issued Order No. 35/2017-18 dated 12th January 2018 and Amendment No.1 to Order No.35/2017-18 dated 9th April 2018, in the matter of determination of useful life of airport assets.

- The Authority proposes to consider the Order No. 35/2017-18 along with amendment in its determination of aeronautical tariff in respect of CHIAL.
- (iii). Determination of Fair Rate of Return (FRoR) to be provided on cost of land incurred by various airport operators in India
 - The Authority issued Order No. 42/2018-19 dated 5th March 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.
 - The Authority proposes to consider the same in determination of aeronautical tariff for CHIAL, to the extent applicable.

1.3 Past tariff determination history

1.3.1 A brief on the timeline of events for the First Control Period is as follows:

- CHIAL submitted a proposal for revision of tariffs for aeronautical services, for the Authority's consideration and approval on 15th March 2016.
- Pursuant to their submission, a series of discussions/meetings/presentations were held on the proposal including discussions in respect of the financial model developed by CHIAL.
- The Authority considered and analyzed the views of various stakeholders on the proposals of the Authority on various building blocks in respect of determination of aeronautical tariff for CHIAL and determined the aeronautical tariff vide its Order No. 17/2016-17 dated 27th March 2017 in the matter of Determination of Aeronautical Tariff in respect of CHIAL for the First Control Period (1st April 2016 – 31st March 2021) with revised tariffs effective from 1st May 2017.

1.4 Tariff Submissions by CHIAL for Second Control Period

1.4.1 CHIAL filed its MYTP submissions for the Second Control Period i.e., from FY 2021-22 to FY 2025-26, vide their letter dated 21st January 2021. The MYTP submitted by CHIAL is available on AERA website. Subsequently, CHIAL filed a revised MYTP submission with updation of cargo charges vide email dated 16th April 2021. CHIAL has submitted a revised MYTP and tariff rate card on 8th June 2021 with following modifications:

- Reducing the passenger tariff for FY22 from MYTP submission made on 21st January 2021.
- Proposing the continuance of existing UDF charges for FY22 and new UDF charges from FY23.
- Operating expenses related to Cargo Operations.

1.4.2 MYTP submitted was with estimated figures of FY 2020-21. Thereafter, CHIAL was requested to submit the actual financials for FY 2020-21, CHIAL submitted unaudited financials vide email dated 18th May 2021.

1.4.3 CHIAL submitted several items of information based on multiple clarifications sought and queries raised by the Authority from time to time. The Authority has examined the MYTP submitted by CHIAL and verified the data with reference to audited Financial Statements of CHIAL, examined the projections for the Second Control Period and obtained clarifications on the information provided by CHIAL for finalizing this consultation paper.

1.5 Construct of this Consultation Paper

1.5.1 The background of the Authority tariff determination process is explained in this Chapter 1.

- 1.5.2 Chapter 2 lists out CHIAL's submissions regarding true up for the First Control Period with respect to specific issues, followed by a summary of the Authority's current examination and proposals on the specific issues regarding the true up for the First Control Period.
- 1.5.3 Chapters 3 - 12 discuss CHIAL's submissions and the Authority's examination of CHIAL's submissions along with its proposals with respect to various building blocks pertaining to the Second Control Period.
- 1.5.4 Chapter 13 presents the revised target revenue as determined by the Authority based on the proposals and the shortfall (if any) in recovery based on estimated aeronautical revenues.
- 1.5.5 Chapter 14 summarizes the Authority's proposals regarding each of the building blocks.
- 1.5.6 The Authority invites views of the stakeholders regarding proposals put forward for tariff determination for the Second Control Period in the consultation paper.

2. TRUE UP FOR THE FIRST CONTROL PERIOD

2.1 CHIAL's submission pertaining to true up for the First Control Period

2.1.1 CHIAL has submitted the actual results of various building blocks for the First Control Period in relation to true up of the ARR. CHIAL has presented true up for the First Control Period as part of the current MYTP submission as follows:

Table 2: CHIAL's submission of True up for the First Control Period

Particulars (Rs. in Lakhs)	FY17	FY18	FY19	FY20	FY21	Total
	Actual	Actual	Actual	Actual	Estimated	
RAB (A)	40930.61	38882.04	36589.43	34056.99	32955.49	
FRoR (B)	14%	14%	14%	14%	14%	
FRoR x RAB (A*B)	5,730.28	5,443.49	5,122.52	4,767.98	4,613.77	25,678.04
Depreciation	2,879.16	2,966.38	3,074.46	3,063.68	2,174.05	14,157.72
Operating Expenses	1,681.56	2,113.87	2,544.08	3,077.73	2,802.71	12,219.97
Taxes	-	189.06	374.39	420.75	-	984.20
Add: Fair return on Land cost based on SBI Base Rate plus 2%	4,783.85	4,562.93	4,709.93	4,380.87	4,111.61	22,549.20
Total Aggregate Revenue Requirement	15,074.86	15,275.73	15,825.38	15,711.01	13,702.14	75,589.12
Less: 30% of Non-Aero Revenue	-551.27	-818.74	-1,017.21	-1,254.54	-658.55	-4,300.30
Net Aggregate Revenue Requirement	14,523.59	14,456.99	14,808.17	14,456.47	13,043.59	71,288.82
Actual Aero Revenue	1,454.55	5,548.45	6,746.11	7,508.76	2,610.37	23,868.24
Compounding Factor	1.93	1.69	1.48	1.30	1.14	
FV Net Aggregate Revenue Requirement	27,973.98	24,426.05	21,946.83	18,794.38	14,869.69	1,08,010.93
FV Actual Aero Revenue	2,801.62	9,374.48	9,998.25	9,761.89	2,975.83	34,912.06
True Up Adjustment	25,172.36	15,051.57	11,948.59	9,032.49	11,893.87	73,098.88
Shortfall to be adjusted in the next control period	73,098.88					

2.1.2 The Authority sought actual Financial Statements for FY21 which has been submitted by CHIAL. The Authority proposes to examine the true up for First Control Period, issue wise, in the following manner:

- Recording and understanding of the true-up as put forth by CHIAL in its submission;
- Recap of decision taken by the Authority for each item of true-up at the time of tariff determination for the First Control Period;
- Examination and proposal regarding each item of true-up as part of tariff determination for the current control period.

2.2 True up of Traffic

CHIAL's submission for true up of traffic

2.2.1 CHIAL has submitted ATM, passenger, and cargo traffic in the First Control Period as follows:

Table 3: CHIAL's submission for true up of traffic for the First Control Period

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total	CAGR – 17 to 20
ATMs ('000)							
- Domestic ('000)	14.72	17.66	16.14	17.53	9.63	75.68	6%
- International ('000)	0.53	1.05	0.87	0.79	0.08	3.32	14%
Total ('000)	15.25	18.71	17.01	18.32	9.71	79.00	6%
Passengers (in Millions)							
- Domestic	1.75	1.99	1.97	2.32	1.12	9.16	10%
- International	0.08	0.15	0.13	0.12	0.05	0.52	17%
Total	1.83	2.14	2.10	2.44	1.17	9.68	10%
Cargo (in MT)							
- Domestic	5,697.00	5,650.00	5,051.00	8,938.00	6,863.58	32,199.58	16%
- International	-	-	-	-	-	-	
Total	5,697.00	5,650.00	5,051.00	8,938.00	6,863.58	32,199.58	16%

Recap of decision taken by the Authority for traffic at the time of tariff determination for the First Control Period

2.2.2 The Authority had noted, vide decision no. 7.c of Order No. 17/2016-17 to true up the passenger, ATM, and cargo traffic at the time of tariff determination for the First Control Period, based on the actual numbers.

Examination and proposal for traffic as part of tariff determination for the current control period

2.2.3 The Authority notes that as against the estimated traffic, actual traffic for FY 2020-21 has been submitted by CHIAL with a corresponding increase in the Aeronautical revenues. The Authority has compared the traffic as proposed by CHIAL for the First Control Period with the actual traffic as given by AAI in its website and noted them to be the same. Accordingly, the Authority proposes to consider traffic for the First Control Period as given below.

Table 4: Traffic as per Actuals as available on AAI website for First Control Period

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Domestic ATMs (in '000)	14.72	17.66	16.14	17.53	12.79	78.84
International ATMs (in '000)	0.53	1.05	0.87	0.79	0.10	3.34
Total (in '000)	15.25	18.71	17.01	18.32	12.89	82.18
Domestic Passengers (in Millions)	1.75	1.99	1.97	2.32	1.37	9.40
International Passengers (in Millions)	0.08	0.15	0.13	0.12	0.01	0.49
Total (in Millions)	1.83	2.14	2.10	2.44	1.38	9.89
Domestic Cargo (in MT)	5,697	5,650	5,051	8,938	8,069	33,405
International Cargo (in MT)	-	-	-	-	-	-
Total (in MT)	5,697	5,650	5,051	8,938	8,069	33,405

2.3 True up of Aeronautical Revenues

CHIAL's submission for true up of aeronautical revenues

2.3.1 CHIAL has submitted details of aeronautical revenues for the First Control Period as follows:

Table 5: Aeronautical revenue as provided by CHIAL for true up of the First Control Period:

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 Est.	Total
Parking & Housing	5.77	4.95	4.24	8.82	18.26	42.04
Throughput Charges	52.77	81.46	88.52	84.87	-	307.62
Cargo Charges	52.35	54.93	49.11	55.31	39.52	251.22
Ground Handling Charges	78.01	83.54	86.72	110.42	55.26	413.95
CUTE Charges	160.98	182.13	177.81	206.85	83.94	811.71
Extension of Watch Hours	33.42	18.18	5.88	0.37	3.39	61.24
Lease rental from refuelling station	353.22	402.59	370.93	399.80	405.54	1,932.08
PSF excluding collection charges	718.03	175.05	-	-	-	893.08
UDF/PSF	-	4,541.16	5,949.40	6,604.70	1,990.28	19,085.54
Baggage Reconciliation System Charges	-	4.46	13.50	37.62	14.19	69.77
Total	1,454.55	5,548.45	6,746.11	7,508.76	2,610.37	23,868.24

Recap of decision taken by the Authority for aeronautical revenues at the time of tariff determination for the First Control Period

2.3.2 The Authority vide its decision number 8.b of Order No. 17/2016-17, decided to true up aeronautical revenues based on actual revenues. Estimate of Aeronautical Revenues as considered by the Authority in the FCP Order was as given below:

Table 6: Aeronautical revenue as considered by the Authority in the Tariff Order No.17/2016-17 for First Control Period

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Parking & Housing	4.00	5.00	5.00	5.00	6.00	25.00
Throughput Charges	56.00	61.00	67.00	74.00	81.00	339.00
Cargo Charges	55.00	63.00	71.00	79.00	89.00	357.00
Ground Handling Charges	74.00	84.00	89.00	94.00	100.00	441.00
CUTE Charges	138.00	163.00	182.00	202.00	225.00	910.00
Extension of Watch Hours	42.00	45.00	47.00	50.00	53.00	237.00
Lease rental from refuelling station	338.00	364.00	400.00	440.00	484.00	2,026.00
PSF excluding collection charges	696.00	-	-	-	-	696.00
UDF/PSF	-	6,357.00	7,005.00	7,725.00	8,525.00	29,612.00
Baggage Reconciliation System Charges	-	-	-	-	-	-
Total	1,403.00	7,142.00	7,866.00	8,669.00	9,563.00	34,643.00

Examination and proposal for aeronautical revenues as part of tariff determination for the current control period

- 2.3.3 The Authority sought actual Financial Statements for FY21 which has been submitted by CHIAL. The same has been considered for true up of revenues as given below:

Table 7: CHIAL's submission of Aeronautical Revenues after considering the actual revenue for FY21

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Parking & Housing	5.77	4.95	4.24	8.82	36.86	60.64
Throughput Charges	52.77	81.46	88.52	84.87	-	307.62
Cargo Charges	52.35	54.93	49.11	55.31	46.18	257.88
Ground Handling Charges	78.01	83.54	86.72	110.42	53.33	412.02
CUTE Charges	160.98	182.13	177.81	206.85	113.96	841.73
Extension of Watch Hours	33.42	18.18	5.88	0.37	3.24	61.09
Lease rental from refuelling station	353.22	402.59	370.93	399.80	409.64	1,936.18
PSF excluding collection charges	718.03	175.05	-	-	-	893.08
UDF/PSF	-	4,541.16	5,949.40	6,604.70	3,787.99	20,883.25
Baggage Reconciliation System Charges	-	4.46	13.50	37.62	11.76	67.34
Total	1,454.55	5,548.45	6,746.11	7,508.76	4,462.96	25,720.83

- 2.3.4 The Authority notes that the revenues for FY 2020-21 has reduced significantly as compared to the estimated revenues considered, due to the ongoing COVID-19 pandemic. The Authority also notes that the Cargo revenues have reduced from the estimate in all the years. On enquiry, CHIAL submitted that this was due to closure of runway for recarpeting work and at that time passenger ATMs were given preference over Cargo ATMs.
- 2.3.5 The Authority has reviewed CHIAL's submission regarding Aeronautical Revenues. The Authority notes that CHIAL has collected revenues as per Tariff card approved by the Authority for the First Control Period vide its decision no. 12 of Order No. 17/2016-17.
- 2.3.6 The Authority had, in the First Control Period Order, decided to consider lease rental from refueling station as revenue from aeronautical service. The same has been accordingly considered by CHIAL as aeronautical revenue.
- 2.3.7 The Authority also notes that CHIAL receives revenue from Baggage Reconciliation Services @ Rs. 6.9 per departing passenger from the Independent Service Provider (ISP), M/s SITA and this has been considered as Aeronautical Revenues.
- 2.3.8 Rent from space given to aeronautical service providers such as Ground Handlers, Airlines has been considered as Non-Aeronautical Revenue by CHIAL. The Authority is of the view that the revenues collected from aeronautical services providers such as Airlines, Cargo, Ground handlers and fuel suppliers are to be treated as Aeronautical Revenues. Therefore, the Authority proposes to consider the rent received from space given to Ground handlers, Airlines, and other aeronautical concessionaires as aeronautical revenues.
- 2.3.9 Aeronautical revenues as proposed by the Authority for the First Control Period after considering the above change is as follows:

Table 8: Aeronautical revenue as proposed by the Authority for true up of the First Control Period

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Parking & Housing	5.77	4.95	4.24	8.82	36.86	60.64
Throughput Charges	52.77	81.46	88.52	84.87	-	307.62
Cargo Charges	52.35	54.93	49.11	55.31	46.18	257.88
Ground Handling Charges	78.01	83.54	86.72	110.42	53.33	412.02
CUTE Charges	160.98	182.13	177.81	206.85	113.96	841.73
Extension of Watch Hours	33.42	18.18	5.88	0.37	3.24	61.09
Lease rental from refuelling station	353.22	402.59	370.93	399.80	409.64	1,936.18
PSF excluding collection charges	718.03	175.05	-	-	-	893.08
UDF/PSF	-	4,541.16	5,949.40	6,604.70	3,787.99	20,883.25
Baggage Reconciliation System Charges	-	4.46	13.50	37.62	11.76	67.34
Rent from space given to GH/ Airlines	136.71	162.21	222.22	295.08	352.35	1,168.56
Total	1,591.26	5,710.66	6,968.33	7,803.84	4,815.30	26,889.39

2.4 True up of Regulatory Asset Base

2.4.1 CHIAL has submitted the following as Average RAB for the First Control Period:

Table 9: CHIAL's submission of average aeronautical RAB for the First Control Period

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	41,850.39	40,010.82	37,753.26	35,425.60	32,515.13	
Add: Capitalization during the year	B	1,137.95	807.35	847.51	518.67	4,820.54	8,132.02
Less: Deletions/ adjustments	C	-	0.05	-	95.47	-	95.53
Less: Depreciation	D	2,977.53	3,064.86	3,175.17	3,160.43	2,386.02	14,764.00
Closing RAB	E=A+B-C-D	40,010.82	37,753.26	35,425.60	32,688.37	33,222.59	
Average RAB	F=Avg (E,A)	40,930.61	38,882.04	36,589.43	34,056.98	32,955.48	

Note:

- Opening block of 20-21 is different from closing block of 19-20 as ratios for allocation between aeronautical and non-aeronautical services differ between the years as per CHIAL's submission.
- Depreciation Expense claimed as part of building block for true up of First Control Period by CHIAL is different from the depreciation used to arrive at closing block as per this table as different methodologies have been adopted.

2.4.2 Analysis of individual components of asset additions and aeronautical RAB submitted by CHIAL is given below:

CHIAL's submission for true up of regulatory asset base pertaining to projects approved for the First Control Period

2.4.3 Opening aeronautical RAB for First Control Period, as submitted by CHIAL is as below.

Table 10: CHIAL's submission of opening aeronautical RAB for true up of First Control Period

Assets Description (Rs. in Lakhs)	As at 01.04.2016
Building Terminal / Other Building	25,303.10
Building Temporary	14.85
Road Bridges & Culverts – Carpeted	5,472.64
Road Bridges & Culverts – Non-Carpeted -CISF / Security	35.86
Computer & IT Hardware & Access	51.04
Computer & IT Server	153.81
Plant & Machinery-Equipment- freehold	4,289.32
Tools & Equipment	29.10
Furniture & Fixture	631.78
Electrical Installation	5,867.13
Motor Vehicles – Security	0.15
Car jeeps- Security	1.55
Office Equipment	0.05
Total	41,850.39

Recap of decision taken by the Authority for opening aeronautical RAB at the time of tariff determination for the First Control Period:

- 2.4.4 The Authority vide its decision number 1.e of Order No. 17/2016-17 had decided to consider Rs. 43,690 lakhs as opening aeronautical RAB as on 1st April 2016 as detailed below:

Table 11: Opening aeronautical RAB as approved in First Control Period Order

As per Order 17/2016-17			
Assets Description (Rs. in Lakhs)	As on 1.4.15	Depreciation 15-16	As at 31.03.16
	A	B	C=A-B
Building Terminal / Other Building	26,584.00	376.00	26,208.00
Building Temporary	16.00	2.00	14.00
Road Bridges & Culverts - Carpeted	5,973.00	178.00	5,795.00
Road Bridges & Culverts – Non-Carpeted - CISF / Security	41.00	5.00	36.00
Computer & IT Hardware & Access	67.77	10.00	57.77
Computer & IT Server	183.02	12.00	171.02
Plant & Machinery-Equipment- freehold	4,878.00	132.00	4,746.00
Tools & Equipment	35.00	2.00	33.00
Furniture & Fixture	727.00	27.00	700.00
Electrical Installation	6,177.81	250.00	5,927.81
Motor Vehicles - Security	0.15	0.01	0.14
Car jeeps- Security	1.64	0.08	1.56

As per Order 17/2016-17			
Assets Description (Rs. in Lakhs)	As on 1.4.15	Depreciation 15-16	As at 31.03.16
Office Equipment	0.06	-	0.06
Total	44,684.45	994.09	43,690.36

Examination and proposal for opening aeronautical RAB

- 2.4.5 The Authority has analyzed the reasons for differences between CHIAL's submission of opening RAB and the Authority's decision in First Control Period Order as detailed below.
- 2.4.5.1 While the Authority in First Control Period Order has allocated assets on a line-by-line basis into aeronautical and non-aeronautical assets, considering the Aeronautical ratio (Terminal building ratio) at 90.5:9.5 on applicable assets, CHIAL has considered allocation of assets on an overall asset category basis as below:

Table 12: CHIAL's submission of allocation ratios

Asset Classification	Allocation %
Apron	100.00%
Building – Temporary	90.50%
Building Terminal	90.50%
Cars & Jeeps – Security	100.00%
Computers & I.T. – Servers	90.50%
Computers & I.T. Hardware & Access	90.50%
Elec. Installation/Air Conditioners	90.50%
Furniture & Fixtures	90.50%
Machinery & Equipment	90.50%
Office Appliances	90.50%
Roads, Bridges & Culverts	100.00%
Tools & Equipment	90.50%
Vehicles – Security	100.00%
X Ray Baggage System	90.50%

- 2.4.5.2 While CHIAL's submission considers a deletion of asset value of Rs. 274.77 lakhs (Rs. 248.67 being aeronautical portion of RAB) effected in the FY 2015-16, Authority's calculation did not consider the same.
- 2.4.5.3 While CHIAL has adopted useful life of Apron as 5 years, the Authority had considered the same to be 30 years. Hence, depreciation of the same in CHIAL's books in FY 2015-16 was more by Rs. 321.58 lakhs. This has resulted in lower aeronautical RAB being considered by CHIAL for this category.
- 2.4.6 Broad reconciliation of Opening aeronautical RAB as per CHIAL and as considered by the Authority is as follows:

Table 13: Reconciliation of opening aeronautical RAB between CHIAL and the Authority of First Control Period Order

Particulars	Ref	Amount (Rs. in Lakhs)
Opening aeronautical RAB as per CHIAL Submission	A	41,850.39
Increase in Aeronautical assets as considered by the Authority as compared with CHIAL (due to allocation ratios being different)	B	1,273.47
<u>Depreciation difference due to variation of useful life:</u>		
Apron - CHIAL has considered 5 year as useful life, whereas the Authority has considered 30 years	C1	321.58
Depreciation difference on other assets	C2	-3.76
Aeronautical RAB portion of deletion of terminal building not considered by the Authority but considered by CHIAL	D	248.67
Opening aeronautical RAB considered by the Authority as per First Control Period Order	E=A+B+C1+C2+D	43,690.36

2.4.7 As the Authority has evaluated the Opening Aeronautical RAB in detail in the First Control Period, the Authority proposes to consider the same, after adjusting for the asset deletion recorded in the Financial Statements of CHIAL. Accordingly, the opening RAB proposed to be considered by the Authority is as follows:

Table 14: Revised opening aeronautical RAB for true up of First Control Period:

Particulars (Rs. in Lakhs)	As at 1.4.16
Apron	4,311.52
Building Temporary	13.77
Building Terminal	25,937.73
Cars & Jeep Security	1.56
Computers & I.T Servers	170.65
Computers & I.T Hardware and Access	58.20
Electrical Installations/ Air Conditioners	5,927.74
Furniture & Fixtures	699.79
Intangible Asset	-
Machinery & Equipment	4,671.05
Office Appliances	0.06
Roads, Bridges & Culverts	1,518.79
Tools & Equipment	32.29
Vehicles – Security	0.15
X Ray Baggage System	75.75
Total	43,419.05

The difference between the total as per the Authority approved Opening aeronautical RAB as per First Control Period Order (Rs. 43,690.36 Lakhs) as indicated in Table 11 and revised Opening RAB as per above Table 14 (Rs. 43,419.05 Lakhs) is Rs. 271.05 lakhs. The same is on account of asset deleted of Rs. 274.77 lakhs and depreciation on the same of Rs. 3.72 Lakhs. CHIAL has however considered the entire terminal building to be allocated at 90.5%

ratio. Hence value considered by CHIAL for same deletion is Rs. 248.67 Lakhs (90.5% of the asset value of Rs. 274.77 Lakhs).

Examination and proposal for additions to aeronautical RAB during the First Control Period

- 2.4.8 CHIAL had, in its MYTP, submitted a summary of estimated additions to Fixed Assets till 31st March 2021 as follows:

Table 15: CHIAL's submission on additions to gross block for FY17 to FY20 and estimated additions for FY 21

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (est.)	Total
Apron	38.49	0.00	359.19	0.81	1,400.00	1798.50
Building Temporary	101.06	24.66	0.00	0.00	-	125.72
Building Terminal	785.09	211.19	0.00	29.60	-	1025.88
Cars & Jeep Security	0.00	0.00	0.00	15.33	-	15.33
Computers & I.T Servers	0.00	1.64	0.00	0.00	-	1.64
Computers & I.T Hardware and Access	10.02	6.01	0.62	20.37	270.00	307.01
Electrical Installations/ Air Conditioners	110.20	50.88	135.97	133.15	702.87	1133.06
Furniture & Fixtures	7.22	37.79	47.76	3.86	-	96.63
Intangible Asset	0.00	0.00	0.00	0.00	-	0.00
Machinery & Equipment	39.64	478.96	352.78	343.11	2,580.60	3795.09
Office Appliances	1.92	1.21	0.11	9.32	-	12.57
Roads, Bridges & Culverts	48.03	43.35	0.00	0.00	-	91.38
Tools & Equipment	20.89	1.43	2.34	15.87	-	40.53
Vehicles – Security	0.68	0.00	0.00	0.00	-	0.68
X Ray Baggage System	85.00	30.43	0.00	0.00	-	115.43
Grand Total	1,248.25	887.55	898.77	571.43	4,953.47	8,559.47

Recap of decision taken by the Authority for additions to aeronautical RAB at the time of tariff determination for the First Control Period:

- 2.4.9 The Authority in its Order No.17/2016-17 had considered the following as additions to gross block for First Control Period.

Table 16: Additions to gross block as approved in Order No.17/2016-17

Particulars (Rs. in Lakhs)	Aeronautical	Non-Aeronautical	Common	Total
Building - Terminal	1,118.00	150.00	568.00	1,836.00
X-Ray Baggage System	1,174.00			1,174.00
Electrical Installations/Air Conditioners	1,005.00			1,005.00
Machinery & Equipment	933.00			933.00

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Particulars (Rs. in Lakhs)	Aeronautical	Non-Aeronautical	Common	Total
Building - Temporary	670.00			670.00
Computers & IT Hardware & Access	90.00			90.00
Roads, Bridges & Culverts - CISF security	44.00			44.00
Apron	43.00			43.00
Electrical Installations/Air Conditioners – Security		25.00		25.00
Furniture & Fixtures - Other than furniture	20.50			20.50
Vehicles - Security	16.50			16.50
Tools & Equipment - Security	11.00			11.00
Tools & Equipment	11.00			11.00
Total	5,136.00	175.00	568.00	5,879.00

2.4.10 The Authority vide its decision no. 1.k of Order No. 17/2016-17 had decided to true up the additions to aeronautical RAB based on the actual date of capitalization.

2.4.11 The Authority sought actual Financial Statements for FY21 together with Fixed Asset register which has been submitted by CHIAL. Based on actuals for FY21, the total additions to assets in the First Control Period is as follows:

Table 17: Additions to gross block in the First Control Period based on actuals for FY21

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Apron	38.49	0.00	359.19	0.81	1676.77	2,075.28
Building Temporary	101.06	24.66	0.00	0.00	0.00	125.72
Building Terminal	785.09	211.19	0.00	29.60	509.43	1,535.31
Cars & Jeep Security	0.00	0.00	0.00	15.33	0.00	15.33
Computers & I.T Servers	0.00	1.64	0.00	0.00	0.00	1.64
Computers & I.T Hardware and Access	10.02	6.01	0.62	20.37	0.00	37.01
Electrical Installations/ Air Conditioners	110.20	50.88	135.97	133.15	54.23	484.42
Furniture & Fixtures	7.22	37.79	47.76	3.86	0.00	96.63
Intangible Asset	0.00	0.00	0.00	0.00	0.00	0.00
Machinery & Equipment	39.64	478.96	352.78	343.11	559.40	1,773.89
Office Appliances	1.92	1.21	0.11	9.32	0.00	12.57
Roads, Bridges & Culverts	48.03	43.35	0.00	0.00	0.00	91.38
Tools & Equipment	20.89	1.43	2.34	15.87	0.78	41.30
Vehicles – Security	0.68	0.00	0.00	0.00	0.00	0.68
X Ray Baggage System	85.00	30.43	0.00	0.00	1831.23	1,946.66
Grand Total	1,248.25	887.55	898.77	571.43	4,631.83	8,237.83

2.4.12 A broad comparison of the estimated capital expenditure with the actual capital expenditure is detailed below. Line-item wise details of the below are given separately in Annexure 3 to 6.

Table 18: Summary of variance between approved and actual additions to gross block during First Control Period

Summary (Rs. in Lakhs)	Ref.	As per order	Actuals	Difference
		A	B	C=B-A
Projects where cost incurred was greater than cost approved	Annexure 3	2,060.16	3,709.78	1,649.62
Projects where cost incurred was lesser than cost approved	Annexure 4	2,593.49	1,464.64	-1,129.85
Projects which were not in the additions estimate of First Control Period but incurred	Annexure 5	-	3,064.41	3,064.41
Projects approved but not incurred	Annexure 6	1,225.50	-	-1,225.50
TOTAL		5,879.15	8,237.83	2,358.68

2.4.13 With respect to cases where the incurred amount was greater than that approved in First Control Period Order, the Authority has sought justifications from CHIAL. Justifications as provided by CHIAL for variances above Rs. 50 Lakhs are listed under:

Table 19: Major variances – Projects where cost incurred was greater than cost approved

Asset description as submitted during First Control Period Order (Rs. In Lakhs)	As approved	As incurred	Variance	Justification as provided by CHIAL
One PBB	540.00	832.22	292.22	Originally there were 3 PBBs installed in the terminal building. Out of these 3, one had to be impaired. As per original master plan 5 PBBs could be installed. Hence added 2 new and 1 to substitute for the impaired PBB. Projected cost was for 1 PBB but actual was for 3. This was done to facilitate passenger movement.
Misc.- Electrical Work	103.03	200.64	97.61	Since these expenses are not anticipated at the time of projection, actual expenses are more than projected. Actual expenditure is mainly on account of Illuminated flag on 100 ft monumental flag post, SITC of led light fixtures, Gas suppression system in IT panels server room, procurement of Signages, SITC of HT cables, Split AC water cooler, Dewatering pump, and other electrical items.
Furniture for PAX Facility	15.00	88.27	73.27	Actual Furniture was mainly on account of Furniture to CISF, Inauguration plaque and inspection/stamping table, providing and placing traffic barricades etc, Replacement of entrance mats at entrance gate of arrival and departure area, procurement of table and chairs sets within the arrival area for passenger facilitation. The quantification of

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Asset description as submitted during First Control Period Order (Rs. In Lakhs)	As approved	As incurred	Variance	Justification as provided by CHIAL
				the furniture has been decided based on passenger throughput and peak hours requirement which has been increased over a period.
In-Line XBIS (CTX)	1,000.00	1,831.23	831.23	In-Line X -Ray baggage is the security equipment for baggage screening and the responsibility of the airport operator to provide the same. There was a cost overrun because of estimates being projected lower.
Hand Baggage XBIS	174.25	462.11	287.86	The actual expenditure consists of 2 major expenses, X ray machine and baggage handling system - arrival carousels but the approved amount was only for Hand Baggage XBIS. X-ray baggage machine has been acquired on finance lease model. Baggage handling system has been put in place to ease passenger movement in international side.
TOTAL	1,832.28	3,414.47	1,582.19	

Table 20: Not approved but incurred – additions to gross block in First Control Period – Major items

Asset description	Incurred (Rs. in Lakhs)	Justification by CHIAL
Extension of Apron for night parking	1,676.77	The need for such a spend is based on requests received from airlines for night parking. Thus, increasing the business to the airport even during pandemic.
Capitalize Construction Of 02 Nos Fix Finger	509.43	While the building plan always contained plan to build fixed finger, the same was not executed due to capital constraints. With increase in passenger traffic, it was decided to go ahead with the construction.
Additional cost of Terminal Building to AAI	383.84	This was unforeseen expenditure as the same was communicated from AAI - as remaining to be paid to contractor for terminal building - CHIAL's share.
Apron and Linked Taxi Track - Resurfacing of Runway	359.19	After the resurfacing of runway, there was level difference in the taxi track on CHIAL side connecting the Runway. Accordingly merging of Taxi Track work has been carried out.
Electrical Works Like SITC of High Mast Street Light Poles Supply and Laying of Cable LT Panel Runway Cable etc	51.06	No details provided
TOTAL	2,980.28	

2.4.14 Detailed comments given by CHIAL are recorded as part of Annexure 2 to 6. The Authority notes that:

- In certain cases where the expenses actually incurred are more than the projected amounts, explanation provided by CHIAL demonstrated the justification for such spends together with detailing of the process of award and internal approvals.

- In certain cases, the Authority notes that CHIAL needs to make more realistic estimates in case of projections since the variance between projections and actuals are significant. The Authority expects CHIAL to ensure that this is appropriately considered in the future control periods.

2.4.15 Based on the above analysis, the Authority proposes to consider total additions of Rs. 8,237.83 Lakhs as detailed in Table 17.

2.4.16 The Authority has analyzed the project-wise variances in capitalization considered and noted that CHIAL has not considered additions to intangible assets in FY20 of Rs. 24.5 Lakhs in its submissions which the Authority understands is inadvertently missed. The same has been included in re-computation of additions to RAB by the Authority.

CHIAL's submissions relating to asset allocation for the First Control Period

2.4.17 CHIAL has submitted that the allocation of common assets has been made as considered by the Authority as part of Order 17/ 2016-17 in the ratio of 90.5:9.5. CHIAL has used an asset category wise allocation to segregate between Aeronautical and Non-Aeronautical assets. Accordingly, allocation of asset additions between Aeronautical and Non-Aeronautical for the First Control Period (after true up of FY21 numbers based on actuals) is as below:

Table 21: CHIAL's submission of aeronautical and non-aeronautical assets

Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Aeronautical Assets	1,137.95	807.35	847.51	518.67	4,820.54	8,132.02
Non- Aeronautical Assets	110.30	80.20	51.26	52.75	132.93	427.44
TOTAL	1,248.25	887.55	898.77	571.43	4,953.47	8,559.47
% Aeronautical Assets	91.16%	90.96%	94.30%	90.77%	97.32%	95.01%

Recap of decision taken by the Authority for allocation of assets at the time of tariff determination for the First Control Period

2.4.18 The Authority vide its decision 1.d of Order No. 17/2016-17 had decided to allocate common area in the terminal building into aeronautical and non-aeronautical and the relevant assets in the ratio of 90.50% and 9.50%.

Authority's analysis relating to asset allocation for computing aeronautical RAB the First Control Period

2.4.19 For the purpose of computing Average Aeronautical RAB, CHIAL has allocated assets based on category of assets but the Authority proposes to consider allocation on an individual asset basis.

2.4.20 The process followed by the Authority in the segregation of assets into aeronautical and non-aeronautical assets for the First Control Period is as follows:

- Assets which are fully aeronautical / non-aeronautical assets were identified.
- Assets which could not be segregated into aeronautical and non-aeronautical were identified as common assets.
- The common assets were segregated into aeronautical and non-aeronautical assets based on "Proportion of the Weighted Average Terminal Space" as agreed in First Control Period Order of 90.5:9.5.

- 2.4.21 Based on the total additions listed in Table 17, considering the allocation basis as detailed in Para 2.4.20 above, additions to aeronautical RAB for the First Control Period as proposed by the Authority is summarized in the table below:

Table 22: Additions to aeronautical RAB as proposed by the Authority for true up of First Control Period

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	TOTAL
Apron	38.49	-	359.19	0.81	1,676.77	2,075.28
Building Temporary	101.06	24.66	-	-	-	125.72
Building Terminal	605.33	208.81	-	26.78	509.43	1,350.36
Cars & Jeep Security	-	-	-	15.33	-	15.33
Computers & I.T Servers	1.01	1.48	-	0.38	-	2.88
Computers & I.T Hardware and Access	8.05	5.57	0.59	18.05	-	32.26
Electrical Installations/ Air Conditioners	93.53	48.19	125.49	130.48	53.92	451.61
Furniture & Fixtures	7.22	36.18	43.38	3.68	-	90.46
Intangible Asset	-	-	-	22.20	-	22.20
Machinery & Equipment	39.64	433.46	352.20	342.79	559.40	1,727.49
Office Appliances	1.85	1.13	0.10	8.49	0.30	11.88
Roads, Bridges & Culverts	48.03	43.35	-	-	-	91.38
Tools & Equipment	20.89	1.43	2.12	15.87	0.78	41.08
Vehicles – Security	0.68	-	-	-	-	0.68
X Ray Baggage System	85.00	30.43	-	-	1,831.23	1,946.66
Grand Total (B)	1,050.80	834.70	883.07	584.88	4,631.83	7,985.27
Total additions to assets considered by the Authority	1,248.25	887.49	898.77	595.96	4,631.83	8,262.30
% Allocation	84.18%	94.05%	98.25%	98.14%	100.00%	

2.5 True up of Depreciation

CHIAL's submission for true up of depreciation

- 2.5.1 CHIAL has submitted the following true up for depreciation of the First Control Period.

Table 23: CHIAL's submission of aeronautical depreciation for the First Control Period

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Aeronautical depreciation	2,879.16	2,966.38	3,074.46	3,063.68	2,174.05	14,157.72

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

- 2.5.2 The Authority vide its decision number 1.1 of Order No.17/2016-17 had decided to true up depreciation as and when the decision to revise the depreciation rates is taken.

Examination and proposal for depreciation as part of tariff determination for the current control period

- 2.5.3 The Authority sought actual Financial Statements for FY21 which has been submitted by CHIAL. The same has been considered for true up of depreciation.
- 2.5.4 The Authority notes from the Financial Statements of CHIAL that CHIAL had computed the depreciation based on useful lives which are different from Order 35.
- 2.5.5 The Authority notes that Depreciation estimate submitted by CHIAL for FY 21 had formula inconsistencies leading to incorrect computations.
- 2.5.6 The Authority has proposed to compute depreciation on the following principles:
- Useful Life for FY17 and FY18 for computing depreciation is based on the useful life considered as per Order No. 17/ 2016-17, using 5% residual value as computed by CHIAL.
 - As Order 35 has been effective from 1st April 2018, the Authority proposes to consider useful life as per Order 35 or useful life as per CHIAL whichever is higher.
 - Considering general practice in Airports of not having residual values on assets, the Authority proposes to compute depreciation considering no residual value from 1st April 2018.
 - While the significant difference in useful live is in the category of Apron where CHIAL considers 5 years as life, whereas Order 35 prescribes a life of 30 years, a tabulation of asset category wise useful lives proposed to be considered post 1st April 2018 is as below:

Table 24: Comparison of Useful life considered by CHIAL v/s Authority

Particulars	Useful life as per Order 35 (in years)	Useful Life adopted by CHIAL (in years)	Useful Life adopted by Authority from 01/04/2018
Apron	30	5	30
Building – temporary	3	3	3
Building terminal	30	30	30
Cars & jeeps – security	8	8	8
Computers & I.T. – servers	6	6	6
Computers & I.T. hardware & access	3	3	3
Electrical installation/air conditioners (specific assets) *	10	2	2
Electrical installation/air conditioners	10	10	10
Furniture & fixtures	7	10	10
Intangible asset	6	6	6
Machinery & Equipment	15	10	15
Machinery & Equipment (specific assets) **	15	15	6
Machinery & Equipment	15	15	15
Office appliances	5	5	5
Roads, bridges & culverts	5	5	5
Tools & Equipment – Ladders/ Grass cutters etc.	15	5	15
Tools & Equipment	15	10	15
Vehicles – security	8	10	10
X ray baggage system	15	15	15

Notes

* *Electrical installation/air conditioners- The useful life as per Order 35 is 10 years but in some cases assets such as used escalators (value of Rs.30.64 Lakhs) have been transferred from AAI. In this case remaining life has been considered for the depreciation calculation by CHIAL and the Authority alike.*

** *Machinery & Equipment- The useful life for Machinery & Equipment is 15 years as per Order 35. However, one asset (an x-ray machine), of value Rs. 105.68 Lakhs has been taken on lease for 6 years, therefore the life considered is the life of lease for the Authority's computation. Since this asset is part of Machinery & Equipment of CHIAL's Fixed Asset Register, CHIAL has considered 15 years to be the useful life.*

- 2.5.7 One passenger boarding bridge was transferred from AAI to CHIAL during FY16 at book value of Rs. 89.19 lakhs. This has been impaired in the Financial Statements and written down to zero value in FY19. On enquiry it was noted that during course of utility of PBB, the said PBB was not working satisfactorily and became unserviceable, hence decision was taken by competent the Authority to impair the PBB during FY19. While the Authority has considered this additional cost / depreciation charge, the Authority notes this as an extraordinary exception and such need for write off of assets would not happen going forward.
- 2.5.8 Based on the above, the Authority's computation of Aeronautical depreciation is as follows:

Table 25: Depreciation on Aeronautical RAB as considered by the Authority for true up of the First Control Period

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Apron	138.86	139.62	152.27	159.74	173.68	764.17
Building Temporary	15.25	37.04	47.02	32.01	8.18	139.50
Building Terminal	873.05	894.69	950.37	950.69	959.77	4,628.57
Cars & Jeep Security	0.20	0.20	0.21	0.90	2.13	3.63
Computers & I.T Servers	29.05	29.34	32.18	32.20	32.25	155.02
Computers & I.T Hardware and Access	22.81	25.18	19.82	6.25	6.56	80.63
Elec. Installations/ Air Conditioners	591.95	596.70	647.90	666.52	686.80	3,189.87
Furniture & Fixtures	69.57	70.67	81.73	82.92	83.13	388.02
Intangible Asset	-	-	-	0.86	3.70	4.56
Machinery & Equipment	305.98	331.01	444.25	398.93	427.83	1,908.01
Office Appliances	0.04	0.35	0.51	1.28	2.22	4.39
Roads, Bridges & Culverts	325.55	326.94	360.52	360.52	218.72	1,592.25
Tools & Equipment	7.07	8.05	7.59	8.44	6.28	37.43
Vehicles – Security	0.03	0.08	0.08	0.08	0.08	0.36
X Ray Baggage System	7.96	11.95	12.94	12.94	76.49	122.28
Depreciation on Aeronautical RAB	2,387.38	2,471.81	2,757.39	2,714.28	2,687.83	13,018.68

2.6 True up of Average RAB

CHIAL's submission for true up of Average aeronautical RAB

- 2.6.1 CHIAL has submitted the following average RAB for true up of First Control Period based on its submission of Opening RAB, Depreciation etc. as detailed above.

Table 26: CHIAL's submission for average aeronautical RAB for First Control Period

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	41,850.39	40,010.82	37,753.26	35,425.60	32,515.13	
Add: Additions to RAB	B	1,137.95	807.35	847.51	518.67	4,820.54	8,132.02
Less: Disposals	C		0.05		95.47		95.53
Less: Depreciation	D	2,977.53	3,064.86	3,175.17	3,160.43	2,386.02	14,764.00
Closing RAB	E=A+B-C-D	40,010.82	37,753.26	35,425.60	32,688.37	33,222.65	
Average RAB	F= Avg(A,E)	40,930.61	38,882.04	36,589.43	34,056.99	32,955.51	

Authority's analysis relating to average aeronautical RAB for the First Control Period:

- 2.6.2 The Authority noted various inconsistencies in the manner in which Average RAB was computed by CHIAL as detailed below:
- 2.6.2.1 Closing net block for FY21 taken for Average aeronautical RAB calculation does not include value of Apron of Rs. 1,727 lakhs (estimated) due to an error in the formulae applied.
- 2.6.2.2 Gross value of opening aeronautical RAB for the year FY21 was arrived at by using weighted average aeronautical value for each category of asset rather than standard ratios used from FY17 to FY20 for allocation of assets.
- 2.6.2.3 Depreciation for the FY21 is taken as Rs. 2,392.48 lakhs for computing the closing aeronautical RAB of FY21. This is only the depreciation on opening gross assets as per Fixed Asset register and does not include depreciation on the additions for the FY21.
- 2.6.2.4 While computing the aeronautical depreciation of Rs. 2,392.48 lakhs for FY21, residual value of 10% has been adjusted twice due to an apparent error in the formula itself.
- 2.6.2.5 For computation of closing aeronautical RAB for FY21, depreciation on entire assets (both Aeronautical and Non-aeronautical assets) has been considered as reduction from Aeronautical RAB.
- 2.6.2.6 In the computation of accumulated depreciation, current year depreciation of Rs. 6 lakhs was not added to category - Roads, Bridges & Culverts- Non-Carpeted-CISF Security due to an error in formula.
- 2.6.2.7 X-ray baggage scanning equipment was taken on lease by CHIAL. Due to adoption of INDAS requirements this was classified as finance lease in FY19 and consequently as "Right of Use" Asset from FY20 at Rs. 97.35 lakhs in books. This was considered as disposal (Rs. 105.68 lacs minus depreciation Rs. 8.33 Lakhs) and not part of the Average RAB calculations made by CHIAL inadvertently. The Authority has considered the same for computation of Average RAB.
- 2.6.3 The Authority sought actual Financial Statements for FY21 which has been submitted by CHIAL. On this basis of the same, CHIAL's submission updated for actual numbers are as follows:

Table 27: CHIAL's submission with actual additions to aeronautical RAB

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Opening RAB	A	41,850.39	40,010.82	37,753.26	35,425.60	32,515.13*	
Add: Additions to RAB	B	1,137.95	807.35	847.51	518.67	4,499.07	7,810.56

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Less: Disposals	C	-	0.05	-	95.47	-	95.53
Less: Depreciation	D	2,977.53	3,064.86	3,175.17	3,160.43	2,386.02	14,764.00
Closing RAB	E=A+B-C-D	40,010.82	37,753.26	35,425.60	32,688.37	32,623.75**	-
Average RAB	F= Avg (A,E)	40,930.61	38,882.04	36,589.43	34,056.98	32,569.44	-

* Opening Aeronautical RAB for FY21 is different from closing aeronautical RAB of FY20 because Gross value of opening aeronautical RAB for the year FY21 was arrived at by using weighted average aeronautical value for each category of asset rather than standard ratios used from FY17 to FY20 for allocation of assets.

** Closing Aeronautical RAB for FY21 taken for Average aeronautical RAB calculation does not include value of Apron of Rs. 2,003.84 lakhs (actuals) due to an error in the formulae applied.

- 2.6.4 Based on the Authority's methodology and analysis of Opening RAB, additions to RAB and depreciation calculation as detailed in the paragraphs earlier, the average Aeronautical RAB as estimated by the Authority for the true up of First Control Period in the current tariff determination process is as below:

Table 28: Aeronautical RAB proposed to be considered by the Authority for true up of the First Control Period

Particulars (Rs. in Lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	TOTAL
Opening RAB (Table 14)	A	43,419.05	42,082.46	40,445.35	38,571.03	36,441.63	
Add: Capitalization during the year (Table 22)	B	1,050.80	834.70	883.07	584.88	4,631.83	7,985.27
Less: Disposals	C	-	-	-	-	0.54	0.54
Less: Depreciation (Table 25)	D	2,387.38	2,471.81	2,757.39	2,714.28	2,687.83	13,018.68
Closing RAB	E=A+B-C-D	42,082.46	40,445.35	38,571.03	36,441.63	38,385.09	
Average RAB	F= Avg (A,E)	42,750.75	41,263.91	39,508.19	37,506.33	37,413.36	

2.7 True up of Return on Land

CHIAL's submission for Return on Land

- 2.7.1 CHIAL has submitted the following as claim for return on land for First Control Period.

Table 29: CHIAL's submission of return on land for First Control Period:

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	TOTAL
Land Value	40,786.85	40,786.86	40,786.86	40,786.86	40,786.86	
Rate of Return	11.25%	10.65%	11.05%	10.15%	9.40%	
Return Value	4,783.85	4,562.93	4,709.93	4,380.87	4,111.61	22,549.20

Recap of decision taken by the Authority for Return on Land at the time of tariff determination for the First Control Period

- 2.7.2 In the First Control Period Order no. 17/2016-17 dated 27th March, 2017 of CHIAL, the Authority had noted that *"The Authority has observed that land normally appreciates in value and no depreciation on land is permissible. If FRoR on land value is applied in calculation of ARR, it leads to a higher aeronautical tariff perpetually. At the same time, benefit of increase in market value of land will never be passed on to the passengers as the land will never be sold separately by the airport operator. The Authority is of view that a proper study is to be conducted to determine the return to be provided on cost of land before a final view can be taken."* and recorded its decision 1.a on Land cost return as follows:

"Remove land cost from RAB for the time being and will take a view based on the study to be conducted on the return to be provided on land cost in future."

Examination and proposal for Return on Land as part of tariff determination for the current control period

- 2.7.3 The Authority has since issued the Land Return Order No. 42/2018-19 after the issue of Order for First Control Period. This Order prescribes the methodology for computation of the return on land and notes that this will take effect from the next control period. Accordingly, the return on land is calculated from the Second Control Period as detailed in Section 5.

2.8 True up of Fair Rate of Return

CHIAL's submission for true up of Fair Rate of Return (FRoR)

- 2.8.1 CHIAL has considered Fair Rate of Return (FRoR) as 14% in MYTP for true up of First Control Period.

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

- 2.8.2 The Authority vide decision no. 2.a of Order No. 17/2016-17 had considered FRoR at 14% p.a. for CHIAL for the First Control Period considering that it would have sufficient internal accruals to fund proposed additions to RAB during the control period and that no debt will be required. The Authority had also decided to true up the FRoR for the First Control Period at the time of tariff determination for the Second Control Period.

Authority's examination of the matters as part of tariff determination for the current control period

- 2.8.3 The Authority notes that CHIAL did not have any debt in the First Control Period. Accordingly, the Authority does not propose any change in the cost of equity i.e. @14% for the First Control Period.

2.9 True up of Operating expenses

CHIAL's submission for true up of operating expenses

- 2.9.1 CHIAL has submitted the following aeronautical operating expenses for true up of the First Control Period with estimated values for FY21:

Table 30: Aeronautical Operating expenses for the First Control Period as submitted by CHIAL

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Payroll Related Expenditure	401.01	483.59	452.99	500.57	610.56	2,448.71
Administrative & General Expenditure	331.17	533.62	796.81	871.18	683.47	3,216.24
Repairs & Maintenance Expenditure	206.22	410.92	536.76	669.87	719.13	2,542.91
Utilities & Outsourcing Expenditure	695.61	617.17	676.97	891.07	789.55	3,670.36

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Finance cost	47.56	68.57	80.55	145.05	-	341.73
Total operating expense	1,681.56	2,113.87	2,544.08	3,077.73	2,802.71	12,219.97

- 2.9.2 Further CHIAL had submitted the ratio for allocation of expenses between Aeronautical & Non-Aeronautical services as below:

Table 31: CHIAL's submission of allocation ratios for Operating Expenses for the First Control Period

Particulars	Aeronautical	Non-Aeronautical
Payroll Related Expenditure	92.69%	7.31%
Housekeeping & Cleaning works	100.00%	0.00%
Facilitation Expenses	90.50%	9.50%
Hire charges Others, lease rental & Rent Rates & taxes	92.69%	7.31%
Hire charges Inline X-Ray Baggage Manpower	92.69%	7.31%
Collection charges on PSF	90.50%	9.50%
Corporate Social Responsibility	0.00%	100.00%
Insurance expenses	90.50%	9.50%
Consumption of Stores & Spares	90.50%	9.50%
Consultancy Charges	90.50%	9.50%
Printing & Stationery	90.50%	9.50%
Administrative & General Expenditure	90.50%	9.50%
Repairs & Maintenance Expenditure	90.50%	9.50%
Utilities Expenditure	100.00%	0.00%

Recap of decision taken by the Authority for Operating Expenses at the time of tariff determination for the First Control Period

- 2.9.3 The Authority had decided to true-up operating expenses for the First Control Period at the time of determination of tariff for the Second Control Period vide decision number 3.b of Order No.17/2016-17:

Table 32: Aeronautical Operating expenses as considered by the Authority for the First Control Period at the time of tariff determination for the First Control Period

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll Related Expenditure	462.00	701.00	750.00	802.00	859.00	3,574.00
Administrative & General Expenditure	206.00	281.00	295.00	310.00	326.00	1,418.00
Repairs & Maintenance Expenditure	454.00	490.00	539.00	593.00	652.00	2,728.00
Utilities & Outsourcing Expenditure	784.00	610.00	653.00	699.00	748.00	3,494.00
Total operating expense	1,906.00	2,082.00	2,237.00	2,404.00	2,585.00	11,214.00

Examination and proposal for operating expenses as part of tariff determination for the current control period

- 2.9.4 The Authority sought actual Financial Statements for FY21 which has been submitted by CHIAL. The same has been considered for true up of aeronautical operating expense as given below:

Table 33: CHIAL's submission of aeronautical operating expense after considering the actual cost for FY21

Particulars (Rs. in Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Payroll Related Expenditure	401.13	483.74	453.13	500.72	513.65	2,352.36
Administrative & General Expenditure	331.19	533.66	796.86	871.21	747.46	3,280.37
Repairs & Maintenance Expenditure	206.22	410.92	536.76	669.87	495.88	2,319.67
Utilities & Outsourcing Expenditure	695.61	617.17	676.97	891.07	442.58	3,323.40
Finance cost	47.56	68.57	80.55	145.05	5.70	347.43
Total	1,681.71	2,114.05	2,544.28	3,077.92	2,205.27	11,623.22

- 2.9.5 The Authority had reviewed the actual costs vis a vis estimates considered earlier. Analysis of the same is as given below:

- Payroll costs

The Authority noted that while the actual payroll cost is not higher than that decided in Order 17 of 2016-17, the employee count has decreased from 47 employees (considered in the Order) to 27 employees (actuals). The Authority analyzed that the actual per-employee cost is higher than the cost decided by Authority in First Control Period Order as show in the Table 34 below. On enquiry, CHIAL has responded that cost per employee has increased against the estimates decided in First Control Period Order due to all employees except KMP being deputed by Airport Authority of India (AAI) and the staff deputed by AAI is of middle and senior executive level.

Table 34: Per Employee cost comparison considered in First Control Period v/s actuals submitted by CHIAL.

Particulars	Considered by Authority in First Control Period Order					Total
	FY 17	FY 18	FY 19	FY 20	FY 21	
Payroll Related Expenditure (Rs. in lakhs)	486.00	738.00	789.00	845.00	904.00	3762.00
Head Count	47	47	47	47	47	
Cost per Employee (Rs.) (A)	10,34,043	15,70,213	16,78,723	17,97,872	19,23,404	

Particulars	Actuals submitted by CHIAL					Total
	FY 17	FY 18	FY 19	FY 20	FY 21	
Payroll Related Expenditure (Rs. in lakhs)	432.63	521.72	488.71	540.04	553.98	2537.08
Head Count	27	27	24	24	25	
Cost per Employee (Rs.) (B)	16,02,333	19,32,296	20,36,292	22,50,167	22,15,920	

Particulars	Variance					Total
	FY 17	FY 18	FY 19	FY 20	FY 21	
Cost per Employee (Rs.) (A-B)	-5,68,291	-3,62,084	-3,57,568	-4,52,294	-2,92,516	

- Common Area Maintenance Charges and Light waterpower charges

The Authority notes that Common Area Maintenance Charges and Light waterpower charges collected from concessionaires are accounted as Non-Aeronautical Revenues amounting to Rs. 177 lakhs, Rs. 240 lakhs and Rs. 176 lakhs for FY 18-19, 19-20 and 20-21 respectively. The same has been reduced from Operating expenditure in the years FY 16-17 and FY 17-18. As these are actual cost recoveries, the Authority has proposed to adjust the same from Housekeeping & Cleaning works and Electricity and water charges, respectively as has been done in FY 16-17 and FY 17-18, instead of treating the same as Non-Aeronautical Revenue.

- Finance Cost

The Authority notes that CHIAL has prepared IND AS Financial Statements from the year ending 31st March 2017. Accordingly, certain notional entries have been passed relating to Finance cost etc. to ensure IND AS compliance on security deposit and lease. The Authority has proposed to exclude such notional IND AS adjustments from Operating expenditure.

- Bad Debts

The Authority also notes that the provision for Bad Debts of Rs. 21.89 Lakhs have been accounted under Administrative & General Expenditure in the year 2019-20 for amount not being recoverable from Customs and Immigration Department. The Authority has proposed not to consider the same in Operating expenditure as these are only provisions for Bad debts which are being followed up for recovery with the Government departments.

- Corporate Social Responsibility (CSR) Cost

The Authority noted that CSR Cost has not been claimed as part of Aeronautical Expenditure in CHIAL submission (Aero allocation considered as 0%). In Order to maintain consistency in its approach, the Authority has proposed to include CSR cost in proportion of Average Profits before tax of the preceding three years between Aeronautical and Non-Aeronautical services.

2.9.6 Also, the Authority proposes the following allocation of Operating Expenditure into Aeronautical and Non-Aeronautical services as per the basis provided below:

Table 35: Comparison of Expenses allocation ratios considered by CHIAL and proposed by the Authority

Particulars	Aeronautical Ratio as per CHIAL	Aeronautical Ratio as per Authority	Basis of Allocation proposed
Payroll Related Expenditure	92.69%	89.00%	1. Cost of employees working in Departments engaged in Aero activities have been taken as Aeronautical cost. 2. Cost of employees working in departments engaged in Non-aero activities have been taken as Non-aeronautical cost.

Particulars	Aeronautical Ratio as per CHIAL	Aeronautical Ratio as per Authority	Basis of Allocation proposed
			3. Common employees' cost such as KMP, Finance and HR are segregated in the ratio of the total cost of Aero: Non-aero employees.
Housekeeping & Cleaning works	100.00%	100.00%	After netting off the recovery from concessionaires, considered as 100%
Facilitation Expenses	90.50%	90.50%	Based on Terminal Ratio
Hire charges Others	92.69%	89.00%	Based on Employee Ratio
Hire charges Inline X-Ray Baggage Manpower	92.69%	100.00%	Considered as 100% aeronautical as the services are related to X-ray Scanning.
Collection charges on PSF	90.50%	90.50%	Based on Terminal Ratio
Corporate Social Responsibility	0.00%	FY20-67% FY 21-60%	Based on Average of PBT for the previous three years (Calculated year wise)
Insurance expenses	90.50%	90.50%	Based on Terminal Ratio
Consumption of Stores & Spares	90.50%	90.50%	Based on Terminal Ratio
Consultancy Charges	90.50%	90.50%	Based on Terminal Ratio
Printing & Stationery, Telephone, travelling, entertainment	90.50%	89.00%	Based on Employee Ratio
Administrative & General Expenditure	90.50%	90.50%	Based on Terminal Ratio
Repairs & Maintenance Expenditure	90.50%	90.50%	Based on Terminal Ratio
Utilities Expenditure	100.00%	100.00%	After netting off the recovery from concessionaires, considered 100%

2.9.7 Considering the changes to Expenses proposed as detailed in Para 2.9.5 and the ratio of allocation as detailed in Table 35 above, the revised Operating Expenses proposed to be considered by the Authority is as below:

Table 36: Adjusted aeronautical operating and maintenance expenses of First Control Period as proposed by the Authority

Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll Related Expenditure	385.04	464.33	434.95	480.64	493.04	2,258.00
Administrative & General Expenditure						
Housekeeping & Cleaning works	92.73	221.97	259.63	213.64	240.77	1,028.73
Facilitation Expenses	16.67	44.75	65.62	177.35	53.53	357.93
Hire charges Others	61.25	86.38	159.23	98.81	124.38	530.05
Hire charges Inline X-Ray Baggage Manpower	-	-	-	32.91	103.31	136.22
Collection charges on PSF	37.97	51.54	51.75	47.57	18.53	207.36
Corporate Social Responsibility	-	-	-	11.02	39.40	50.43
Insurance Expenses	1.06	2.27	2.52	2.11	2.54	10.50
Consumption of Stores & Spares	52.13	71.50	79.94	65.47	45.16	314.20
Consultancy Charges	34.31	51.08	54.06	54.68	37.82	231.95
Printing & Stationery	8.26	7.81	4.54	10.51	3.81	34.94

Particulars (Rs. In Lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Other Administrative & General Expenditure	84.28	71.54	68.11	84.97	35.78	344.68
Total Administrative & General Expenditure	388.65	608.86	745.40	799.04	705.04	3,246.99
Repairs & Maintenance Expenditure	206.22	410.92	536.76	640.09	495.88	2,289.88
Utilities Expenditure	635.08	537.72	544.35	742.49	351.12	2,810.76
Total	1,615.00	2,021.83	2,261.47	2,662.25	2,045.09	10,605.64

- 2.9.8 The Authority accordingly proposes to consider the aeronautical operating and maintenance expenditure as per Table 36 above for the purpose of calculating true up of ARR for First Control Period.

2.10 True up of Non-Aeronautical Revenue

CHIAL's submission on non-aeronautical revenue

- 2.10.1 CHIAL has computed true up for the First Control Period by treating IND AS adjustments such as Fair Valuation Gain from Security Deposits and reversal of excess liability as non-aeronautical in nature and submitted MYTP with estimated values of FY 20-21 for the First Control Period as below:

Table 37: CHIAL's submission of non-aeronautical revenue for true up of First Control Period

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Admission fees/Commercial Passes	26.29	16.55	10.36	4.86	8.18	66.24
Car parking	266.63	451.38	469.09	274.73	159.07	1,620.90
Rent & Services	494.16	768.91	790.31	472.78	464.81	2,990.97
Trading Concession	748.23	1,094.19	1,378.73	2,322.97	905.71	6,449.83
In Flight - Catering Charges	-	-	-	7.45	2.39	9.84
Interest on Term Deposits	233.82	327.28	652.18	894.09	650.00	2,757.37
Fair valuation gain - Security deposits	47.56	68.57	72.55	138.15	-	326.83
Reversal of Excess Liabilities	-	-	-	29.57	-	29.57
Miscellaneous Income	20.87	2.25	17.47	37.20	5.00	82.79
Total non-aeronautical revenue	1,837.56	2,729.13	3,390.69	4,181.80	2,195.17	14,334.35

Recap of decision taken by the Authority for non-aeronautical revenue at the time of tariff determination for the First Control Period

- 2.10.2 The Authority vide its decision number 4.b of Order No. 17/2016-17, decided to true up Non-aeronautical revenues based on actual Non-aeronautical revenue.

Table 38: Non-aeronautical revenue as proposed by the Authority in the Tariff Order no.17/2016-17 for First Control Period

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Food & Beverages	103.00	264.00	290.00	319.00	351.00	1,327.00
Retail	29.00	240.00	264.00	290.00	319.00	1,142.00
Advertisements	296.00	326.00	359.00	394.00	434.00	1,809.00
Other Concessions	255.00	460.00	506.00	557.00	613.00	2,391.00
Car Parking	273.00	504.00	554.00	610.00	671.00	2,612.00

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Rent & Leases excluding Rental from Fuel Farm	544.00	591.00	650.00	715.00	786.00	3,286.00
Interest on Cash Balance	189.00	139.00	293.00	634.00	1,050.00	2,305.00
Total non-aeronautical revenue for First Control Period	1,689.00	2,524.00	2,916.00	3,519.00	4,224.00	14,872.00

Examination and proposal for non-aeronautical revenue as part of tariff determination for the current control period

- 2.10.3 The Authority sought actual Financial Statements for FY21 which has been submitted by CHIAL. The same has been considered for true up of non-aeronautical revenue as given below:

Table 39: CHIAL's submission of total non-aeronautical revenue after considering the actual cost for FY21

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21 (act.)	Total
Admission fees/Commercial Passes	26.29	16.55	10.36	4.86	9.06	67.12
Car parking	266.63	451.38	469.09	274.73	165.02	1,626.85
Rent & Services	494.16	768.91	790.31	472.78	792.54	3,318.70
Trading Concession	748.23	1,094.19	1,378.73	2,322.97	1,337.48	6,881.60
In Flight - Catering Charges	-	-	-	7.45	15.84	23.29
Interest on Term Deposits	233.82	327.28	652.18	894.09	943.91	3,051.28
Fair valuation gain - Security deposits	47.56	68.57	72.55	138.15	-	326.83
Reversal of Excess Liabilities	-	-	-	29.57	-	29.57
Miscellaneous Income	20.87	2.25	17.47	37.20	104.44	182.23
Total non-aeronautical revenue	1,837.56	2,729.13	3,390.69	4,181.80	3,368.29	15,507.47

- 2.10.4 The Authority's analysis of certain Non-Aeronautical Revenues are as below:
- 2.10.5 Common Area Maintenance Charges and Light water power charges: The Authority notes that Common Area Maintenance Charges and Light water power charges collected from concessionaires are accounted as Non-Aeronautical charges amounting to Rs. 177 lakhs, Rs. 240 lakhs and Rs. 176 lakhs for FY 18-19, 19-20 and 20-21 respectively. The same has been reduced from Operating expenditure in the years FY 16-17 and FY 17-18. As these are actual cost recoveries, the Authority has proposed to adjust the same from Housekeeping & Cleaning works and Electricity and water charges as proposed in Para 2.9.5.
- 2.10.6 Fair Valuation Gain on Security Deposit: The Authority notes that CHIAL has prepared IND AS Financial Statements from the year ending 31st March 2017. Accordingly, certain notional entries have been passed relating to Fair valuation gain from security deposits etc. to ensure IND AS compliance on security deposit and lease. The Authority has proposed to exclude such notional IND AS adjustments from Non-Aeronautical Revenues.
- 2.10.7 Rent from space given to Aeronautical Service Providers such as Ground Handlers, Airlines has been accounted as Non-Aeronautical Revenue by CHIAL. The Authority is of the view that the revenues collected from Aeronautical Services providers such as Airlines, Cargo, Ground handlers, fuel supply are to be treated as aeronautical services. Therefore, the Authority proposed to consider the rent received from space given to Ground handlers, Airlines, and other Aeronautical concessionaires as aeronautical revenues (ref. para 2.3.8)

- 2.10.8 The Authority noted that Reversal of Excess Liabilities amounting to Rs. 29.57 lakhs has been considered as Non-Aeronautical revenue. On enquiry, CHIAL explained that this pertains to reversal of cost relating to Arms & Ammunition and clothing and equipment accounted for in previous years. The Authority is of the view that since this relates to Security Expenses, which do not form part of Operating & Maintenance expenses, the same is proposed to be excluded from Non-Aeronautical revenues.
- 2.10.9 The Authority noted that Car Parking charges is significantly lower as compared to projection in Order 17 of 2016-17. On enquiry, CHIAL submitted that the car parking fee for FY17 to FY19 were charged on vehicles coming for arrival and departure of passengers, but from FY20, CHIAL has decided to collect car parking charges only from vehicles entering for arrival and not for departure which in turn resulted in even lower revenue collection from FY20.
- 2.10.10 Based on the above, the non-aeronautical revenue proposed by the Authority is as follows:

Table 40: Non-aeronautical revenue as proposed by the Authority for true up of First Control Period

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Admission fees/Commercial Passes	26.29	16.55	10.36	4.86	9.06	67.12
Car parking	266.63	451.38	469.09	274.73	165.02	1,626.85
Rent & Services	494.16	768.91	790.31	472.78	792.54	3,318.70
Less: Rent from GH/Airlines considered Aeronautical	-136.71	-162.21	-222.22	-295.08	-352.35	-1,168.56
Trading concession	748.23	1,094.19	1,378.73	2,322.97	1,337.48	6,881.60
Less: Recovered from Concessionaires adjusted from Operating Expenses	-0.10	-	-176.80	-240.02	-175.27	-592.20
In Flight -Catering Charges	-	-	-	7.45	15.84	23.29
Interest on Term Deposits	233.82	327.28	652.18	894.09	943.91	3,051.28
Fair valuation gain - Security deposits	-	-	-	-	-	-
Reversal of Excess Liabilities	-	-	-	-	-	-
Miscellaneous Income	20.87	2.25	17.47	37.20	104.44	182.23
Total non-aeronautical revenue for First Control Period	1,653.18	2,498.35	2,919.12	3,478.98	2,840.66	13,390.30

2.11 True up of Aeronautical Taxation

CHIAL's submission for true up of taxation

- 2.11.1 CHIAL has computed aeronautical taxation for the First Control Period by claiming tax reimbursement based on effective tax rate on Aeronautical Profit considered for true up.
- 2.11.2 The tax cost considered for arriving at the effective rate and the estimated tax for First Control Period includes deferred tax cost also. Components of tax cost accounted and claimed by CHIAL are as below. This considers estimated values for FY 2021.

Table 41: Aeronautical Tax cost claimed by CHIAL for First Control Period:

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
MAT Cost	-	432.02	551.04	795.84	-	1,778.90
MAT Credit	-	-432.02	-551.04	-725.36	-	-1,708.42
Deferred Tax cost	-1,253.51	679.92	746.52	1,227.21	-	1,400.14
Total tax cost in P&L	-1,253.51	679.92	746.52	1,297.69	-	1,470.62
Aeronautical PBT as per CHIAL	-3,106.17	468.19	1,127.57	1,367.35	-2,366.39	-2,509.45

Particulars (Rs. in lakhs)	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Actual Effective Tax Rate	0%	40%	33%	31%	0%	
Aeronautical Tax cost claimed	-	189.06	374.39	420.75	-	984.20

Recap of decision taken by the Authority for aeronautical taxation at the time of tariff determination for the First Control Period

- 2.11.3 The Authority vide para no.9.6 of Order No. 17/2016-17, decided to estimate the tax on Aeronautical Profits and accordingly estimated the tax liability considering prevailing tax rate, Minimum Alternate Tax requirement and the benefit from unabsorbed depreciation and Losses.
- 2.11.4 The Authority vide decision no.5.b of Order No. 17/2016-17, had decided to consider the true up amount basis actual tax paid during the control period.

Examination and proposal for aeronautical taxation as part of tariff determination for the current control period

- 2.11.5 The Authority has considered the following with respect to aeronautical taxes for the First Control Period:
- Tax on Aeronautical P&L has to be trued up/ updated based on changes made to Aeronautical Income, Operating Expenses, Depreciation etc. as detailed in the Authority's analysis in earlier paragraphs.
 - The Authority notes from audited Financial Statements of CHIAL that CHIAL has paid tax under MAT in FY 18, FY 19 and FY 20.
 - Thus, the Authority has considered tax paid under MAT by CHIAL to be allocated in the reworked ratio of aeronautical PBT and non- aeronautical PBT.
 - The Authority does not propose to consider the Deferred Tax cost included in Tax computations as the same does not reflect tax payments.
- 2.11.6 The aeronautical tax is arrived at by considering the ratio on the aeronautical PBT as can be seen in the table below:

Table 42: Aeronautical Tax considered by the Authority for First Control Period true up

Particulars (Rs. in lakhs)	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Aero Revenue (Table 8)	A	1,591.26	5,710.66	6,968.33	7,803.84	4,815.43	26,889.51
Aero Operating Expense (Table 36)	B	1,615.00	2,021.83	2,261.47	2,662.25	2,045.09	10,605.64
Aero Depreciation (Table 25)	C	2,387.38	2,471.81	2,757.39	2,714.28	2,687.83	13,018.68
Aero PBT	D=A-B-C	-2,411.12	1,217.02	1,949.46	2,427.31	82.51	3,265.19
Total Profit	E	-2,261.58	2,086.39	2,619.27	4,617.00	2,307.12	9,368.20
Aero PBT Ratio	F=D/E	0%	58%	74%	53%	4%	
MAT	G	-	432.02	551.04	795.84	403.05	2,181.95
Aero Tax	H=G*F	-	252.00	410.13	418.40	14.41	1,094.94

2.12 Revised True Up for the First Control Period

- 2.12.1 The Authority has considered the following key changes done while truing up the ARR for First Control Period:

Table 43: Key changes done while truing up the ARR for First Control Period

Sl. No.	Change	Para Reference
1	Considered revenues from Rent from space given to concessionaires as aeronautical revenues	2.3.8
2	Allocation of assets done on a line-by-line basis for additions to First Control Period and proposed additions to Second Control Period assets.	2.4.20
3	W.e.f 1.4.2018 higher of useful life as per Order 35 or useful life as per CHIAL taken for re-computation of depreciation.	2.5.6
4	Residual value taken as nil w.e.f 1.4.2018 as per Order 35.	2.5.6
5	Return on land for First Control Period has not been considered for true up	2.7.3
6	Adjusted recovery of Light & water and common area maintenance charges from O&M expenses	2.9.5
7	Aeronautical ratios as proposed by the Authority for O&M expense	2.9.6
8	Not considering revenues from IND AS adjustments and reversal of excess liabilities	2.10.5 & 2.10.8
9	Considering Aero PBT ratio on MAT actually paid for computing Tax cost	2.11.5

2.12.2 Considering the discussions in the previous paragraph the Authority proposes the following ARR and shortfall estimate for the First Control Period:

Table 44: ARR proposed by the Authority for First Control Period

Particulars (Rs. in Lakhs)	Ref	FY17	F718	FY19	FY20	FY21	Total
Average RAB (Table 28)	A	42,750.75	41,263.91	39,508.19	37,506.33	37,413.36	
FRoR	B	14%	14%	14%	14%	14%	
Return on Average RAB	C=A*B	5,985.11	5,776.95	5,531.15	5,250.89	5,237.87	27,781.96
O&M expenses (Table 36)	D	1,615.00	2,021.83	2,261.47	2,662.25	2,045.09	10,605.64
Depreciation (Table 25)	E	2,387.38	2,471.81	2,757.39	2,714.28	2,687.83	13,018.68
Tax expense (Table 42)	F	-	252.00	410.13	418.40	14.41	1,094.94
Less: 30% NAR	G	495.96	749.51	875.74	1,043.69	852.20	4,017.09
ARR	H=Sum(C:F)-G	9,491.53	9,773.08	10,084.40	10,002.12	9,133.00	48,484.13
Actual Aero Revenue (Table 8)	I	1,591.26	5,710.66	6,968.33	7,803.84	4,815.30	26,889.39
Shortfall	J=H-I	7,900.27	4,062.42	3,116.07	2,198.28	4,317.70	21,594.75
Compounding rate	K	14%	14%	14%	14%	14%	-
Compounding Factor	L	1.93	1.69	1.48	1.30	1.14	
Return on Shortfall	M=J*L	15,211.29	6,861.27	4,616.60	2,856.89	4,922.18	34,468.23
Shortfall to be adjusted in the Second Control Period	N						34,468.23

2.13 Authority's proposals on true up of First Control Period

Based on the material before it and its analysis, the Authority proposes:

- 2.13.1 To consider actual traffic for the First Control Period as per Table 4 above for true up.
- 2.13.2 To consider rent from space given to Aeronautical Service Providers as aeronautical in nature and accordingly, consider aeronautical revenue as detailed in Table 8 above for true up of the First Control Period.
- 2.13.3 To consider depreciation on RAB as detailed in Table 25 for true up of the First Control Period.
- 2.13.4 To consider Average RAB as detailed in Table 28 above for true up of the First Control Period.
- 2.13.5 To consider FRoR as per para no. 2.8.3 for true up of the First Control Period.
- 2.13.6 To consider operating expenses as per Table 36 for the First Control Period.
- 2.13.7 To consider Non-Aeronautical revenue as per Table 40 for true up of the First Control Period.
- 2.13.8 To consider tax re-imbursement for true of the First Control Period as per Table 42.
- 2.13.9 To consider shortfall as per above Table 44 for the First Control Period which is proposed to be recovered from Airport Operator in the Second Control Period.

3. TRAFFIC FOR THE SECOND CONTROL PERIOD

3.1 CHIAL's submissions relating to traffic

- 3.1.1 Traffic forecast for ATM, Passenger and freight traffic for Second Control Period along with the year-on-year growth rate and CAGR for 5 years is as given below:

Table 45: CHIAL's submission of ATM, Passenger and Freight traffic in Second Control Period:

Air Traffic Movements (in '000)	FY22	FY23	FY24	FY25	FY26	CAGR FY22-FY26
Domestic Air Traffic Movements	15.77	17.35	19.09	20.42	21.85	8.49%
y-o-y growth		10%	10%	7%	7%	
International Air Traffic Movements	0.72	0.79	0.87	0.93	0.99	8.48%
y-o-y growth		10%	10%	7%	7%	
Overall Air Traffic Movements	16.49	18.14	19.95	21.35	22.84	8.49%
y-o-y growth		10%	10%	7%	7%	

Passenger Traffic in Lakhs	FY22	FY23	FY24	FY25	FY26	CAGR FY22-FY26
Domestic passenger traffic	19.62	23.21	25.77	28.09	30.61	11.77%
y-o-y growth		18%	11%	9%	9%	
International passenger traffic	1.03	1.21	1.35	1.47	1.60	11.77%
y-o-y growth		18%	11%	9%	9%	
Overall passenger traffic	20.64	24.43	27.11	29.55	32.21	11.77%
y-o-y growth		18%	11%	9%	9%	

Cargo Traffic in MT	FY22	FY23	FY24	FY25	FY26	CAGR FY22-FY26
Overall domestic cargo	9,831.80	10,814.98	11,896.48	13,086.13	14,394.74	10.00%
y-o-y growth		10%	10%	10%	10%	
Overall international cargo	535.95	786.06	864.67	925.19	989.96	16.58%
y-o-y growth		47%	10%	7%	7%	
Overall Cargo	10,367.75	11,601.04	12,761.14	14,011.32	15,384.69	10.37%
y-o-y growth		12%	10%	10%	10%	

- 3.1.2 CHIAL has considered impact of COVID-19 situation and has projected to return to 90% of FY 20 levels in FY 22 and to return to FY 20 Pre-Covid level by FY 23.

3.2 Authority's analysis relating to traffic

- 3.2.1 In light of COVID-19 pandemic, GoI restriction on domestic and international flights and other prevailing situations, the Authority has re-considered the revised traffic levels for the Second Control Period. This has been done after considering the ongoing COVID-19 pandemic second wave and the prevailing Aviation

Traffic scenarios. After due consideration of the prevalent condition and review of forecasts made by many bodies, the Authority proposes the following traffic levels for the Second Control Period:

Table 46: Basis of Traffic estimate for ATM and Passenger under COVID-19 scenario as proposed by the Authority

% of traffic with reference to traffic of Pre Covid level-FY20					
Particulars	FY22	FY23	FY24	FY25	FY26
Domestic	70%	100%	108%	118%	124%
International	50%	75%	100%	108%	116%

3.2.2 The Authority notes that Cargo estimates have been made by CHIAL considering their estimation in the prevailing COVID scenario. The same is proposed to be considered by the Authority.

3.2.3 Based on the above estimate, the revised traffic as proposed by the Authority is given below:

Table 47: Traffic proposed by Authority for Second Control period in light of COVID-19

Domestic Pax (Pax in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Pax submitted by CHIAL	19.62	23.21	25.77	28.09	30.61	127.30
Pax Proposed by Authority	16.27	23.24	25.10	27.42	28.81	120.83
% change w.r.t CHIAL submission	-17%	0%	-3%	-2%	-6%	-5%
% w.r.t FY 2020	70%	100%	108%	118%	124%	

International Pax (Pax in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Pax submitted by CHIAL	1.03	1.21	1.35	1.47	1.60	6.66
Pax Proposed by Authority	0.61	0.91	1.21	1.31	1.41	5.46
% change w.r.t CHIAL submission	-41%	-25%	-10%	-11%	-12%	-18%
% w.r.t FY 2020	50%	75%	100%	108%	116%	

Domestic ATM ('in 000)	FY22	FY23	FY24	FY25	FY26	Total
ATM submitted by CHIAL	15.77	17.35	19.09	20.42	21.85	94.49
ATM Proposed by Authority	12.27	17.53	18.93	20.68	21.73	91.14
% change w.r.t CHIAL submission	-22%	1%	-1%	1%	-1%	-4%
% w.r.t FY 2020	70%	100%	108%	118%	124%	

International ATM ('in 000)	FY22	FY23	FY24	FY25	FY26	Total
ATM submitted by CHIAL	0.72	0.79	0.87	0.93	0.99	4.28
ATM Proposed by Authority	0.40	0.60	0.79	0.86	0.92	3.57
% change w.r.t CHIAL submission	-44%	-24%	-8%	-7%	-7%	-17%
% w.r.t FY 2020	50%	75%	100%	108%	116%	

Domestic Cargo (in MT)	FY22	FY23	FY24	FY25	FY26	Total
Cargo submitted by CHIAL	9,832	10,815	11,896	13,086	14,395	60,024
Cargo Proposed by Authority	9,832	10,815	11,896	13,086	14,395	60,024
% w.r.t FY 2020	110%	121%	133%	146%	161%	

International Cargo (in MT)	FY22	FY23	FY24	FY25	FY26	Total
Cargo submitted by CHIAL	536	786	865	925	990	4,102
Cargo Proposed by Authority	536	786	865	925	990	4,102
% w.r.t FY 2022		147%	161%	173%	185%	

3.3 Authority's proposals relating to traffic

Based on the material before it and its analysis, the Authority proposes to:

- 3.3.1 To consider traffic as set out in Table 47 for Second Control Period considering the effect of COVID 19 Pandemic.
- 3.3.2 To true up the traffic based on actual numbers for the Second Control Period at the time of determination of tariff for the next control period.

4. REGULATORY ASSET BASE AND DEPRECIATION FOR THE SECOND CONTROL PERIOD

4.1 Background

4.1.1 CHIAL has proposed addition to gross block of assets to the tune of Rs. 36618 Lakhs for the Second Control Period as a part of its submissions. The Authority has organized the discussions in the chapter in the following Order:

- Capital expenditure proposed for Second Control Period (Para 4.2 below)
- Means of Financing (Para 4.3 below)
- Depreciation (Para 4.4 below)
- Regulatory Asset Base (Para 4.5 below)

4.2 Capital expenditure proposed for Second Control Period

CHIAL's submissions relating to capital expenditure for the Second Control Period

4.2.1 CHIAL has submitted the following with respect to capital expenditure proposed for the Second Control Period:

Table 48: CHIAL's submission of additions project wise sorted by value for the Second Control Period

Capital Expenditure in Second Control Period (Rs in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Extension of Building Corridor International Side	A	-	-	-	2,800	4,200	7,000
Extension of Corridor with 04 Nos. of Aerobridge Phase -1	B	-	-	2,400	3,600	-	6,000
Development of PTT phase 2 towards J Link	C	-	1,000	3,000	-	-	4,000
IT Infrastructure along with security equipment	D	-	-	1,400	2,600	-	4,000
05 Nos of additional parking bays (Extension of Apron Domestic Side)	E	-	-	-	-	2,500	2,500
Overall development of integrated Cargo Building	F	-	-	-	-	2,500	2,500
Extension of Apron for 05 Nos. of parking bay	G	-	2,000	-	-	-	2,000
Integrated Operational Offices	H	-	-	-	2,000	-	2,000
Construction of Southern Taxi link Towards runway 29 and H taxi Link	I	1,900					1,900
Hanger Work for 02 Nos. of code C Aircraft	J	200	1,000	-	-	-	1,200
(Phase -II) CAT-III B Lighting System	K	700					700
BDDS Equipment & Threat containment vessel (TCV) for In-line system	L	605					605

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Capital Expenditure in Second Control Period (Rs in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Extension of corridor of departure & arrival of New Terminal building for four nos. parking bays (E-Code) towards new apron extension side including electrical works	M	510					510
SITC of new HD cameras SCCTV system at CHIAL	N	290					290
Provision of 10 Nos. AVDGS System for existing and new Apron Area bays with centralized control	O	220					220
Provision of GPU/PCA for existing PBB's	P	200					200
Provision of Baggage drop system.	Q	200					200
Provision of ticketing counter	R	110					110
Hydraulic Tyre Killers/Bollards/ Road Blockers	S	110					110
Automatic Tray Retrieval System	T	100					100
CUSS/KIOSK	U	90					90
Canopy at Entry Point along with shed for parking QRT Vehicles of Punjab Police, canopy at basement and at vehicle gate	V	70					70
IT Network (Hardware/Software) setup at CHIAL	W	70					70
Furniture & fixtures for PAX Facilities	X	50					50
Energy efficiency scheme.	Y	40					40
Provision of view cutter at flyover to restrict the view of IAF area from public.	Z	40					40
Computers and Peripherals/ Accessories, Software, etc	AA	40					40
E-Gate for Immigration (Automatic Access Control System (AACS))	AB	30					30
Provision of High Mast and Associated works for opposite side of Apron	AC	25					25
Provision of Tactile flooring	AD	18					18
Total Capital Expenditure		5,618	4,000	6,800	11,000	9,200	36,618

4.2.2 On the above additions, CHIAL has submitted justification for the following projects:

4.2.2.1 Extension of Building Corridor International Side (Ref A in Table 48 above)

By 2025 the present terminal building capacity may be saturated, and the augmentation shall be required. Hence, extension of corridor adjoining existing terminal building will be required for the passenger movement and passenger facilitation. This extension of corridor will connect parking bays directly to the terminal building towards International side and enhance terminal building capacity. It will also help Passengers to avoid exposure to extreme weather conditions. Further, it will help in avoiding the inconvenience to passengers while shifting from aircraft to buses and vice versa and reduce the turnaround time for the airlines.

4.2.2.2 Extension of Corridor with 04 Nos. of Aerobridge Phase -1 - Domestic Side (Ref B in Table 48)

By 2024 the present terminal building capacity may begin to saturate and the augmentation will be required. Hence extension of corridor adjoining existing terminal building new set up along with aerobridges will be required for the passenger movement and passenger facilitation. It will help Passengers to avoid exposure to extreme weather conditions. It will also help in avoiding the inconvenience to Passengers while shifting from aircraft to buses and vice versa. Further, it will reduce the turnaround time for the airlines.

4.2.2.3 Development of PTT phase 2 towards J Link (Ref C in Table 48 above)

To reduce runway/taxiway occupancy time, it is proposed to construct parallel taxi track towards runway 11 side near J Taxi Link. Being a civil enclave, IAF shows a concern to look into the minimization of runway occupancy time by the commercial flights and construction/development of Parallel taxi track Phase II will help to reduce the runway occupancy time of aircraft. This Operational infrastructure facility will provide optimization of available runway/ taxiway/apron. It will reduce the turnaround period with lesser fuel consumption and lesser waiting time for landing and take-off resulting in cost effective airport. This may increase connectivity to the airport and ultimately end users will be benefitted through reduction in cost and time.

4.2.2.4 IT Infrastructure along with security equipment (Ref D in Table 48 above)

To cater the enhanced terminal building capacity with more number of CCTV, FIDS, PA system along with related security & IT Equipment i.e. HHMD, DFMD, ETD, X ray Machine. By creation of better IT Infrastructure and more updated security Equipment, it will help in anticipation and identification of the security threats to the airport and low risk for the passenger.

4.2.2.5 05 Nos of additional parking bays (Extension of Apron Domestic Side) (Ref E in Table 48 above)

There will be further need of night parking at this Airport catering to Chandigarh part of Punjab, part of Haryana/part of Himachal Pradesh. With the increase in traffic, it is expected that the present capacity of apron will be saturated by 2024 hence need for the extension of apron area.

4.2.2.6 Extension of Apron for 05 Nos. of parking bay (International Side) (Ref G in Table 48 above)

There will be further need of night parking at this Airport catering to Chandigarh part of Punjab, part of Haryana/part of Himachal Pradesh. With the increase in traffic, it is expected that the present capacity of apron will be saturated by 2024. Hence, need for the extension of apron area.

4.2.2.7 Integrated Operational Offices (Ref H in Table 48 above)

At present there is no dedicated office complex. The operational offices of various stakeholders are accommodated in the building itself. With growth in traffic, building space will be needed for operational purpose/passenger facilitation, therefore, a new operational office is planned to be setup with more capacity. More space will be available for passenger facilitation in building. After shifting of administrative offices, available space at terminal building will be allocated for more aeronautical/operational requirements.

4.2.2.8 Hangar Work for 02 Nos. of code C Aircraft (Ref J in Table 48 above)

At present hangars are not available at Chandigarh airport. For optimum utilization of infrastructure, there is need of construction of 4-5 hangars. Initially CHIAL is planning for construction of 2 Hangars in Phase-I to accommodate parking of aircrafts as well as focusing on invitation of MRO business at Chandigarh Airport. Airlines will not need to move to other airports for minor repair and maintenance and manage to save costs.

4.2.3 Proposed addition to Assets categorized into different blocks are as given below.

REGULATORY ASSET BASE AND DEPRECIATION FOR THE SECOND CONTROL PERIOD

Table 49: CHIAL's submission of asset head wise additions to gross block for the Second Control Period

Asset head for Additions in Second Control Period (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Building Terminal/Other Buildings	948	1,000	2,400	8,400	6,700	19,448
Apron	1,900	3,000	3,000	-	2,500	10,400
Computers & I.T Hardware & Access	1,335	-	1,400	2,600	-	5,335
Furniture & Fixtures	50	-	-	-	-	50
Electrical Installations	1,385	-	-	-	-	1,385
Total additions to Gross Block during the year	5,618	4,000	6,800	11,000	9,200	36,618

4.2.4 CHIAL has submitted the following allocation ratios for classification of assets into aeronautical and non-aeronautical assets. This ratio has been arrived based on weighted average aeronautical percentage of assets within a given asset category:

Table 50: CHIAL's submission of allocation ratios for classification of assets into aeronautical and non-aeronautical assets for Second Control Period

Particulars	FY22 – FY26
Building Terminal/Other Buildings	90.50%
Buildings Temporary	100.00%
Roads, Bridges & Culverts- Carpeted	100.00%
Apron	100.00%
Roads, Bridges & Culverts- Non-Carpeted-CISF Security	100.00%
Computers & I.T Hardware & Access	98.05%
Computers & I.T -Servers	100.00%
Plant & Machinery-Equipment	96.60%
Tools & Equipment	99.72%
Furniture & Fixtures	92.50%
Electrical Installations	94.32%
Motor Vehicle-Security	100.00%
Cars & Jeeps-Security	100.00%
Office Equipment	93.73%

4.2.5 Based on the estimated addition to Fixed Assets during the Second Control Period and the allocation ratios as detailed in Para 4.2.4 above, CHIAL has submitted the following as addition to Aeronautical RAB during the Second Control Period:

Table 51: CHIAL's submission of aeronautical assets to be added as part of RAB for Second Control Period

Additions to RAB (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Building Terminal/Other Buildings	858	905	2,172	7,602	6,064	17,600
Apron	1,900	3,000	3,000	-	2,500	10,400
Computers & I.T Hardware & Access	1,309	-	1,373	2,549	-	5,231
Furniture & Fixtures	46	-	-	-	-	46

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Additions to RAB (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Electrical Installations	1,306	-	-	-	-	1,306
TOTAL	5,419	3,905	6,545	10,151	8,564	34,584

Authority's analysis relating to capital expenditure for the Second Control Period

- 4.2.6 While analysing the Multi Year Tariff Proposal regarding Capital Expenditure for Second Control Period, AERA has taken into consideration the reduced traffic due to COVID-19 pandemic and has appropriately rationalized the proposed Capex as given in the following paragraphs.
- 4.2.7 The Authority notes that CHIAL currently has a design capacity of 4.5 million passengers and the same is not fully put to use. Traffic estimates for the second control period also do not indicate the forecasted traffic estimates reaching the design capacity. The Capital Expenditure proposed by CHIAL is evaluated in this background.
- 4.2.8 The Authority has analyzed various projects submitted by CHIAL. The Authority has also carried out discussions with CHIAL seeking further details/ clarifications on various projects. Based on the analysis, the Authority does not propose to consider the following as additions to RAB, as per the analysis detailed herein.
- A. **Extension of Corridor Building International Side – Rs. 7,000 Lakhs (Ref A in Table 48 above)**
As per data shared by CHIAL, at present, only one international flight with A320 type of aircraft operates two times a week. Even past trend of international traffic and traffic projections shared by CHIAL does not indicate significant growth in future that would necessitate expansion of capacity of the international building, on the corridor side within next three years. Since the need is not clearly demonstrated, this has not been proposed to be considered as addition to RAB in the Second Control Period.
- B. **Extension of Corridor with 04 Nos. of Aerobridge Phase -1 – Rs. 6,000 Lakhs (Ref B in Table 48 above)**
As per data shared by CHIAL, there are 41 flight departures per day at CHIAL, out of which 8 Departures require night parking of aircraft. CHIAL has 5 aerobridges. Thus, in the morning (peak), 5 departures take place from aerobridges and three from remote Code C stands. Similarly, during day, for just an hour, CHIAL has 6 departures, out of which 5 take place from aerobridges and one from remote. Thus, out of a total of 41 departures, 37 (41-3-1=37) departures i.e. 90% flight operations take place from Aerobridges. Thus, there appears to be no justification for extending corridor in the domestic and/or international side to provide for additional aerobridges currently and hence this has not been proposed to be considered as addition to RAB in the Second Control Period.
- C. **Development of PTT phase 2 towards J Link -Rs. 4,000 Lakhs (Ref C in Table 48 above)**
While the Authority notes the need for this project, the Authority notes that this Project requires land acquisition of about 11 acres. Even though this project is scheduled for commencement in the FY 23, during discussion with CHIAL it was noted that no steps towards acquisition of land has been initiated yet. Hence it is proposed not to consider this project for additions to Second Control Period. Based on actual incurrence and capitalization, the same would be trued up after due evaluation in the next control period.
- D. **05 Nos of additional parking bays (Extension of Apron Domestic Side) – Rs. 2,500 Lakhs (Ref E in Table 48 above)**
The demand for 5 stands is projected for the year 2026, i.e. last year of control period. The need has to be also evaluated considering developments at other airports in the vicinity including Noida International airport. In view of the same, need for 5 additional parking bays is not justified currently. As this is planned

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in the last year of the control period, the Authority proposes to consider only 2 parking bays at a proportionate cost of Rs. 1000 Lakhs.

E. Overall development of integrated Cargo Building- Rs.2,500 Lakhs (Ref F in Table 48 above)

No justifications have been submitted by CHIAL for the same. CHIAL may consider this building based on traffic and if spent the same will be considered as part of true up in the next control period, after due evaluation.

F. Extension of Apron for 05 Nos. of parking bay – Rs. 2,000 Lakhs (Ref G in Table 48 above)

As per CHIAL, it has 22 code C and 1 Code E type of parking stands. The peak hour demand for night parking is 8 Code C stands, and during day is 6 stands for only one hour between 1300 to 1400 hrs.

At present CHIAL has only one A320 international flight that operates only twice a week aircraft between 1400 to 1600 hrs. Thus, peak demand during day remains at 6. CHIAL does not have Code E aircraft operations for which it has 1 Code E stand.

Thus, CHIAL has $22-8=14$ code C spare stands. CHIAL has projected demand for 4 Stands for use by dedicated cargo flights, presumably, to coincide with the peak hour demand of passenger flights. This currently is not being put to use, as not even one dedicated cargo flight operates at CHIAL. Considering additional two non-schedule flights during peak hours of scheduled operation, Maximum peak demand for stands comes to $8+2=10$ against 22 stands available. Thus, there appears to be no justification by CHIAL for any additional Code C or Code E parking stands currently and hence this has not been proposed to be considered as addition to RAB in the Second Control Period.

G. Integrated Operational Offices – Rs. 2,000 Lakhs (Ref H in Table 48 above)

The Authority notes the need for the Integrated office space which is currently proposed by CHIAL to be incurred in FY 2025-26. However, this needs to be re-evaluated considering the current scenario, changes in traffic etc. Hence this is not proposed to be considered for the purpose of additions to in Second Control Period and maybe considered for true up based on actuals at the end of second control period. CHIAL may evaluate the need and carry out the same after due process of diligence, tendering etc.

H. Hangar Work for 02 Nos. of code C Aircraft – Rs. 1,200 Lakhs (Ref J in Table 48 above)

As per CHIAL, at present there is no demand for the Hangars from any airline. Hence this is not proposed for addition currently. However, should the need arise, CHIAL may incur this after following due process of evaluation and bidding and this will be trued up in the next control period.

I. Extension of corridor of departure and arrival of New Terminal building for four nos. parking bays (E-Code) towards new apron extension side including electrical works- Rs. 510 Lakhs (Ref M in Table 48 above)

As per data shared by CHIAL, at present only one international flight with A320 type of aircraft operates two flights/week. The past trend of international traffic and future traffic demand projections do not justify such significant growth in future that would necessitate need for additional capacity by extending corridor. Hence this is not proposed to be considered as part of additions.

J. (Phase-II) CAT-III B Lighting System (Ref K in Table 48 above) – CHIAL had submitted that it was proposing to install CAT III lighting. However, on reviewing documentation available, the Authority was given to understand that this was actually CAT I Approach Lighting at Runway 11, along with Threshold and Touchdown Zone lights. Hence, the Authority's revised detailing below will denote the same as CAT I lighting. On pursuing the work Order for the same, the amount considered by the Authority is Rs. 550 Lakhs against Rs. 700 lakhs as submitted by CHIAL.

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4.2.9 Based on the above analysis, and the reasoning provided by CHIAL, the Authority proposes to consider the other items as follows as estimated capital expenditure for the Second Control Period.

Table 52: Additions to Assets in Second Control Period as proposed by the Authority

Project (Rs. in Lakhs)	Project Ref	FY22	FY23	FY24	FY25	FY26	TOTAL
IT Infrastructure along with security equipment	D	-	-	1,400	2,600	-	4,000
02 Nos of additional parking bays (Extension of Apron Domestic Side)	E (modified)*	-	-	-	-	1,000	1,000
Construction of Southern Taxi link Towards runway 29 and H taxi Link	I	1,900					1,900
CAT-I Lighting System at Runway -11	K (Modified)*	550					550
BDDS Equipment & Threat containment vassal (TCV) for In-line system	L	605					605
SITC of new HD cameras SCCTV system at CHIAL	N	290					290
Provision of 10 Nos. AVDGS System for existing and new Apron Area bays with centralized control	O	220					220
Provision of GPU/PCA for existing PBB's	P	200					200
Provision of Baggage drop system.	Q	200					200
Provision of ticketing counter	R	110					110
Hydraulic Tyre Killers/Bollards/ Road Blockers	S	110					110
Automatic Tray Retrieval System	T	100					100
CUSS/KIOSK	U	90					90
Canopy at Entry Point along with shed for parking QRT Vehicles of Punjab Police, canopy at basement and at vehicle gate	V	70					70
IT Network (Hardware/Software) setup at CHIAL	W	70					70
Furniture & fixtures for PAX Facilities	X	50					50
Energy efficiency scheme.	Y	40					40
Provision of view cutter at flyover to restrict the view of IAF area from public.	Z	40					40
Computers and Peripherals/ Accessories, Software, etc	AA	40					40
E-Gate for Immigration (Automatic Access Control System(AACS))	AB	30					30

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Project (Rs. in Lakhs)	Project Ref	FY22	FY23	FY24	FY25	FY26	TOTAL
Provision of High Mast and Associated works for opposite side of Apron	AC	25					25
Provision of Tactile flooring	AD	18					18
TOTAL		4,758	-	1,400	2,600	1,000	9,758

- 4.2.10 The Authority noted that CHIAL has submitted cost break-up of only these assets of value of Rs. 1,550 Lakhs (Pertaining to project ref E & K in Table 52). The Authority also notes that CHIAL should follow due processes relating to stakeholder consultation, diligent vendor selection process and compliance to normative cost order (where applicable) and governance over the Capital expenditure at the time of incurring Capital Expenditure. The same will be reviewed by authority in the next control period.
- 4.2.11 Aeronautical RAB ratio and resultant addition proposed to be considered for the Second Control Period by the Authority is as given below.

Table 53: Allocation ratio for assets to be considered as a part of addition to Aeronautical RAB for the Second Control Period proposed by the Authority

Particulars	Cost in Rs. Lakhs	Project Ref	% allocation	FY22	FY23	FY24	FY25	FY26	Total
IT Infrastructure along with security equipment	4,000	D	100.00%			1,400	2,600		4,000
02 Nos of additional parking bays(Extension of Apron Domestic Side)	1,000	E	100.00%					1,000	1,000
Construction of Southern Taxi link Towards runway 29 and H taxi Link	1,900	I	100.00%	1,900					1,900
CAT-I Lighting System at Runway -11	550	K	100.00%	550					550
BDDS Equipment & Threat containment vassal (TCV) for In-line system	605	L	100.00%	605					605
SITC of new HD cameras SCCTV system at CHIAL	290	N	100.00%	290					290
Provision of 10 Nos. AVDGS System for existing and new Apron Area bays with centralized control	220	O	100.00%	220					220
Provision of GPU/PCA for existing PBB's	200	P	100.00%	200					200
Provision of Baggage drop system.	200	Q	100.00%	200					200
Provision of ticketing counter	110	R	100.00%	110					110

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Particulars	Cost in Rs. Lakhs	Project Ref	% allocation	FY22	FY23	FY24	FY25	FY26	Total
Hydraulic Tyre Killers/Bollards/ Road Blockers	110	S	100.00%	110					110
Automatic Tray Retrieval System	100	T	100.00%	100					100
CUSS/KIOSK	90	U	100.00%	90					90
Canopy at Entry Point along with shed for parking QRT Vehicles of Punjab Police, canopy at basement and at vehicle gate	70	V	100.00%	70					70
IT Network (Hardware/Software) setup at CHIAL	70	W	90.50%	63					63
Furniture & fixtures for PAX Facilities	50	X	100.00%	50					50
Energy efficiency scheme.	40	Y	90.50%	36					36
Provision of view cutter at flyover to restrict the view of IAF area from public.	40	Z	100.00%	40					40
Computers and Peripherals/ Accessories, Software, etc	40	AA	90.50%	36					36
E-Gate for Immigration (Automatic Access Control System(AACS))	30	AB	100.00%	30					30
Provision of High Mast and Associated works for opposite side of Apron	25	AC	100.00%	25					25
Provision of Tactile flooring	18	AD	90.50%	16					16
Total	9,758			4,742	-	1,400	2,600	1,000	9,742

Table 54: Asset head wise additions to aeronautical RAB for Second Control Period

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Apron	1,900.00	-	-	-	1,000.00	2,900.00
Buildings Temporary	-	-	-	-	-	-
Building Terminal	236.29	-	-	-	-	236.29
Cars & Jeeps-Security	-	-	-	-	-	-
Computers & I.T -Servers	-	-	-	-	-	-
Computers & I.T Hardware & Access	1,324.55	-	1,400.00	2,600.00	-	5,324.55
Electrical Installations	1,231.20	-	-	-	-	1,231.20
Furniture & Fixtures	50.00	-	-	-	-	50.00

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Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Intangible Asset	-	-	-	-	-	-
Machinery & Equipment	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-
Roads, Bridges & Culverts	-	-	-	-	-	-
Tools & Equipment	-	-	-	-	-	-
Vehicle Security	-	-	-	-	-	-
X ray baggage system	-	-	-	-	-	-
TOTAL	4,742.04	-	1,400.00	2,600.00	1,000.00	9,742.04

4.2.12 The Authority proposes to readjust the project cost by 1% along with applicable carrying cost in the Target Revenue at the time of determination of tariff for the Third Control Period in case of non-completion of the project as per proposed timelines.

4.3 Means of Finance

4.3.1 The Authority notes that CHIAL has considered internal accruals as the means of finance for funding the entire estimated Project Cost as proposed by CHIAL. Considering this, the Authority notes that CHIAL would be able to finance the reduced spends proposed by the Authority from the internal accruals fully.

4.4 Depreciation

CHIAL's submissions relating to aeronautical depreciation

4.4.1 CHIAL has submitted the following depreciation on additions to RAB during the Second Control Period. Depreciation is arrived at by considering 50% depreciation for first year of capitalization and 10% salvage value at the end of life of asset.

Table 55: CHIAL's submission of depreciation on additions to aeronautical RAB asset category wise

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Building Terminal/Other Buildings	11.58	35.38	76.92	208.87	393.35	726.11
Apron	25.65	91.80	172.80	213.30	247.05	750.60
Computers & I.T Hardware & Access	0.00	176.71	269.36	534.09	706.16	1686.31
Furniture & Fixtures	1.87	3.75	3.75	3.75	3.75	16.86
Electrical Installations	52.91	105.81	105.81	105.81	105.81	476.16
Total depreciation on additions to RAB	92.01	413.45	628.64	1065.82	1456.12	3656.04

Authority's analysis relating to depreciation

4.4.2 The Authority has analyzed CHIAL's submission on depreciation and notes the following:

- Depreciation has been computed by CHIAL on rates based on First Control Period Order approved by the Authority.
- Depreciation on additions is computed at 50% in the year of addition.
- Residual value has been incorrectly reduced twice from value of asset to arrive at depreciation in an apparent error in formulae.
- Depreciation is estimated at a block level without estimating projected depreciation for individual line items of asset. Hence, due to the way the formula is configured in the calculations, even though there

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are additions in a year, the depreciation is not being estimated correctly. This has, for example, understated the depreciation on additions to Computer & IT Hardware in FY22 by Rs. 88 Lakhs.

4.4.3 The Authority proposes to compute depreciation estimate as follows after correcting the apparent errors in the computations submitted by CHIAL:

- Useful lives considered as per the Authority's analysis detailed in Para 2.5.6 and Table 24.
- Consider depreciation on additions made during the year at 50% of the total depreciation.
- Consider asset classification of addition as provided by CHIAL. For example, while both categories of assets viz Computer and I.T Hardware & Access and Computer & I.T have been depreciated at 15% (6 years useful life) in the MYTP submission of CHIAL, the detailed segregation into individual asset subcategories is not available. The Authority has considered 6 years as the useful life for the same. CHIAL is asked to submit the sub-category information as part of stakeholder consultation process.
- Consider asset allocation ratios as used by the Authority for estimating Aeronautical portion of Depreciation.

Table 56: Depreciation re-computed by the Authority on additions to aeronautical RAB in Second Control Period

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Building Terminal	3.97	7.88	7.88	7.88	7.88	35.48
Apron	31.93	63.33	63.33	63.33	80.14	302.06
Computers & I.T Hardware & Access	111.29	220.76	338.38	672.54	887.43	2,230.39
Furniture & Fixtures	2.52	5.00	5.00	5.00	5.00	22.52
Electrical Installations	62.07	123.12	123.12	123.12	123.12	554.55
TOTAL	211.77	420.09	537.71	871.87	1,103.56	3,145.00

4.4.4 CHIAL has submitted the total Depreciation estimate during Second Control Period as below.

Table 57: CHIAL's submission of total aeronautical depreciation for Second Control Period (including addition in Second Control Period)

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Apron	192.21	258.36	339.36	379.86	413.61	1,583.42
Buildings Temporary	7.12	0.00	0.00	0.00	0.00	7.12
Building Terminal	729.72	753.52	795.06	927.01	1,111.50	4,316.81
Cars & Jeeps-Security	1.37	1.37	1.37	1.37	1.37	6.87
Computers & I.T -Servers	14.72	-	-	-	-	14.72
Computers & I.T Hardware & Access	103.61	226.16	318.82	583.54	755.62	1,987.76
Electrical Installations	656.99	709.90	709.90	709.90	709.90	3,496.57
Furniture & Fixtures	63.57	65.45	65.45	65.45	65.45	325.36
Intangible Asset	-	-	-	-	-	-
Machinery & Equipment	448.87	448.87	448.87	448.87	448.87	2,244.35
Office Equipment	2.26	2.26	2.26	0.79	-	7.57
Roads, Bridges & Culverts	-	-	-	-	-	-
Tools & Equipment	12.93	12.93	2.89	0.00	0.00	28.74

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Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Vehicle Security	0.09	0.09	0.09	0.09	0.09	0.43
X ray baggage system	-	-	-	-	-	-
TOTAL	2,233.47	2,478.91	2,684.07	3,116.89	3,506.40	14,019.74

- 4.4.5 The Authority proposes to re-compute depreciation estimate on a line-by-line basis for all assets in Asset Register for First Control Period instead of a block wise estimate.
- 4.4.6 The Authority notes that the estimated depreciation may undergo a change from above computation based on actual capitalization of assets for each year in the Second Control Period. Also, estimation of depreciation will be impacted by computation of opening, additions to / disposal of and closing RAB for respective years on actual capitalization date basis. Thus, the Authority proposes to true up depreciation at the time of determining aeronautical tariffs in the next control period.

Table 58: Total Aeronautical depreciation for Second Control Period as recomputed by the Authority

Asset Category (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Apron	247.56	278.97	278.97	278.97	295.77	1,380.25
Buildings Temporary	-	-	-	-	-	-
Building Terminal	972.21	976.12	976.12	976.12	948.71	4,849.28
Cars & Jeeps-Security	1.92	1.92	1.92	1.92	1.92	9.58
Computers & I.T -Servers	17.89	0.40	0.10	0.06	0.05	18.51
Computers & I.T Hardware & Access	117.46	223.78	338.38	672.54	887.43	2,239.59
Electrical Installations	743.82	795.09	795.09	795.06	510.76	3,639.82
Furniture & Fixtures	85.66	88.13	88.07	88.01	57.41	407.29
Intangible Asset	3.70	3.70	3.70	3.70	2.84	17.65
Machinery & Equipment	443.60	443.37	443.37	425.76	425.76	2,181.85
Office Equipment	2.23	2.03	1.89	1.11	0.18	7.44
Roads, Bridges & Culverts	9.70	8.21	-	-	-	17.91
Tools & Equipment	3.23	3.13	3.13	3.13	3.13	15.77
Vehicle Security	0.08	0.08	0.08	0.08	0.08	0.41
X ray baggage system	135.02	135.02	135.02	135.02	135.02	675.12
Total	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	15,460.45

4.5 Regulatory Asset Base

CHIAL's submission on Regulatory Asset Base

- 4.5.1 CHIAL has submitted the Regulatory Asset Base to be considered for Tariff determination for the Second Control Period as follows:

Table 59: CHIAL's submission of average aeronautical RAB for the Second Control Period

Particulars (Rs. in Lakhs)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Opening RAB	A	34,949.66*	38,135.65	39,561.74	43,422.33	50,456.67	
Additions to RAB	B	5,419.47	3,905.00	6,544.66	10,151.22	8,563.50	34,583.85
Depreciation	C	2,233.47	2,478.91	2,684.07	3,116.89	3,506.40	14,019.74

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Particulars (Rs. in Lakhs)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Closing RAB	D=A+B-C	38,135.65	39,561.74	43,422.33	50,456.67	55,513.77	
Average RAB	E=Avg (A,D)	36,542.65	38,848.70	41,492.04	46,939.50	52,985.22	

* Closing RAB as considered by CHIAL for FY21 as per Table 26 is Rs. 33,222.65 Lakhs. However, opening RAB as per Table 59 above for FY 22 is Rs. 34,949.66 Lakhs. The difference of Rs. 1,727.01 Lakhs is due to revised value of Apron not included in FY21 as a result of error in formulae.

- For the Second Control Period, CHIAL has computed the aeronautical asset additions after applying the ratio as per weighted average aeronautical assets to total assets.

Authority's analysis relating to Regulatory Asset Base

- 4.5.2 As mentioned in para 2.4.16, X ray baggage which is classified as "right to use" asset as per IND AS 116 in FY 20 and intangible assets are not included in the RAB as per submission by CHIAL in what appears to be an error of omission.
- 4.5.3 The Authority noted that there was a Cargo building in CWIP amounting to Rs. 2.16 crores in FY 21. In response to a query, CHIAL has informed that the asset needs to be capitalized in FY 22 which has not been considered by CHIAL. The Authority also notes that there is an outstanding Government grant of Rs. 3 Crores in the Financial Statements as of March 2021 towards Cargo. Since clarity on the value to be capitalized and grant value to be adjusted has not been provided by CHIAL, the same has not been considered by the Authority towards RAB.
- 4.5.4 Re-estimated Average RAB for the Second Control Period as computed by the Authority is as detailed below:

Table 60: Aeronautical RAB for the Second Control Period Authority's computation

Particulars (Rs. in Lakhs)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL
Opening RAB	A	38,385.09	40,343.04	37,383.08	35,717.23	34,935.74	
Additions to RAB	B	4,742.04	0.00	1,400.00	2,600.00	1,000.00	9,742.04
Depreciation	C	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	15,460.45
Closing RAB	D=A+B-C	40,343.04	37,383.08	35,717.23	34,935.74	32,666.68	
Average RAB	E=Avg(A,D)	39,364.07	38,863.06	36,550.16	35,326.48	33,801.21	

4.6 Authority's proposals relating to Regulatory Asset Base

Based on the material before it and based on its analysis, the Authority proposes the following with regard to RAB for the Second Control Period:

- 4.6.1 The Authority proposes to consider additions to RAB as per Table 54.
- 4.6.2 The Authority proposes to consider Depreciation on Aeronautical assets as per Table 58.
- 4.6.3 The Authority proposes to consider average RAB for the Second Control Period for CHIAL as per Table 60.
- 4.6.4 The Authority proposes to true up the additions to RAB, Depreciation and Average RAB at the time of determination of Aeronautical Tariff for the third control period after due evaluation and analysis.

- 4.6.5 The Authority proposes to readjust the project cost by 1% and the applicable carrying cost in the Target Revenue at the time of determination of tariff for the third control period in case of non-completion of the project as per proposed timelines.

5. RETURN ON LAND COST

5.1 CHIAL's submission on Return on Land cost

5.1.1 CHIAL has claimed the following return on land cost in their MYTP submission.

Table 61: CHIAL's submission of Land return for Second Control Period

Particulars (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Land Value	40,786.90	40,786.90	40,786.90	40,786.90	40,786.90	
Rate of Return	9.40%	9.40%	9.40%	9.40%	9.40%	
Return Value Rs. Lakhs	4,111.61	4,111.61	4,111.61	4,111.61	4,111.61	20,558.05

5.2 Authority's analysis relating to return on land

- 5.2.1 CHIAL has, in its submission claimed that out of the total land area of 300.04 acres, 10% of the area i.e. 30 acres have been ear-marked for commercial development and hence return on land was sought for the remaining 270.04 acres.
- 5.2.2 The area of land owned by CHIAL is for entire Operations, including Real estate, Land reserved for future use etc. The Authority notes that area of land demarcated for Commercial Development/ Non-Airport project should be excluded for evaluation for providing return.
- 5.2.3 The Authority also notes that the Land area that is demarcated for Airport Operations but where no operations are carried out currently should be excluded for the purpose of providing return, until the land is put to use by CHIAL for Airport related developments.
- 5.2.4 Accordingly, the Authority has analyzed the land usage which has been summarized below:

Table 62: Authority analysis of the usage of Land by CHIAL

Particulars	Ref	Area acres	Remarks
Total Land Area	A	300.04	
Area demarcated for Commercial Use – Phase 1	B	30.09	Will be constructed in Second Control Period as per CHIAL
Area demarcated for Commercial Use – Phase 2	C	28.02	Work will commence after 2026 as per CHIAL
Balance Land Area	D = A-B-C	241.93	
Of the above, area reserved for future use: Future Expansion: 7.38 Terminal Building: 12.00 Car Parking: 6.00 General Aviation Apron: 10.00	E	35.38	Future Expansions, currently unused as per CHIAL
Balance Area used for Airport Operations	F = D-E	206.55	
Airport Operations consists of:			
Terminal Building	F1	6.00	
Land for open areas (Green, roads etc.)	F2	18.61	

Particulars	Ref	Area acres	Remarks
Air side apron, taxi track, basic strip and other areas	F3	140.00	
Flyover/ Road area city side	F4	23.90	
Existing car parking area	F5	4.80	
CISF Barracks Area	F6	4.24	
Cargo Area	F7	4.00	
Service yard	F8	5.00	
Total		206.55	

5.2.5 Of the land used for Airport Operations, Land area used exclusively for Non-Aeronautical purposes should be segregated and return evaluated for the balance areas only. This is detailed below.

Table 63: Segregating land used for airport operations into aeronautical, non-aeronautical and common:

Particulars (Area in Acres)	Ref	Aero	Non - Aero
Terminal Building	F1	6.00	
Land for open areas (green, roads, etc.)	F2	18.61	
Air side apron, taxi track, basic strip and other areas	F3	140.00	
Flyover/road area city side	F4	23.90	
Existing car parking area	F5		4.80
CISF Barracks Area	F6	4.24	
Cargo Area	F7	4.00	
Service yard	F8	5.00	
TOTAL - Area used for Airport Operations to be considered for Land Return	F	201.75	4.80

5.2.6 Therefore, Land return is proposed to be provided on land used for aeronautical purpose viz. 201.75 acres.

5.2.7 Cost of land on which Land Return is to be provided is analysed as below.

- As per Land Return Order No. 42/2018-19 dated 5th March 2019, in case of lands acquired in the past, the recorded value will be taken into consideration.
- The Authority notes that Land has been purchased and subsequently capitalized at a value of Rs. 45,318.73 Lakhs for 300.04 Acres. For the purpose of re-computation, the Authority has proposed to consider proportionate cost of 201.75 Acres which works out to Rs. 30,472.78 Lakhs. (CHIAL's submission of proportionate cost for 270.04 Acres was Rs. 40,786.90 Lakhs)

5.2.8 Rate of return for Land is analysed as below:

- As per Land Return Order No. 42/2018-19 dated 5th March 2019, for Land purchased by airport operating company either from private parties or from government, the compensation will be by way

of equated annual installment computed at actual cost of debt or SBI rate plus 2% whichever is lower over a period of 30 years.

- CHIAL's submission has considered SBI rate as of March 2021.
- The Authority has proposed to consider AAI's cost of debt (as submitted by them at 6.21%) to be the rate at which the return is to be provided to CHIAL.

5.2.9 Accordingly, the estimated return on land considering the above is as below:

Table 64: Revised return on land using AAI's cost of debt and land area of 201.75 Acres for Second Control Period

Particulars (Rs. in Lakhs)	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Land Value	30,472.78	30,472.78	30,472.78	30,472.78	30,472.78	
Rate of Return	6.21%	6.21%	6.21%	6.21%	6.21%	
Return Value*	2,263.79	2,263.79	2,263.79	2,263.79	2,263.79	11,318.93

**Return Value = Equated Annual Installment computed at actual cost of debt*

*Equated Annual Installment = $[Cost * Rate * (1 + Rate)^{30}] / [(1 + Rate)^{30} - 1]$, where Cost = Rs. 30,472.78 Lakhs and Rate = 6.21%*

5.3 Authority's proposals relating to return on Land

Based on the material before it and based on its analysis, the Authority proposes the following with regard to return on land for the Second Control Period:

- 5.3.1 The Authority proposes to consider usage of land for the purpose of computing return on land as per Table 63.
- 5.3.2 The Authority proposes to consider cost of land as per Para 5.2.7
- 5.3.3 The Authority proposes to consider 6.21% as FRoR as per Para 5.2.8
- 5.3.4 The Authority proposes to consider return on land as per Table 64

6. FAIR RATE OF RETURN FOR THE SECOND CONTROL PERIOD

6.1 CHIAL's submissions relating to Fair Rate of Return

- 6.1.1 CHIAL has considered Fair Rate of Return (FRoR) as 15%, in line with the recent study conducted by IIM for AERA in case of MIAL.
- 6.1.2 CHIAL has submitted no debt projections for the Second Control Period as they will have sufficient internal accruals for funding future expansions.

6.2 Authority's analysis relating to Fair Rate of Return

- 6.2.1 The Authority notes CHIAL's submission that it does not propose to raise any debt during the Second Control Period.
- 6.2.2 The Authority notes that funding the entire project cost by way of Equity is not an efficient means of financing as has been noted in the tariff determination process across various airports.
- 6.2.3 However, based on CHIAL's submission, the Authority proposes to consider the cost of equity at 14% as has been done for the First Control Period.
- 6.2.4 The Authority advises CHIAL to evaluate and have more efficient means of financing of the Projects going forward through debt etc. to lower the overall cost in the interest of Airport users.

6.3 Authority's proposals relating to Fair Rate of Return

Based on the material before it and based on its analysis, the Authority proposes the following:

- 6.3.1 To consider FRoR at 14% for Second Control Period considering that it would have sufficient internal accruals to fund proposed additions to RAB during the control period but advises CHIAL to evaluate efficient means of financing.
- 6.3.2 To true up the FRoR based on actual debt-equity ratio and the cost of debt and equity as determined at the time of determination of aeronautical tariff for the third control period.

7. OPERATING & MAINTENANCE EXPENSES FOR THE SECOND CONTROL PERIOD

7.1 CHIAL's submission on Operating Expenses for the Second Control Period

7.1.1 CHIAL has considered operating expenses incurred in FY20 as the base amount for estimating expenditure for the Second Control Period.

7.1.2 Total operating expense estimate submitted by CHIAL for the Second Control Period is as follows:

Table 65: CHIAL's submission of total operating and maintenance expenditure for the Second Control Period

O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	612.41	694.47	802.53	927.40	1,071.70	4,108.50
Operating expenses						
Repair & Maintenance	816.06	899.71	1,010.82	1,146.47	1,300.33	5,173.38
Housekeeping & Cleaning works	420.32	463.40	520.63	596.07	682.44	2,682.85
Consumption of Stores & Spares	79.75	87.93	98.79	112.05	127.08	505.60
Electricity & Water Charges	855.66	898.44	943.36	1,009.40	1,080.05	4,786.90
Other Operating expenses	27.87	30.73	34.52	39.53	45.25	177.90
Total operating expense	2,199.66	2,380.20	2,608.12	2,903.51	3,235.16	13,326.64
Administrative & Other expenses						
Postage & Telegram and others	16.63	18.33	20.59	23.58	26.99	106.12
Travelling Expenses	17.45	19.24	21.62	24.75	28.33	111.39
Consultancy Charges	66.61	73.44	82.51	94.47	108.15	425.19
Insurance expenses	4.77	5.26	5.91	6.77	7.75	30.45
Facilitation Expenses	144.04	158.80	178.41	204.27	233.86	919.38
Hire charges Others	122.40	134.95	151.61	173.58	198.73	781.27
Hire charges Inline X-Ray Baggage Manpower	121.00	133.10	146.41	161.05	177.16	738.72
Collection charges on PSF	57.95	63.89	71.78	82.18	94.09	369.87
Subscription (Professional bodies)	33.98	37.46	42.09	48.19	55.17	216.89
Corporate Social Responsibility	18.06	19.91	22.37	25.61	29.32	115.27
UDF Collection charges	51.61	61.07	67.79	73.89	80.54	334.89
Other Administrative Charges	14.10	15.55	17.47	22.19	22.89	92.19
Total Administrative & Other expenses	668.59	740.99	828.55	940.50	1,062.99	4,241.62
Total O&M Expense	3,480.65	3,815.66	4,239.20	4,771.41	5,369.85	21,676.77

7.1.3 A summary of CHIAL's assumptions, basis and year on year growth factored is as follows:

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Table 66: CHIAL's assumption, basis and growth on operating expense for the Second Control Period:

O&M Cost	Assumption for growth (y-o-y basis)	Basis
Manpower expenses	The manpower expenses, pays & allowances including contribution to provident fund (PF), house rent allowance (HRA), dearness allowances (DA) and medical expenses is expected to grow by 13.42% in FY22 over the Pre Covid level in FY20, 13.42% p.a. in FY23 and at 15.56% p.a. thereafter. The headcount additions are expected to increase to 44 in FY22, 50 in FY 23 and 60 in FY25.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 8% from FY22 and thereafter and overall increases to 13.42% for FY22 & FY23 and 15.56% for FY24 and onwards.
Operating expenses		
Repair & Maintenance	Expenditure on Repair & maintenance expenditure are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35 %p.a. in FY24 and at 13.42% p.a. thereafter.	Based on inflation of 5% for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 6% thereafter.
Housekeeping & Cleaning works	Expenditure on Housekeeping & Cleaning works are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Consumption of Stores & Spares	Expenditure on Consumption of Stores & Spares are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35 %p.a. in FY24 and at 13.42% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 6% thereafter.
Electricity & Water Charges	Expenditure on Electricity & Water Charges is expected to grow by 5 % in FY22 over the corresponding actual expenses in FY20, at 5% p.a. in FY23 and FY24 and at 7% p.a. y-o-y thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter.
Other Operating expenses	Other Operating expenses are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Administrative & Other expenses		
Postage & Telegram and others	Postage & Telegram, Printing & Stationery, Telephone Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Travelling Expenses	Travelling Expenses are expected to decelerate by 21.25% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Consultancy Charges	Consultancy Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.

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O&M Cost	Assumption for growth (y-o-y basis)	Basis
Insurance expenses	Insurance expenses are expected to increase at 104.75% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The steep growth in insurance expense in FY21 is on account of budgeted purchase of additional Insurance against building & fire with inflation & growth.
Facilitation Expenses	Facilitation Expenses are expected to decelerate by 26.5% in FY22 over the corresponding expense in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. y-o-y thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Hire charges Others	Hire charges Others are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Hire charges Inline X-Ray Baggage Manpower	The annual hire charge of manpower for Inline X-ray Baggage is budgeted for a headcount of 32 at INR 110 Lakhs in FY21. These charges are expected to increase 10% y-o-y for during the 2 nd control period.	Based on inflation of 5 % for FY 22 thereafter along with a growth of 5% for FY 22 thereafter.
Collection charges on PSF	Collection charges on PSF/UDF are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Subscription (Professional bodies)	Subscription expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
Corporate Social Responsibility	Corporate Social Responsibility are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.
UDF Collection charges	UDF Collection Charges are expected to be collected at Rs.5 per passenger from airlines.	Based on passenger traffic
Other Administrative Charges	Miscellaneous Office Expenses and Other Expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	Based on inflation of 5 % for FY 22 and FY23 and 7% thereafter along with a growth of 5% for FY 22 to FY 24 and 7% thereafter.

7.1.4 Expense allocation ratio and the resultant aeronautical expense on application of these ratios to the total estimated expense as submitted by CHIAL is as follows:

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Table 67: O&M expense allocation ratio proposed by CHIAL for Second Control Period (in %)

O&M Cost	Aero %	Non- Aero %	Basis
Manpower expenses	94.69%	5.31%	Based on increased number of employees deputed in respective departments. The total number of employees is expected to increase to 44 in FY22, 50 in FY 23 and 60 in FY25.
Operating expenses			
Repair & Maintenance	94.05%	5.95%	Based on average Aeronautical RAB
Housekeeping & Cleaning works	94.05%	5.95%	Based on average Aeronautical RAB
Consumption of Stores & Spares	94.05%	5.95%	Based on average Aeronautical RAB
Electricity & Water Charges	94.05%	5.95%	Based on average Aeronautical RAB
Other Operating expenses	94.05%	5.95%	Based on average Aeronautical RAB
Administrative & Other expenses			
Postage & Telegram and others	94.05%	5.95%	Based on average Aeronautical RAB
Travelling Expenses	94.05%	5.95%	Based on average Aeronautical RAB
Consultancy Charges	94.05%	5.95%	Based on average Aeronautical RAB
Insurance expenses	94.05%	5.95%	Based on average Aeronautical RAB
Facilitation Expenses	94.05%	5.95%	Based on average Aeronautical RAB
Hire charges Others	94.69%	5.31%	Based on Employee head count Ratio
Hire charges Inline X-Ray Baggage Manpower	94.69%	5.31%	Based on Employee head count Ratio
Collection charges on PSF	94.05%	5.95%	Based on average Aeronautical RAB
Subscription (Professional bodies)	94.05%	5.95%	Based on average Aeronautical RAB
Corporate Social Responsibility	0.00%	100.00%	
UDF Collection Charges	100.00%	0.00%	Based on passengers so wholly Aero.
Other Administrative Charges	94.05%	5.95%	Based on average Aeronautical RAB

Table 68: CHIAL's submission of aeronautical O&M expenditure for the Second Control Period

O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	579.89	657.60	759.92	878.16	1,014.81	3,890.38
Operating expenses						
Repair & Maintenance	767.47	846.13	950.63	1,078.21	1,222.90	4,865.35
Housekeeping & Cleaning works	395.29	435.81	489.63	560.58	641.80	2,523.11
Consumption of Stores & Spares	75.01	82.69	92.91	105.38	119.52	475.50
Electricity & Water Charges	804.71	844.94	887.19	949.29	1,015.74	4,501.88
Other Operating expenses	26.21	28.90	32.47	37.17	42.56	167.31
Total operating expense	2,068.69	2,238.48	2,452.83	2,730.63	3,042.53	12,533.14

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O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Administrative & Other expenses						
Postage & Telegram, Telex	15.64	17.24	19.37	22.17	25.39	99.81
Travelling Expenses	16.41	18.09	20.33	23.28	26.65	104.76
Consultancy Charges	62.65	69.07	77.60	88.85	101.72	399.89
Insurance expenses	4.49	4.95	5.56	6.36	7.28	28.64
Facilitation Expenses	135.47	149.35	167.80	192.11	219.95	864.68
Hire charges Others	115.90	127.78	143.56	164.36	188.18	739.78
Hire charges Inline X-Ray Baggage Manpower	114.57	126.03	138.64	152.50	167.75	699.49
Collection charges on PSF	54.50	60.09	67.51	77.29	88.49	347.87
Subscription (Professional bodies)	31.96	35.23	39.58	45.32	51.89	203.98
Corporate Social Responsibility	-	-	-	-	-	-
UDF Collection charges	51.61	61.07	67.79	73.89	80.54	334.89
Other Administrative Charges	13.26	14.62	16.43	20.87	21.53	86.71
Administrative & Other expenses	616.45	683.53	764.16	866.99	979.36	3,910.49
Total O&M Expense	3,265.03	3,579.60	3,976.90	4,475.78	5,036.69	20,334.01

7.2 Authority's analysis of Operating Expenses for the Second Control Period

- 7.2.1 The Authority has reviewed the submission made by CHIAL in detail.
- 7.2.2 As per the rationale detailed in Para 2.9.5, the Authority has considered recovery for Light & water charges and Common area maintenance as a reduction from electricity and water and Housekeeping charges respectively.
- 7.2.3 The Authority further analyzed the head wise break up of these broad categories. Considering the ongoing COVID-19 pandemic situation and need for rationalization of all categories of expenditure by the Airport Operator, the Authority has evaluated the estimate for projection of Operating Expenses under different heads. A summary of head wise basis of estimate proposed by the Authority in comparison with the basis of projection as adopted by CHIAL is provided below:

Table 69: Proposal by Authority in comparison with the projections adopted by CHIAL

O&M Cost	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
Manpower expenses	The headcount additions are expected to increase to 44 in FY22 from 25 employees in FY 21, 50 in FY 23 and 60 in FY25.	The number of employees expected by CHIAL is high for Second Control Period. The Authority advises CHIAL to evaluate this need and rationale before deployment considering the prevailing situation in view of the COVID-19 scenario. Therefore, the Authority proposes to consider no increase in number of employees in FY 22 and thereafter increase to 35 in FY 23 from 25 employee in FY 22 and to 45 employees in FY 25.

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O&M Cost	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
	Manpower cost is expected to grow by 13.4% in FY22 over the Pre Covid level in FY20, 13.4% p.a. in FY23 and at 15.56% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from FY21 along with growth rate of 2% every year. Pre-Covid Level (FY20)-considered as a base year for other operating expenses has not be considered for estimating Manpower expenses as the Pay and Allowances of FY 2019-20 includes amount of Third pension which was paid in this year as a one-time cost. Hence, FY21 has been taken as base year.
Operating expenses		
Repair & Maintenance	Expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35 %p.a. in FY24 and at 13.42% p.a. thereafter.	The Authority notes that assets which are capitalized in the Second Control Period would require lesser repairs in initial year's vis-à-vis ageing assets that may require greater repair costs as contended by CHIAL. Therefore, the Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year for estimating R&M costs.
Housekeeping & Cleaning works	Expenditure on Housekeeping & Cleaning works are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an increase of 12% year on year from Pre Covid-Level (FY 20) based on revised minimum wage rate for employees employed in Housing keeping activities for FY21 after considering recoveries of maintenance charges from concessionaires.
Consumption of Stores & Spares	Expenditure on Consumption of Stores & Spares are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, 12.35% p.a. in FY24 and at 13.42% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Electricity & Water Charges	Expenditure on Electricity & Water Charges is expected to grow by 5 % in FY22 over the corresponding actual expenses in FY20, at 5% p.a. in FY23 and FY24 and at 7% p.a. y-o-y thereafter.	Considering no major change estimated in airport operations in the Second Control Period, the Authority proposes to estimate standard consumption of Pre Covid-Level (FY 20) for all the years in the Second Control Period but the Authority proposes to apply an inflationary increase of 5% on the rates year on year from Pre Covid-Level (FY 20).
Other Operating expenses	Other Operating expenses are expected to grow by 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. y-o-y in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Administrative & Other expenses		

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O&M Cost	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
Postage & Telegram and others	Postage & Telegram, Printing & Stationery, Telephone Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Travelling Expenses	Travelling Expenses are expected to decelerate by 21.25% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. thereafter.	The Authority proposes to consider 25% reduction in cost in FY 22 from the Pre Covid level (FY20) and from FY 23 to apply the inflationary increase of 5% year on year along with growth rate of 2% every year.
Consultancy Charges	Consultancy Charges are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Insurance expenses	Insurance expenses are expected to increase at 104.75% in FY22 over the corresponding actual expenses in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Facilitation Expenses	Facilitation Expenses are expected to decelerate by 26.5% in FY22 over the corresponding expense in FY20, grow at 10.25% p.a. in FY 23, at 12.35% p.a. in FY24 and by 14.49% p.a. y-o-y thereafter.	The Authority proposes to consider 25% reduction in cost in FY 22 from the Pre Covid level (FY20) and from FY 23 to apply the inflationary increase of 5% year on year along with growth rate of 2% every year.
Hire charges Others	Hire charges Others are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.
Hire charges Inline X-Ray Baggage Manpower	The annual hire charge of manpower for Inline X-ray Baggage is budgeted for a headcount of 32 at INR 110 Lakhs in FY21. These charges are expected to increase 10% y-o-y for during the 2 nd control period.	The Authority proposes to apply an increase of 12% year on year on actual expenditure incurred in FY 21 based on the annual increment as estimated in the agreement between CHIAL and AAICLAS.
Collection charges on PSF	Collection charges on PSF are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority notes that currently UDF is proposed to be collected instead of PSF. As collection charges on UDF are estimated separately this is not considered.
Subscription (Professional bodies)	Subscription expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.

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O&M Cost	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
Corporate Social Responsibility	Expenditures are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to consider the values of CSR as the same as proposed by CHIAL as these are below the 2% mandatory spend values.
UDF Collection charges	UDF Collection Charges are expected to be collected at Rs.5 per passenger from airlines.	The Authority proposes to consider the same rate i.e., Rs.5 per passenger submitted by CHIAL
Other Administrative Charges	Miscellaneous Office Expenses and Other Expenses are expected to grow at 10.25% in FY22 over the corresponding actual expenses in FY20, at 10.25% p.a. in FY23, at 12.35% p.a. in FY24 and at 14.49% p.a. thereafter.	The Authority proposes to apply an inflationary increase of 5% year on year from Pre Covid-Level (FY 20) along with growth rate of 2% every year.

7.2.4 Considering the above changes, the Authority has recalculated the efficient operating and maintenance expenditure estimate as follows:

Table 70: Efficient total operating and maintenance expenditure recalculated by the Authority

Operating Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	592.76	634.25	678.65	726.16	776.99	3,408.82
Operating Expenses						
Repair & Maintenance	756.79	809.76	866.45	927.10	992.00	4,352.10
Housekeeping & Cleaning works	239.28	267.99	300.15	336.17	376.51	1,520.10
Consumption of Stores & Spares	77.40	82.82	88.62	94.82	101.46	445.13
Electricity & Water Charges	779.61	818.59	859.52	902.50	947.62	4,307.85
Other operating expenses	27.05	28.94	30.97	33.14	35.46	155.56
Total Operating Expense	1,880.13	2,008.11	2,145.71	2,293.73	2,453.05	10,780.73
Administrative & Other Expenses						
Postage & Telegram, Telex	16.14	17.27	18.47	19.77	21.15	92.79
Travelling Expenses	16.62	17.78	19.03	20.36	21.79	95.58
Consultancy Charges	64.65	69.17	74.02	79.20	84.74	371.78
Insurance expenses	2.49	2.67	2.85	3.05	3.27	14.34
Facilitation Expenses	146.98	157.27	168.27	180.05	192.66	845.23
Hire charges Others	118.79	127.11	136.00	145.52	155.71	683.14
Hire charges Inline X-Ray Baggage Manpower	115.71	129.60	145.15	162.57	182.07	735.10
Collection charges on PSF	0.00	0.00	0.00	0.00	0.00	0.00
Subscription (Professional bodies)	32.98	35.29	37.76	40.40	43.23	189.64
Corporate Social Responsibility	18.06	19.91	22.37	25.61	29.32	115.27
UDF Collection charges	41.88	60.22	66.94	73.63	81.00	323.67
Other Administrative Charges	13.69	14.64	15.67	16.77	17.94	78.70

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Operating Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Total Administrative & Other Expenses	587.98	650.92	706.53	766.93	832.87	3,545.23
Total operating expense	3,060.87	3,293.29	3,530.90	3,786.82	4,062.91	17,734.78

7.2.5 The Authority proposes to consider the below table of cost allocation ratios for operating expenses for the Second Control Period:

Table 71: Expense allocation ratio proposed by Authority for Second Control Period

Operation & Maintenance Cost	Aero % submitted by CHIAL	Aero % proposed by the Authority	Basis for Aero% proposed by the Authority
Manpower expenses	94.69%	87.50%	Based on employee costs segregated as Aero and Non-Aero and ratio considered on that basis
Operating expenses			
Repair & Maintenance	94.05%	90.50%	Based on Terminal Building Ratio
Housekeeping & Cleaning works	94.05%	100.00%	After netting off the recovery from concessionaires, considered 100%
Consumption of Stores & Spares	94.05%	90.50%	Based on Terminal Building Ratio
Electricity & Water Charges	94.05%	90.50%	Based on Terminal Building Ratio
Other Operating expenses	94.05%	90.50%	Based on Terminal Building Ratio
Administrative & Other expenses			
Postage & Telegram and others	94.05%	87.50%	Based on Employee Ratio
Travelling Expenses	94.05%	87.50%	Based on Employee Ratio
Consultancy Charges	94.05%	90.50%	Based on Terminal Building Ratio
Insurance expenses	94.05%	90.50%	Based on Terminal Building Ratio
Facilitation Expenses	94.05%	90.50%	Based on Terminal Building Ratio
Hire charges Others	94.69%	87.50%	Based on Employee Ratio
Hire charges Inline X-Ray Baggage Manpower	94.69%	100.00%	Considered 100% as the charges are related to passenger service
Subscription (Professional bodies)	94.05%	90.50%	Based on Terminal Building Ratio
Corporate Social Responsibility	0.00%	67.00%	Based on profit ratio used in FY 20
UDF Collection Charges	100.00%	100.00%	Based on passengers hence wholly Aero
Other Administrative Charges	94.05%	90.50%	Based on Terminal Building Ratio
<i>Terminal Building Ratio as determined during First Control Period has been considered for allocation as there is no significant change in the Terminal Building space/ usage.</i>			

7.2.6 Considering the changes above and applying the allocation ratios as recommended by the Authority tabulated in Table 71 above, the Authority has recalculated the operating and maintenance expenditure for aeronautical services as follows:

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Table 72: Aeronautical operating and maintenance expenditure recalculated by the Authority computed on applying allocation ratios given in Table 71

O&M Expenses (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Manpower expenses	518.67	554.97	593.82	635.39	679.87	2,982.71
Operating expenses						
Repair & Maintenance	684.89	732.84	784.14	839.03	897.76	3,938.65
Housekeeping & Cleaning works	239.28	267.99	300.15	336.17	376.51	1,520.10
Consumption of Stores & Spares	70.05	74.95	80.20	85.81	91.82	402.84
Electricity & Water Charges	779.61	818.59	859.52	902.50	947.62	4,307.85
Other Operating expenses	24.48	26.19	28.03	29.99	32.09	140.78
Total Operating Expense	1,798.31	1,920.57	2,052.04	2,193.50	2,345.80	10,310.21
Administrative & Other Expenses						
Postage & Telegram, Telex	14.12	15.11	16.16	17.30	18.51	81.19
Travelling Expenses	14.54	15.56	16.65	17.82	19.06	83.63
Consultancy Charges	58.51	62.60	66.99	71.67	76.69	336.46
Insurance expenses	2.26	2.41	2.58	2.76	2.96	12.98
Facilitation Expenses	133.01	142.33	152.29	162.95	174.36	764.93
Hire charges Others	103.94	111.22	119.00	127.33	136.25	597.75
Hire charges Inline X-Ray Baggage Manpower	115.71	129.60	145.15	162.57	182.07	735.10
Collection charges on PSF	-	-	-	-	-	-
Subscription (Professional bodies)	29.84	31.93	34.17	36.56	39.12	171.63
Corporate Social Responsibility	12.10	13.34	14.99	17.16	19.64	77.23
UDF Collection charges	41.88	60.22	66.94	73.63	81.00	323.67
Other Administrative Charges	12.37	13.23	14.16	15.15	16.21	71.11
Total Administrative & Other Expenses	538.28	597.55	649.08	704.90	765.86	3,255.67
Total O&M expense	2,855.26	3,073.09	3,294.93	3,533.78	3,791.53	16,548.60

7.3 Authority's proposals on Operating Expenses

Based on the material before it and its analysis, the Authority proposes:

- 7.3.1 To reduce Common Area Maintenance and light and water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 7.3.2 To consider operating and maintenance expenditure as detailed in Table 72 above for determination of tariff for the Second Control Period.
- 7.3.3 To consider the cost segregation ratios determined for the Second Control Period as listed in Table 71 (refer Para 0).
- 7.3.4 To true up operating and maintenance expenditure for the current control period, at the time of determination of tariff for the next control period, after evaluation of the reasonableness of the costs incurred.

8. NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

8.1 CHIAL's submissions relating to Non-Aeronautical Revenue (NAR)

- 8.1.1 CHIAL has submitted the forecasts of various components of non-aeronautical revenue streams as well as the assumptions underlying the forecast. The assumptions made by CHIAL for projecting each source of non-aeronautical revenue are as under:

Table 73: Basis of projection for NAR as adopted by CHIAL

Particulars	Assumption for growth (y-o-y basis)	Basis
Admission fees/Commercial Passes	Revenue from admission fees/commercial passes is expected to decelerate by 10% from the pre Covid-19 level i.e., FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter.	Based on expected growth of passenger traffic (PAX)
Car Parking	Revenue from car parking has been estimated based on terms of contracts awarded till date. The existing terms of the contract allow for PAX based escalation of 5-15%. Car parking revenue is expected to decelerate by 20% from the pre Covid-19 level i.e., FY20 in FY 22 and grow at 8% y-o-y in FY23 and FY24 and at 11% y-o-y thereafter.	Based on terms of contracts awarded till date.
Rent & Services	Rental revenue other than that from aeronautical rental is expected to decelerate by 20% from the pre Covid-19 level i.e., FY20 in FY22, remain at the same level in FY23 and grow at 7.5 % p.a. y-o-y thereafter. In an attempt to rationalize the land rental rates at par with the other airports, no escalation is proposed in rent and services for FY23	-
Trading concession	Revenue from Trading Concessions including restaurant, T.R Stalls, Hoarding & Display, etc. is expected to decelerate by 25% from the pre Covid-19 level i.e., FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter.	Based on expected growth of passenger traffic (PAX)
In Flight Catering Charges	Revenue from in-flight catering charges is expected to decelerate by 10% from the pre Covid-19 level i.e., FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter.	Based on expected growth of passenger traffic (PAX)

- 8.1.2 Based on the above bases, CHIAL submitted the following Non-Aeronautical Revenue for the Second Control Period:

Table 74: CHIAL's submission of non-aeronautical revenues for Second Control Period

Particulars (Rs. In Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Admission fees/Commercial Passes	4.37	4.86	5.39	5.87	6.40	26.90
Car parking	219.78	237.37	256.36	281.99	310.19	1,305.69
Rent & Services	372.80	372.80	400.76	430.82	463.13	2,040.32
Trading concession	1,742.23	1,933.87	2,146.60	2,339.79	2,550.37	10,712.86
In Flight -Catering Charges	6.71	7.44	8.26	9.00	9.82	41.23
Total Non-Aeronautical Revenue	2,345.89	2,556.34	2,817.37	3,067.48	3,339.91	14,126.99

8.2 Authority's analysis relating to Non-Aeronautical Revenue

- 8.2.1 The Authority has carefully reviewed the various assumptions relating to Non-Aeronautical revenues submitted by CHIAL.
- 8.2.2 The Authority also, as detailed in Para 2.9.5 proposes to consider Common Area Maintenance and Light & water charges recovered from concessionaires as reduction from Operating Expenditure and not as a separate line item of Non-Aeronautical Income.
- 8.2.3 The Authority notes that CHIAL is estimated to have cash surplus and there could be interest income that may accrue to CHIAL during the Second Control Period. However, these are dependent on traffic and various other factors. Interest Income has been computed by CHIAL in its Financial model but has not been added as part of Non-Aeronautical Revenues. The Authority, while noting that interest income earned will be part of Non-Aeronautical Income, does not propose to forecast the estimated interest income for the Second Control Period. This will be trued up based on actuals at the commencement of the third control period.
- 8.2.4 As detailed in Para 2.3.8, the Authority also proposes to consider revenues in the form of rentals from Aeronautical Service providers as Aeronautical revenues.
- 8.2.5 The Authority is cognizant of the fact that Airports are impacted currently due to the COVID-19 pandemic situation and Non-Aeronautical Revenue estimates have to factor the same.
- 8.2.6 In Order to assess actual position, the Authority had sought details of revenues for FY 2020-21 and evaluated the revenues per passenger for the revenues impacted due to traffic for the years in the First Control Period.
- 8.2.7 Analysis of Revenue per passenger for the control period is as detailed below:

Table 75: Non-Aeronautical Revenue per passenger traffic of First Control Period

Particular (Rs. per Pax)	FY 17	FY 18	FY 19	FY 20	FY 21
<i>Passenger Traffic in Lakhs</i>	<i>18.28</i>	<i>21.40</i>	<i>21.00</i>	<i>24.47</i>	<i>13.84</i>
Admission fees/Commercial Passes	1.44	0.77	0.49	0.20	0.65
Car parking	14.59	21.09	22.34	11.23	11.93
Trading concession	40.93	51.14	57.24	85.11	83.99
In Flight Catering Charges	-	-	-	0.3	1.14

- 8.2.8 The Authority notes from the above table that while there is a fall in revenues in absolute values, the revenue per passenger has not reduced even in FY 2020-21 except for revenue from trading concession. However, considering the uncertainties prevailing, the Authority proposes to estimate Non-Aeronautical Revenues on the basis given below.
- 8.2.9 Summary of head wise comparison of the basis of projection adopted by CHIAL and to be proposed by the Authority is as given below:

Table 76: Basis of projection for NAR as adopted by CHIAL vis a vis proposed by the Authority

Non-Aeronautical Revenue Heads	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
Admission fees/Commercial Passes	Revenue from admission fees/commercial passes is expected to decelerate by 10% from the pre Covid-19 level i.e. FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter. The growth rate of	Considered as per CHIAL's submissions

NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

Non-Aeronautical Revenue Heads	Basis of projection as adopted by CHIAL	Basis of projection as proposed by Authority
	revenue from admission fees/commercial passes is expected to be in line with expected growth of passenger traffic (PAX)	
Car parking	Revenue from car parking has been estimated based on terms of contracts awarded till date. The existing terms of the contract allow for PAX based escalation of 5-15%. Car parking revenue is expected to decelerate by 20% from the pre Covid-19 level i.e. FY20 in FY 22 and grow at 8% y-o-y in FY23 and FY24 and at 11% y-o-y thereafter.	The Authority, for FY22 proposes to consider growth based on passengers from Pre Covid Level (FY20) and from FY23 onwards apply growth of total passengers along with inflationary increase of 5% year on year basis.
Rent & Services	Rental revenue other than that from aeronautical rental is expected to decelerate by 20% from the pre Covid-19 level i.e. FY20 in FY22, remain at the same level in FY23 and grow at 7.5 % p.a. y-o-y thereafter. In an attempt to rationalize the land rental rates at par with the other airports, no escalation is proposed in rent & services for FY23	The Authority proposes the rent revenue to be the same in FY 22 of Pre Covid level i.e. FY 20 and grow at inflationary increase of 5% year on year from FY 23.
Trading concession	Revenue from Trading Concessions including restaurant, T.R Stalls, Hoarding & Display, etc. is expected to decelerate by 25% from the pre Covid-19 level i.e. FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter. The growth rate of revenue from trading concessions is expected to be in line with expected growth of passenger traffic (PAX).	The Authority proposes to consider growth for FY 22 based on total passengers from Pre Covid Level (FY20) and from FY23 onwards apply growth of total passengers along with inflationary increase of 5% year on year basis.
In Flight Catering Charges	Revenue from in-flight catering charges is expected to decelerate by 10% from the pre Covid-19 level i.e. FY20 in FY22 and grow at 11% y-o-y in FY23 and FY24 and at 9% y-o-y thereafter. The growth rate of revenue from in-flight catering charges is expected to be in line with expected growth of passenger traffic (PAX)	The Authority for FY 22 proposes to consider growth based on total passengers from Pre Covid Level (FY20) and from FY23 onwards apply growth of total passengers along with inflationary increase of 5% year on year basis.
Interest Income on Term Deposits	Not considered in CHIAL submission	The Authority, while noting that interest income earned will be part of Non-Aeronautical Income, does not propose to forecast the estimated interest income for the Second Control Period. This will be trued up based on actuals at the commencement of the third control period.
Miscellaneous Income	Not considered in CHIAL submission	The Authority proposes not to estimate Miscellaneous Income, the same will be trued up based on actuals as Non-Aero Income

NON-AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

8.2.10 Based on the above, the revised non-aeronautical revenues as proposed by the Authority is as follows:

Table 77: Non-aeronautical revenues as proposed by the Authority

Particulars (Rs. in lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Admission fees/Commercial Passes	4.37	4.86	5.39	5.87	6.40	26.90
Car parking	189.58	284.88	325.92	373.70	412.75	1,586.83
Rent & Services	177.70	186.59	195.92	205.71	216.00	981.92
Trading concession	1,437.36	2,159.93	2,471.04	2,833.32	3,129.41	12,031.07
In Flight-Catering Charges	5.14	7.73	8.84	10.13	11.19	43.03
Total non-aeronautical revenue	1,814.16	2,643.98	3,007.10	3,428.74	3,775.76	14,669.75

8.3 Authority's proposals relating to Non-Aeronautical Revenues

Based on the material before it and its analysis, the Authority proposes:

- 8.3.1 To not consider Interest Income and Miscellaneous Income at the time of estimation for the current control period, but true up the same at the time of determination of tariff for the next control period.
- 8.3.2 To adjust Common Area Maintenance and light and water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 8.3.3 To consider non-aeronautical revenue as set out in Table 77 above for the Second Control Period.
- 8.3.4 To consider Rentals from Aeronautical service providers as Aeronautical Revenues.
- 8.3.5 To true up non-aeronautical revenues for the current control period, at the time of determination of tariff for the next control period.

9. TAXATION FOR THE SECOND CONTROL PERIOD

9.1 CHIAL's submissions relating to taxation

- 9.1.1 CHIAL has submitted corporate tax estimate related to aeronautical services for the purpose of determination of aggregate revenue requirement for the Second Control Period.
- 9.1.2 CHIAL has computed tax for the company as a whole and actual tax payable has been allocated in the ratio of Aeronautical and Non-Aeronautical PBT which is detailed below:

Table 78: CHIAL's submission of income tax reimbursement for effective tax rate for the Second Control Period

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Book PBT	2,783.99	4,303.16	4,790.80	4,791.62	4,942.42	21,611.98
Add: Book depreciation	2,527.44	2,731.82	2,951.73	3,472.01	3,872.01	15,555.02
Less: Tax depreciation	- 3,403.80	-3,638.79	-3,876.13	-4,800.81	-5,370.34	-21,089.87
Tax PBT	1,907.63	3,396.19	3,866.40	3,462.82	3,444.10	16,077.14
Business Loss:	-	-	-	-	-	-
Tax PBT post Business Loss set-off	1,907.63	3,396.19	3,866.40	3,462.82	3,444.10	16,077.14
Usage of Unabsorbed depreciation	1,907.63	96.42	-	-	-	2,004.05
Taxable income @ 29.12%	-	3,299.77	3,866.40	3,462.82	3,444.10	14,073.09
Income Tax	-	960.89	1,125.90	1,008.37	1,002.92	4,098.08
<i>Effective tax rate on PBT</i>	<i>0.00%</i>	<i>22.33%</i>	<i>23.50%</i>	<i>21.04%</i>	<i>20.29%</i>	

- 9.1.3 CHIAL has estimated the Aeronautical Tax as a proportion of total tax considering the Aero PBT ratio as below.

Table 79: CHIAL's submission of income tax reimbursement to be included as part of the aggregate revenue requirement for the Second Control Period

Particulars (Rs. In lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenues	6,712.05	8,597.48	9,560.93	10,389.43	11,293.12	46,553.02
Aero Opex	-3,265.02	-3,579.59	-3,976.89	-4,475.76	-5,036.67	-20,333.93
Aero Depreciation	-2,233.47	-2,478.91	-2,684.07	-3,116.89	-3,506.40	-14,019.74
Aero PBT	1,213.56	2,538.98	2,899.98	2,796.78	2,750.05	12,199.35
Tax rate	<i>0.00%</i>	<i>22.33%</i>	<i>23.50%</i>	<i>21.04%</i>	<i>20.29%</i>	
Aero Tax	-	566.95	681.53	588.57	558.04	2,395.09

9.2 Authority's analysis relating to taxation

- 9.2.1 The Authority notes CHIAL's submission for income tax and noted that CHIAL has erroneously not considered cargo revenue, rent from land refueling station and rent from new facilities as part of aeronautical revenue for calculation of effective tax rate.
- 9.2.2 The Authority proposes to consider Aeronautical profit before tax and accordingly estimate the tax liability considering effective tax rate, Minimum Alternate Tax requirement and the benefit from

TAXATION FOR THE SECOND CONTROL PERIOD

unabsorbed depreciation and Losses to such profit to arrive at aeronautical taxation that can be considered for tariff determination of the Second Control Period.

- 9.2.3 The Authority observed that CHIAL has taken the tax rate of 29.12% for Second Control Period i.e. from FY 22 to FY 26. This percentage has been calculated on basis of 25% basic tax, plus 12% surcharge plus 4% cess and proposes to consider the same.
- 9.2.4 The Authority proposes to consider Aeronautical revenue in accordance with Table 87 for computation of tax expense.
- 9.2.5 The Authority proposes to consider the Operating expenses in accordance with Table 72 for computation of tax expense.
- 9.2.6 The Authority proposes to consider the capital expenditures for computation of depreciation in accordance with Table 54.
- 9.2.7 After considering all the above observations, the Authority proposes the following tables of tax expense as per Normal Provisions and MAT provisions of Income Tax Act during the Second Control Period.

Table 80: Income tax as per Normal Provisions of Income Tax Act calculated by the Authority

Particulars (Rs. in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical revenue	A	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	46,338.63
Aeronautical expenses	B	2,855.26	3,073.09	3,294.93	3,533.78	3,791.53	16,548.60
Depreciation as per income tax – aeronautical	C	3,674.37	3,629.63	3,360.98	3,615.33	3,446.05	17,726.37
PBT	D=A-B-C	-599.01	2,192.02	3,098.10	3,447.78	3,924.76	12,063.66
Set-off of prior period tax losses	E	-	-599.01	-	-	-	-599.01
PBT after set-off of prior period tax losses	F=D-E	-599.01	1,593.02	3,098.10	3,447.78	3,924.76	11,464.65
Tax @29.12%	G	-	463.89	902.17	1,003.99	1,142.89	3,512.94
PAT	H=G*F	-599.01	1,129.13	2,195.93	2,443.79	2,781.87	7,951.72

Table 81: Income tax as per MAT Provisions of Income Tax Act calculated by the Authority

Particulars (Rs. in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical revenue	A	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	46,338.63
Aeronautical expenses	B	2,855.26	3,073.09	3,294.93	3,533.78	3,791.53	16,548.60
Depreciation as per books – aeronautical	C	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	15,460.45
PBT	D=A-B-C	291.28	2,861.69	3,393.23	3,681.62	4,101.76	14,329.58
MAT @ 17.4720%	E	50.89	499.99	592.86	643.25	716.66	2,503.66
PAT	F=D-E	240.39	2,361.70	2,800.36	3,038.37	3,385.10	11,825.91

Table 82: Tax Reimbursable calculated by the Authority

Particulars (Rs. in lakhs)	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aero Tax to be paid (higher of MAT or Normal Income Tax)							
Normal Tax	A	-	463.89	902.17	1,003.99	1,142.89	3,512.94
MAT	B	50.89	499.99	592.86	643.25	716.66	2,503.66
Current Tax	C=A or B whichever is higher	50.89	499.99	902.17	1,003.99	1,142.89	3,599.94
Aero MAT credit utilised	D	-	-	-309.30	-360.74	-424.48	-1,094.53
Tax Payable	E=C-D	50.89	499.99	592.86	643.25	718.41	2,505.41
MAT credit Entitlement (After utilisation)	F	1,094.53	1,094.53	785.22	424.48	-	3,398.76

9.3 Authority's proposals relating to taxation

Based on the material before it and its analysis, the Authority proposes:

- 9.3.1 To consider aeronautical taxes for the Second Control Period by applying effective tax rate and MAT on the aeronautical profit before tax as per Table 82.
- 9.3.2 To true up the forecast figures of tax based on actuals, at the end of the control period, in computation of tariff for the third control period.

10. INFLATION FOR THE SECOND CONTROL PERIOD

10.1 CHIAL's submissions relating to inflation

10.1.1 CHIAL submitted the following on CPI inflation rates for the Second Control Period:

Table 83: CHIAL's submission of inflation rate :

Particular	FY22	FY23	FY24	FY25	FY26
CPI Inflation	5%	5%	7%	7%	7%

10.1.2 CHIAL has considered CPI inflation of 5% p.a. for FY 22 & FY 23 and forecasted 7% CPI inflation for FY 24 and thereafter for the Second Control Period.

10.2 Authority's analysis on inflation

10.2.1 The Authority has reviewed CHIAL's submissions regarding CPI inflation as stated in Para 10.1.2 above. The Authority notes that CPI index has been used by CHIAL in forecasting increase in revenues / costs where relevant.

10.2.2 The Authority proposes to consider mean of CPI inflation on Average of all quarters of FY 2021-22 as per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69" for comparison. An extract of the results of RBI's annual forecast for 2021-22 is reproduced below:

Table 84: RBI's annual inflation forecast for 2021-22

Quarter forecasts for 2021-22	Mean	Median	Max	Min
Q1	5.0	5.0	6.0	4.2
Q2	4.9	4.9	6.0	4.2
Q3	4.4	4.3	5.5	3.4
Q4	4.8	5.0	5.8	4.0

10.3 Authority's proposal relating to inflation

Based on the material before it and its analysis, the Authority proposes:

10.3.1 To consider CPI inflation at 5% based on Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69 for the Second Control Period (refer Para 10.2.2) in estimating the escalation rates of different items of Operating Expenditure and Revenues as applicable.

11. QUALITY OF SERVICE FOR THE SECOND CONTROL PERIOD

11.1 CHIAL's submissions relating to Quality of Service

11.1.1 CHIAL has not made any submissions related to Quality of Service as part of its MYTP submission.

11.2 Authority's analysis relating to Quality of Service

11.2.1 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."*

11.2.2 The Authority has noted from ACI's website that CHIAL has been awarded as the Best Airport by Size & Region for handling 2 to 5 million passengers and Best Hygiene Measures by Region for 2021 in Asia-Pacific region based on customers reviews in 2020.

11.2.3 The Authority does not propose any adjustment towards tariff determination for the Second Control Period on account of quality of service maintained by CHIAL.

11.3 Authority's proposal relating to Quality of Service

Based on the material before it and its analysis, the Authority proposes:

11.3.1 To not consider any adjustment towards tariff determination for the Second Control Period with regards to quality of service (refer Para 11.2.3).

12. AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

12.1 CHIAL's submissions relating to Aeronautical Revenue

12.1.1 CHIAL has requested for the following with respect to Aeronautical Revenue:

Table 85: Rates proposed by CHIAL vis a vis existing rates

Revenue Heads	Particular	Existing	Proposed for FY 22	Proposed from FY 23 to FY26
Parking & Housing Charges	Up to 40 MT	Rs.1.80 per hour per MT	Same as First Control Period	Same as First Control Period
	Above 40 MT up to 100 MT	Rs.72.00 + Rs.3.40 per hour per MT	Same as First Control Period	Same as First Control Period
	Above 100 MT	Rs.276.00+ Rs.5.20 per hour per MT	Same as First Control Period	Same as First Control Period
UDF Charges	Domestic Passenger (Up to 165 Nautical Miles)	Rs.261 per departing passenger	Same as First Control Period	Rs.320 per departing passenger
	Domestic Passenger (Above 165 Nautical Miles)	Rs.661 per departing passenger	Same as First Control Period	Rs.725 per departing passenger
	International Passenger	Rs.1511 per departing passenger	Same as First Control Period	Rs.1,550 per departing passenger
BRS	Domestic & International	Rs. 6.19 per departing passenger	Same as First Control Period	Same as First Control Period
CUTE	Domestic & International	Rs. 17 per departing passenger	Same as First Control Period	Same as First Control Period

12.1.2 CHIAL has projected Revenue share from Ground handling operators to decelerate by 10% from the pre Covid-19 level i.e.FY20 in FY22 and subsequently decelerate at 10% p.a. y-o-y thereafter in line with the modification of ground handling policy as notified by DGCA vide notification No. 10/2018 dated 25 Oct 2018.

12.1.3 CHIAL has projected revenue from handling charges per ATM to be INR 2,500 per non-scheduled domestic ATM and INR 7,500 per non-scheduled international ATM. The growth rate is expected to be in line with expected growth of Air Traffic Movement (ATM) and no escalation in the handling charge per ATM is proposed.

12.1.4 CHIAL has projected rent revenue from capitalization of asset in FY23 estimated to be INR 31.5 Lakhs and additional rent revenue capitalization of Hanger in FY 24 estimated to be INR 63 Lakhs. CHIAL has proposed increase of 5% y-o-y for Second Control Period.

12.1.5 Revenue from cargo services:

- CHIAL has projected new line of cargo service from FY 22 i.e. Terminal, Storage and Processing (TSP) charges and demurrage along with XBIS screening charges.

AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

- CHIAL has proposed X-BIS Screening Charges rate to Rs. 1 per kg from Rs.75 paise per kg as decided in First Control Period Order. The growth rate of cargo revenue is expected to be in line with expected growth of overall Cargo traffic.
- CHIAL has proposed 30% of revenue from collection of revenue from TSP and demurrage charges as EBITDA from Cargo to be considered as Aeronautical Revenues.

Table 86: CHIAL's submission of aeronautical revenue for the Second Control Period

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Parking and housing revenue	5.60	6.10	6.70	7.20	7.70	33.30
User Development Fees	5,934.62	7,769.74	8,624.41	9,400.60	10,246.66	41,976.03
Extension of Watch Hours	0.33	0.37	0.40	0.43	0.46	1.99
Baggage Reconciliation System Charges	33.86	37.58	41.72	45.47	49.56	208.19
Common User Terminal Equipment Charges	186.17	195.47	205.25	215.51	226.28	1,028.68
Revenue share from GH operators	99.38	89.44	80.50	72.45	65.20	406.96
Handling charge of Non schedule ATM	13.35	14.69	16.15	17.28	18.50	79.97
Cargo Revenue:-						-
A) - Revenue from Cargo TSP	65.14	72.63	79.90	87.76	96.39	401.82
B) - Other than Cargo Screening	48.37	54.67	60.13	65.95	72.34	301.47
Aero Rent & Services- Land Refuelling station	325.26	325.26	349.66	375.88	404.07	1,780.13
Aero Rent from new facilities	-	31.50	96.08	100.88	105.92	334.38
Rent & services from space to GH/Airlines						
Total Aeronautical Revenue	6,712.05	8,597.48	9,560.93	10,389.43	11,293.12	46,553.02

12.2 Authority's analysis relating to Aeronautical Revenue

- 12.2.1 The Authority has carefully reviewed the various assumptions relating to Aeronautical revenues.
- 12.2.2 The Authority notes that rates for User Development Fees in the First Control Period for Domestic Passenger (Up to 165 Nautical Miles), Domestic Passenger (Above 165 Nautical Miles), International Passenger have been proposed by CHIAL from second year in the control period (refer para 12.1.1 for the proposed rates). The Authority proposes to consider the proposal of CHIAL by continuing existing rate for FY22 and to charge proposed new rates from 1st April 2022.
- 12.2.3 The Authority notes that CHIAL has requested for continuance of the same rates of tariff for Parking & Housing, BRS and CUTE Charges (while BRS and CUTE charges have not been submitted in the form of Tariff card) (CHIAL receives royalty towards CUTE and BRS charges @ Rs. 17 and Rs. 6.19 per departing passenger from the Independent Service Provider (ISP), M/s SITA).
- 12.2.4 The Authority notes that currently the watch hours are 24*7 and hence Revenue from Extension of Watch Hours may not be allowed. Also, the Landing charges are collected by IAF. Hence, handling charge of Non schedule ATM as per CHIAL's submission may not be permitted to be collected.
- 12.2.5 Revenue from Cargo charges:

AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

- On April 16th 2021, CHIAL submitted request for cargo charges to be approved for running the cargo operations. The Authority had reviewed and sought clarification on the manner of operation of cargo services. During discussions, CHIAL informed that the cargo operations are proposed to be concessioned out and that the process of identification of the concessionaires was under way. However, in June 2021, CHIAL informed that the services have not been concessioned out as yet and has submitted that the service will be carried out by CHIAL themselves.
 - In order to review the cargo charges to be approved, detailed MYTP as required by Authority's guidelines (Direction 4) is to be submitted detailing the various building blocks including Assets, Depreciation, Operating Expenses etc. together with the income statement of cargo operations. The Authority notes that details such as Assets, Depreciation computation etc. has not been submitted by CHIAL. Instead of a detailed Income statement with various elements, CHIAL has considered 30% of TSP Revenue estimate based on it proposed rate card together with screening charges as collected earlier, as part of aeronautical revenue.
 - The Authority advises CHIAL to submit the appropriate MYTP for the Authority's evaluation in this regard. In the absence of details of any of the building blocks viz. Assets, depreciation etc. and in the interest of time to issue the Consultation Paper for comments on Stakeholders, the Authority considers the 100% cargo revenue estimate instead of 30% estimated by CHIAL as part of aeronautical revenues.
 - Also, the Authority notes that, CHIAL has estimated commissioning of new cargo terminal in FY26 which the Authority has proposed not to consider for now, as detailed in per Para 4.2.8 above.
- 12.2.6 The Authority notes that CHIAL has projected rent revenue from capitalization of assets in FY23 and capitalization of Hanger in FY 24. The Authority further notes that the estimated commissioning of Hanger in FY24 has not been proposed to consider as per para 4.2.6 H by the Authority. However, the Authority notes the Rent from new facility appearing from assets (GPU/PCA for existing PBB's & Ticketing Counters) added as part of RAB in FY 22 of Second Control Period as presented in Table 52 to be included in revenue from Aeronautical service and grow at inflationary increase of 5% year-on-year as proposed by CHIAL.
- 12.2.7 Lease rental from refueling station and space given to Ground handlers, Airlines, BRS and CUTE service providers shall be the same in FY 22 of Pre Covid level i.e. FY 20 and grow at 5% year-on-year increase in line with the CAGR of revenue from lease rental in the First Control Period.
- 12.2.8 Total revised revenue from Aeronautical services after considering the above changes is provided in the table below:

Table 87: Revised aeronautical revenues as per the Authority

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Parking and housing revenue	4.00	5.77	6.55	7.14	7.54	31.01
User Development Fees	4,737.31	7,542.12	8,324.39	9,083.31	9,568.79	39,255.92
Extension of Watch Hours	-	-	-	-	-	-
Baggage Reconciliation System Charges	25.96	37.15	40.48	44.20	46.50	194.30
Common User Terminal Equipment Charges	142.74	204.28	222.58	243.06	255.67	1,068.32
Revenue share from GH operators	99.38	89.44	80.50	72.45	65.20	406.96
Handling charge of Non schedule ATM	-	-	-	-	-	-
Cargo Revenue:-						

AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

Particulars (Rs. in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
A) - Revenue from Cargo Screening	65.14	72.63	79.90	87.76	96.39	401.82
B) - Other than Cargo Screening	161.23	182.22	200.44	219.85	241.14	1,004.89
Aero Rent & Services- Land Refuelling station	399.80	419.79	440.78	462.82	485.96	2,209.15
Aero Rent from new facilities	-	31.50	33.08	34.73	36.47	135.77
Rent & services from space given to GH/Airlines	295.08	309.83	325.32	341.59	358.67	1,630.49
Total Aeronautical Revenue	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	46,338.63

12.3 Authority's proposal relating to Aeronautical Revenue

Based on the material before it and its analysis, the Authority proposes:

- 12.3.1 To consider cargo revenues estimated as part of aeronautical revenue for the purpose of Consultation Paper, in the interest of issue of CP for stakeholder comments but advises CHIAL to submit the appropriate MYTP for the Authority evaluation.
- 12.3.2 To not consider the revenue from Extension of Watch Hours and Handling charge of Non schedule ATM as part of aeronautical revenue.
- 12.3.3 To consider rent form new facility as a part of revenue from Aeronautical service appearing from asset capitalized and added as part of RAB in FY 22 of Second Control Period as presented in Table 52.
- 12.3.4 To consider UDF charges proposed by CHIAL in Table 85.
- 12.3.5 To consider Aeronautical revenue as set out in Table 87 for determination of aeronautical tariffs for Second Control Period.
- 12.3.6 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third control period.

13. AGGREGATE REVENUE REQUIREMENT FOR THE SECOND CONTROL PERIOD

13.1 CHIAL's submissions relating to Target Revenue

13.1.1 CHIAL submitted its MYTP submission for Second Control Period based on which the Aggregate revenue requirement was as follows:

Table 88: Aggregate revenue requirement (ARR) for the Second Control Period as proposed by CHIAL

ARR (Rs.in Lakhs)	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB excluding land	34,949.66	38,135.65	39,561.74	43,422.33	50,456.67	
Closing RAB excluding land	38,135.65	39,561.74	43,422.33	50,456.67	55,513.77	
Average RAB excluding land	36,542.65	38,848.70	41,492.04	46,939.50	52,985.22	
FRoR	15%	15%	15%	15%	15%	
Return on RAB	5,481.40	5,827.30	6,223.81	7,040.92	7,947.78	32,521.21
Operating expense	3,265.02	3,579.59	3,976.89	4,475.76	5,036.67	20,333.93
Depreciation for the period	2,233.47	2,478.91	2,684.07	3,116.89	3,506.40	14,019.74
Aero Tax	0.00	566.95	681.53	588.57	558.04	2,395.09
Return on land cost	4,111.61	4,111.61	4,111.61	4,111.61	4,111.61	20,558.06
True - up adjustment for previous control period	73,098.88					73,098.88
ARR	88,190.38	16,564.37	17,677.90	19,333.76	21,160.51	1,62,926.91
Non Aero income	2,345.89	2,556.34	2,817.37	3,067.48	3,339.91	14,126.99
Non Aero– Subsidization	703.77	766.90	845.21	920.24	1,001.97	4,238.10
Net Aggregate revenue requirement	87,486.61	15,797.47	16,832.69	18,413.51	20,158.54	1,58,688.81
Projected Aero revenue	6,712.05	8,597.48	9,560.93	10,389.43	11,293.12	46,553.02
Shortfall	80,774.56	7,199.99	7,271.76	8,024.08	8,865.41	1,12,135.80
Discount rate	15%	15%	15%	15%	15%	
Discounting period	1	2	3	4	5	
Discount factor	0.87	0.76	0.66	0.57	0.50	
Discounted Shortfall carried forward to next control period	70,238.75	5,444.22	4,781.30	4,587.79	4,407.68	89,459.74

13.2 Authority's analysis relating to Target Revenue

13.2.1 Based on the submissions made by CHIAL, the Authority noted that CHIAL has considered period of discounting as 1 to 5 years from FY22 to FY26. The Authority proposes to recompute the same using period of discounting as 0 to 4 years from FY22 to FY26 as per Direction 5 of AERA Guidelines, 2011.

13.2.2 The Authority's examination on CHIAL submissions has determined the following Aggregate Revenue for CHIAL for the Second Control Period.

AGGREGATE REVENUE REQUIREMENT FOR THE SECOND CONTROL PERIOD

Table 89: Revised Aggregate revenue requirement for the Second Control Period as proposed by Authority

Particulars (Rs. in Lakhs)	Table Ref		FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	Table 60	A	38,385.09	40,343.04	37,383.08	35,717.23	34,935.74	
Closing RAB	Table 60	B	40,343.04	37,383.08	35,717.23	34,935.74	32,666.68	
Average RAB		C=Av (A&B)	39,364.07	38,863.06	36,550.16	35,326.48	33,801.21	
FRoR	Para no. 6.3.1	D	14%	14%	14%	14%	14%	
Return on RAB		E=C* D	5,510.97	5,440.83	5,117.02	4,945.71	4,732.17	25,746.70
Operating expense	Table 72	F	2,855.26	3,073.09	3,294.93	3,533.78	3,791.53	16,548.60
Depreciation	Table 60	G	2,784.09	2,959.96	3,065.85	3,381.49	3,269.06	15,460.45
Aero Tax		H	50.89	499.99	592.86	643.25	718.41	2,505.41
Return on land	Table 64	I	2,263.79	2,263.79	2,263.79	2,263.79	2,263.79	11,318.93
True - up for First Control Period	Table 44	J	34,468.23					34,468.23
Aggregate revenue requirement (ARR)		K=SU M(E:J)	47,933.23	14,237.66	14,334.46	14,768.02	14,774.95	1,06,048.32
Non Aero income	Table 77	L	1,814.16	2,643.98	3,007.10	3,428.74	3,775.76	14,669.75
Non Aero–Subsidised		M=30 %*L	544.25	793.19	902.13	1,028.62	1,132.73	4,400.92
Net ARR		N=K-M	47,388.98	13,444.47	13,432.33	13,739.40	13,642.22	1,01,647.40
Projected Aero revenue	Table 87	O	5,930.63	8,894.74	9,754.02	10,596.90	11,162.34	46,338.63
Shortfall		P=N-O	41,458.35	4,549.72	3,678.32	3,142.50	2,479.88	55,308.77
Discount rate		Q	14%	14%	14%	14%	14%	
Discounting period		R	0	1	2	3	4	
Discount factor		S	1.00	0.88	0.77	0.67	0.59	
NPV of Net Aggregate revenue requirement		T=N* S	47,388.98	11,793.40	10,335.74	9,273.70	8,077.29	86,869.11
NPV of Project revenue		U=O* S	5,930.63	7,802.41	7,505.40	7,152.60	6,609.00	35,000.04

AGGREGATE REVENUE REQUIREMENT FOR THE SECOND CONTROL PERIOD

Particulars (Rs. in Lakhs)	Table Ref		FY22	FY23	FY24	FY25	FY26	Total
Discounted Shortfall carried forward to next control period		V=T-U	41,458.35	3,990.99	2,830.34	2,121.10	1,468.29	51,869.06

13.3 Authority's proposal relating to ARR and Target Revenue

Regarding Aggregate Revenue Requirement, the Authority proposes:

- 13.3.1 To determine the aggregate revenue requirement and shortfall for the Second Control Period to be as detailed in Table 89.
- 13.3.2 True up of all building blocks shall be considered on actual basis in the tariff determination of the next control period.

14. SUMMARY OF PROPOSALS PUT FORTH FOR STAKEHOLDER CONSULTATIONS

14.1 True up of First Control Period

- 14.1.1 To consider actual traffic for the First Control Period as per Table 4 above for true up.
- 14.1.2 To consider rent from space given to Aeronautical Service Providers as aeronautical in nature and accordingly, consider aeronautical revenue as detailed in Table 8 above for true up of the First Control Period.
- 14.1.3 To consider depreciation on RAB as detailed in Table 25 for true up of the First Control Period.
- 14.1.4 To consider Average RAB as detailed in Table 28 above for true up of the First Control Period.
- 14.1.5 To consider FRoR as per para no. 2.8.3 for true up of the First Control Period.
- 14.1.6 To consider operating expenses as per Table 36 for the First Control Period.
- 14.1.7 To consider Non-Aeronautical revenue as per Table 40 for true up of the First Control Period.
- 14.1.8 To consider tax re-imbursement for true of the First Control Period as per Table 42.
- 14.1.9 To consider shortfall as per above Table 44 for the First Control Period which is proposed to be recovered from Airport Operator in the Second Control Period.

14.2 Traffic for the Second Control Period

- 14.2.1 To consider traffic as set out in Table 47 for Second Control Period considering the effect of COVID 19 Pandemic.
- 14.2.2 To true up the traffic based on actual numbers for the Second Control Period at the time of determination of tariff for the Third control period.

14.3 Regulatory asset base and depreciation for the Second Control Period

- 14.3.1 The Authority proposes to consider additions to RAB as per Table 54.
- 14.3.2 The Authority proposes to consider Depreciation on Aeronautical assets as per Table 58.
- 14.3.3 The Authority proposes to consider average RAB for the Second Control Period for CHIAL as per Table 60.
- 14.3.4 The Authority proposes to true up the additions to RAB, Depreciation and Average RAB at the time of determination of Aeronautical Tariff for the third control period after due evaluation and analysis.
- 14.3.5 The Authority proposes to readjust the project cost by 1% and the applicable carrying cost in the Target Revenue at the time of determination of tariff for the third control period in case of non-completion of the project as per proposed timelines.

14.4 Return on Land

- 14.4.1 The Authority proposes to consider usage of land for the purpose of computing return on land as per Table 63.
- 14.4.2 The Authority proposes to consider cost of land as per Para 5.2.7
- 14.4.3 The Authority proposes to consider 6.21% as FRoR as per Para 5.2.8
- 14.4.4 The Authority proposes to consider return on land as per Table 64

14.5 Fair rate of return for the Second Control Period

- 14.5.1 To consider FRoR at 14% for Second Control Period considering that it would have sufficient internal accruals to fund proposed additions to RAB during the control period but advises CHIAL to evaluate efficient means of financing.

- 14.5.2 To true up the FRoR based on actual debt-equity ratio and the cost of debt and equity as determined at the time of next tariff determination.

14.6 Operating Expenses for the Second Control Period

- 14.6.1 To adjust Common Area Maintenance and light & water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 14.6.2 To consider operating and maintenance expenditure as detailed in Table 72 above for determination of tariff for the Second Control Period.
- 14.6.3 To consider the cost segregation ratios determined for the Second Control Period as listed in Table 71 (refer Para 0).
- 14.6.4 To true up operating and maintenance expenditure for the current control period, at the time of determination of tariff for the next control period, after evaluation of the reasonableness of the costs incurred.

14.7 Non-aeronautical revenues for the Second Control Period

- 14.7.1 To not consider Interest Income and Miscellaneous income at the time of estimation for the current control period, but true up the same at the time of determination of tariff for the next control period.
- 14.7.2 To adjust Common Area Maintenance and light & water charges from the Operating Expenditure instead of treating them as Non-Aeronautical Revenues.
- 14.7.3 To consider non-aeronautical revenue as set out in Table 77 above for the Second Control Period.
- 14.7.4 To consider Rentals from Aeronautical service providers as Aeronautical Revenues.
- 14.7.5 To true up non-aeronautical revenues for the current control period, at the time of determination of tariff for the next control period.

14.8 Taxation for the Second Control Period

- 14.8.1 To consider aeronautical taxes for the Second Control Period by applying effective tax rate and MAT on the aeronautical profit before tax as per Table 82.
- 14.8.2 To true up the forecast figures of tax based on actuals, at the end of the control period, in computation of tariff for the third control period.

14.9 Inflation for the Second Control Period

- 14.9.1 To consider CPI inflation at 5% based on Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 69 for the Second Control Period (refer Para 10.2.2) in estimating the escalation rates of different items of Operating Expenditure and Revenues as applicable.

14.10 Quality of Service for the Second Control Period

- 14.10.1 To not consider any adjustment towards tariff determination for the Second Control Period with regards to quality of service (refer Para 11.2.3).

14.11 Aeronautical Revenue for the Second Control Period

- 14.11.1 To consider cargo revenues estimated as part of aeronautical revenue for the purpose of Consultation Paper, in the interest of issue of CP for stakeholder comments but advises CHIAL to submit the appropriate MYTP for the Authority evaluation.
- 14.11.2 To not consider the revenue from Extension of Watch Hours and Handling charge of Non schedule ATM as part of aeronautical revenue.

SUMMARY OF PROPOSALS PUT FORTH FOR STAKEHOLDER CONSULTATIONS

- 14.11.3 To consider rent form new facility as a part of revenue from Aeronautical service appearing from asset capitalized and added as part of RAB in FY 22 of Second Control Period as presented in Table 52
- 14.11.4 To consider UDF charges proposed by CHIAL in Table 85.
- 14.11.5 To consider Aeronautical revenue as set out in Table 87 for determination of aeronautical tariffs for Second Control Period.
- 14.11.6 To true up Aeronautical revenue based on actual numbers for the Second Control Period at the time of determination of tariff for the Third control period.

14.12 ARR and Target Revenue for the Second Control Period

- 14.12.1 To determine the aggregate revenue requirement and shortfall for the Second Control Period to be as detailed in Table 89.
- 14.12.2 True up of all building blocks shall be considered on actual basis in the tariff determination of the next control period.

15. STAKEHOLDER CONSULTATION TIMELINE

- 15.1.1 In accordance with the provisions of Section 13(4) of the AERA Act 2008, the proposal contained in the Summary of Proposals (Chapter 14 above) read with the Authority's analysis, is hereby put forth for Stakeholder Consultation. To assist the stakeholders in making their submissions in a meaningful and constructive manner, necessary documents are enclosed (**Annexure - 1 to 6**). For removal of doubts, it is clarified that the contents of this Consultation Paper may not be construed as any Order or Direction of the Authority. The Authority shall pass an Order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decision fully documented and explained in the Tariff Order in terms of the provisions of the Act.
- 15.1.2 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 14 above **latest by 16th July 2021**.

Secretary

Airports Economic Regulatory Authority of India

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Chairperson

16. ANNEXURES

Annexure 1: Tariff Rate Card as proposed by the Authority for the Second Control Period (1st April 2021 to 31st March 2026)

I) PARKING CHARGES:

Applicable rates till 31st March 2026

Weight of the Aircraft	Parking Charges rate per Hour per MT (First Two Hours after free parking period)	Parking Charges rate per Hour per MT (Beyond Four Hours)
Up to 40MT	Rs. 1.80 per hour per MT	Rs. 3.60 per hour per MT
Above 40MT Up to 100MT	Rs. 72.00 + 3.40 per hour per MT in excess of 40MT	Rs. 144.00 + 6.80 per hour per MT in excess of 40MT
Above 100MT	Rs. 276.00 + 5.20 per hour per MT in excess of 100MT	Rs. 552.00 + 10.40 per hour per MT in excess of 100MT

*Housing Charges are proposed to be categorized as parking charges

Note:

- The above rates are applicable for both schedule and non-schedule airlines.
- After landing of any aircraft, no parking charges shall be levied for the first two hours.
- While calculating free parking time, standard time of 15 minutes shall be added on account of time taken between touch down and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point.
- These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before takeoff.
- For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour.
- Charges shall be calculated on the basis of nearest MT.
- Parking charges for each parking period shall be rounded off to nearest Rupee.
- At the in-contact stands and open stands, after free parking of two hours, normal parking charges shall be levied.

II) USER DEVELOPMENT FEES

Particulars	UDF (per Embarking Passenger) till 31 st March 2022	UDF (per Embarking Passenger) 1 st April 2022 to 31 st March 2026
Domestic Passenger- up to 165 Nautical Miles	Rs.261/-	Rs.320/-
Domestic Passenger - above 165 Nautical Miles	Rs.661/-	Rs.725/-
International Passenger	Rs.1511/-	Rs.1550/-

Note:

- UDF Collection:** If the payment is made in accordance with period prescribed under credit policy of CHIAL, then collection charges at Rs. 5.00 per departing passenger shall be paid by CHIAL. No collection charges shall be paid in case the airline fails to pay the UDF invoice to CHIAL within the prescribed credit period or in case of part payment.
- No collection charges are payable to casual operator/non-scheduled operators.
- For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous

month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.

- d) Revised UDF charges will be applicable on tickets issued on or after the implementation of new tariff rate card.
- e) No UDF will be levied for Transit / Transfer Passengers.

III) **BRS/CUTE CHARGES (Agency charges being collected from airline/ passengers)**

Particulars	Charges
BRS	Maximum of Rs. 14/- per departing passenger from airlines
CUTE	Maximum of Rs. Rs.37/- per embarking passenger

* Concessioned to concessionaire on revenue share basis. The charges mentioned above will be collected by Concessionaire from Airlines.

IV) **CARGO CHARGES**

IV.1 **Export Cargo**

IV.1.1 **Terminal, Storage and Processing Charges:**

S.no.	Particular	Rate per Kilogram Rs. / P	Minimum rate per consignment Rs. / P
1	General/Courier	0.75	100.00
2	Special/ Valuable	1.50	200.00
3	Perishable	0.75	100.00

IV.1.2 **Demurrage Charges (Leviable from Shipper)**

Same charges as applicable to Terminal, Storage and Processing Charges mentioned above.

Note:

- a) The free period for export cargo shall be one working day (24 hours) for examination/processing by the Shippers and demurrage will be applicable thereafter.
- b) 20% discount in the Terminal, Storage and Processing charges will be granted to Exporters, who opt for engaging their own loaders for offloading cargo from their vehicles at Truck Dock and shifting to Custom Examination Area.
- c) Terminal, Storage and processing charges applicable to Newspaper consignments shall be 50% of the prescribed charges.
- d) Consignments of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the purview of Terminal, Storage and Processing charges & Demurrage charges.
- e) Terminal, Storage and Processing charges are inclusive of Forklift charges wherever Forklift usage is involved. No separate Forklift charges will be levied.
- f) Special cargo consists of live animals, hazardous goods and valuable cargo.
- g) 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 or items valued at US\$ 1000 and above.
- h) 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.

- i) For mis declaration 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 up to and inclusive of 2%. This will not apply to valuable cargo.
- j) All Bills shall be rounded off to the nearest of Rs.5/-. As per IATA Tact Rule Book Clause 5.7.2, the rounding off procedure, when the rounding off Unit is 5.
- k) Merchant over Time (MOT) charges @ Rs.200.00 per consignment for admitting cargo beyond normal working hours.

When the results of calculations are between / and	Rounded off amount will be
102.5 - 107.4	105
107.5 - 112.4	110

IV.2 Import Cargo

IV.2.1 Terminal, Storage and Processing Charges:

	Particulars	Rate per Kilogram Rs/ P	Minimum rate per consignment Rs. / P
1	General/Courier	2.50	100.00
2	Special/ Valuable	5.00	200.00
3	Perishable	2.50	100.00

IV.2.2 Demurrage Charges

Demurrage free period shall be as per Government Orders issued from time to time

	Type of Cargo	Period	Rate per Kilogram Rs. / Per Day	Minimum rate per consignment (Rs. / P.)
1	General Cargo/Courier Cargo	Up to 120 hrs. (5 days working) including free period	1.44	300.00
		Between 120 hrs. and 720 hrs. (6 and 30 days)	2.88	
		Beyond 720 hrs. (30 days)	4.31	
2	Special Cargo/ Valuable Cargo	Up to 120 hrs. (5 days working) including free period	2.87	600.00
		Between 120 hrs. and 720 hrs. (6 and 30 days)	5.73	

	Type of Cargo	Period	Rate per Kilogram Rs. / Per Day	Minimum rate per consignment (Rs. / P.)
		Beyond 720 hrs. (30 days)	8.60	
15.1.	Perishable Cargo	Up to 120 hrs. (5 days working) including free period	1.44	300.00
		Between 120 hrs. and 720 hrs. (6 and 30 days)	2.88	
		Beyond 720 hrs. (30 days)	4.31	

Note: [Import Cargo]

- Consignments of human remains, coffin including baggage of deceased & human eyes will be exempted from the purview of Terminal, Storage and Processing charges & Demurrage charges.
- No separate Forklift charges will be levied.
- 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.
- Special Import Cargo consists of cargo stored in cold storage, live animals and hazardous goods.
- 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 or items valued at USD 1000 per Kg. & Above.
- All Bills shall be rounded off to the nearest of Rs.5/=. As per IATA Tact Rule Book Clause 5.7.2, the rounding off procedure, when the rounding off Unit is 5.

When the results of calculations are between / and	Rounded off amount will be
102.5 - 107.4	105
107.5 - 112.4	110

Notes:

- Minimum de-stuffing charges per IGM shall be Rs 100/=
- Minimum carting charges shall be Rs 100/= per CTM.
- All bills preferred by the handling company i.e. AAI shall be rounded off to the nearest higher of Rs 5/=.
- All charges by NSOs shall be on cash and carry basis.
- No free period may be allowed on second time handling /upliftment of export cargo from cargo terminal. Applicable charges (Storage) shall be levied.

IV.3 Domestic Outbound Cargo Charges Leviable on Shippers/Consignor(s) etc.

Domestic Outbound Cargo Charges Leviable on Shippers/Consignor(s) etc.		
ACTIVITY	AAI CHARGES	
	MINIMUM	PER KG
1. Standard Charges for processing & Handling (TSP charges inclusive of off-loading / Loading/ Shifting & Forklift Usage)	INR	INR
a) General Cargo	100	0.75
b) Special (AVI) #	200.00	1.50
c) PER/DGR/VAL	200.00	1.50
2. Demurrage Charges / Storage (per day)		
a) General Cargo	100.00	0.75
b) Special (AVI)#	200.00	1.50
c) PER/DGR/VAL(If cold storage is used)	200.00	1.50
3. Courier Handling	200.00	1.00
4. Amendment of Airway Bill	100.00 per AWB	
5. Return Cargo Charges	100.00 per AWB	
6. Strapping Charges	10.00 per Bag	
7. In addition to the above, in the event of mis-Declaration of Weight, following charges based on the difference will apply		
2% - 5% variation	2 times of excess weight	
More than 5% (Not Applicable in VAL Cargo)	5 times of excess weight	

Note:

- a) The free period for outbound domestic cargo shall be one working day for examination/processing by the shipper/consignor/authorized representative etc.
- b) The domestic cargo handling charges applicable to newspaper and TV reel consignments shall be 50% of the prescribed charges.
- c) Consignment of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the preview of domestic cargo handling & demurrage charges.
- d) The domestic cargo handling charges are inclusive of fork lift charges wherever fork lift usage is involved. No separate fork lift charges will be levied.
- e) As per IATA definition, Special cargo consists of cold storage, live animals, hazardous goods & valuable cargo.
- f) 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 or items valued at USD 1000 per Kg. & above.
- g) 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.
- h) For mis-declaration of weight above 2% and up to 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 up to and inclusive of 2%. This will not apply to Valuable Cargo.

- i) All the Bills shall be rounded off to the nearest of Rs.5/-. As per IATA Tact Rule Book Clause 5.7.2, the rounding off procedure, when the rounding off Unit is 5.

When the results of calculations are between / and	Rounded off amount will be
102.5 - 107.4	105
107.5 - 112.4	110

IV.4 Domestic Inbound Cargo Charges Leviable on Consignee(s) etc.

ACTIVITY	PROPOSED AAI CHARGES	
	MINIMUM (INR)	PER KG. (INR)
1. Standard Charges for processing & Handling (TSP charges inclusive of off-loading / Loading/ Shifting & Forklift Usage)		
a) General Cargo	100.00	0.75
b) Special (AVI)	200.00	1.50
c) PER/DGR/VAL	200.00	1.50
2. Demurrage Charges / Storage (per day)		
a) General Cargo	100.00	0.75
b) Special (AVI)	200.00	1.50
c) PER/DGR/VAL (If cold storage is used)	200.00	1.50
3. Courier Handling	200.00	1.00

Note:

- The free period for inbound domestic cargo shall be one working day for examination/processing/delivery by the consignee/authorized representative etc.
- 20% discount in the domestic cargo handling charges will be granted to the consignee/authorized representatives who opt for engaging their own loaders for loading cargo into their vehicles for delivery at designated areas from the airlines concerned.
- Consignment of human remains, coffin including unaccompanied baggage of deceased and human eyes will be exempted from the preview of domestic cargo handling & demurrage charges.
- The domestic cargo handling charges are inclusive of fork lift charges wherever fork lift usage is involved. No separate fork lift charges will be levied.
- 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.
- As per IATA definition, Special cargo consists of cargo stored in cold storage, live animals, valuable & hazardous goods.
- Valuable cargo consists of gold, bullion, currency notes, securities, shares, share coupons, traveller's cheques, diamonds (including diamonds for industrial use), diamond jewelry, jewelry &

watches made of silver, gold platinum or items valued at US\$ 1000 and above.

- h) All the Bills shall be rounded off to the nearest of Rs.5/- . As per IATA Tact RuleBook Clause 5.7.2, the rounding off procedure, when the rounding off Unit is 5.

When the results of calculations are between / and	Rounded off amount will be
102.5 - 107.4	105
107.5 - 112.4	110

IV.5 Schedule of Charges leviable on Airlines for domestic cargo handling

Activity	AAI	
	Minimum per flight INR	Per KG (INR)
A) Unloading of incoming cargo loaded on trolley (Bulk cargo handling)	100	0.50
B) Loading of outgoing cargo on trolley (Bulk Cargo handling)	100	0.50

IV.6 Validity period for Charges

The charges proposed for domestic cargo handling would be valid for a period of 5 years from the date of commencement of cargo operation. The approval of AERA would be obtained before implementation of the charges.

IV.7 CARGO - X-BIS SCREENING CHARGES

Cargo Revenue comprises of X-BIS screening Charges of Cargo Consignment. Proposed Cargo X-BIS Screening Charges rate is Rs. 1 per KG subject to minimum of Rs. 100 per consignment plus GST as applicable. Other Cargo Charges shall be examined separately, and separate proposal will be put up for tariff when the cargo terminal comes into operation.

V) OTHERS

V.1 GENERAL CONDITIONS

- a) **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 10.04.2019/30.10.2019) the following categories of persons are exempted from levy and collection of UDF.
1. Children (under the age of 2 years)
 2. Holders of Diplomatic Passport
 3. Airlines crew on duty including sky marshals and airline crew on board for particular flight only (this would not include Dead Head Crew or Ground Personnel)
 4. Persons travelling on official duty on aircraft operated by Indian Armed forces
 5. Persons travelling on official duty for United Nations Peace Keeping Missions.
 6. Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 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 passengers)

7. Passengers departing from the Indian airports due to involuntary re-routing i.e. technical problems or weather conditions.
- b) Flight operating under **Regional Connectivity Scheme** will be completely 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.

V.2 TAXES

All applicable taxes, including Goods and Services Tax, shall be payable over and above the above charges at the prevailing rates from time to time.

Annexure 2: Detailed differences between approved and actual capital expenditure for First Control Period

Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
Apron	Cost of new apron	43.45	1676.00	1632.55	The need for such a spend is based on requests received from airlines for night parking. Thus, increasing the business to the airport even during pandemic. The selection process and award were carried out through a tender process.
Building Terminal	Construction of Aero Bridge Fixed Finger	250	473.32	223.32	While the building plan always contained plan to build fixed finger, the same was not executed due to capital constraints. With increase in passenger traffic, it was decided to go ahead with the construction. The selection and award process were carried out through a tender.
Building Terminal	Other Miscellaneous Civil Work	568.19	127.76	-440.43	While miscellaneous expenses are estimated for unforeseen event, the actual might be less than projected depending on actual requirements.
Machinery & Equipment	DFMD	20.39	36.26	15.87	There was a requirement for additional 13 nos. of Door Frame Metal Detectors (DFMD) based on security requirement by the CISF. The selection process is by call of E-tender.
Machinery & Equipment	Bomb Detection & Disposal Systems	500	8.28	-491.72	Due to some technical clarifications & discussions at HQ level, the project has been deferred at initial stage.
Electrical Installations/ Air Conditioners	One PBB	540	832.22	292.22	Originally 5 nos. of PBB were planned in the master plan to be installed in phases over period of time. 3 no's of PBB was installed including one old PBB transferred from AAI during 2015-16 at the time of operationalisation of new airport and out of the three PBB installed, one PBB was impaired and discarded

Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
					due to some technical problem during FY 2018-19. Later 3 PBB were installed including replacement of 1 old PBB which was impaired in FY 2018-19. Keeping the passenger growth into consideration, plan was made to install PBB at the earliest. It can be seen from the summer schedule of airlines filed for 60 departures in 2020 against 35-40 departures scheduled in 2019 summer schedule.
Electrical Installations/ Air Conditioners	Dismantling packing, transportation/ shifting, unpacking reinstallation and commissioning of 3 No. escalator	90.00	132.00	42.00	Rs. 132 lakhs are the actual amount of cost incurred in respect of Dismantling packing, transportation/ shifting, unpacking reinstallation and commissioning of 4 escalators. Keeping inflation and some unforeseeable expenditure into consideration, actual cost incurred is more compared to the projected cost.
Electrical Installations/ Air Conditioners	Misc.- Electrical Work	103.03	254.56	151.53	Breakup of Misc. Electrical work as per AERA Order has not been defined item wise keeping the unforeseen requirements and site condition requirement. Actual expenditure is mainly on account of Illuminated flag on 100 ft monumental flag post, SITC of led light fixtures, Gas suppression system in IT panels server room, procurement of Signages, capitalize SITC of HT cables, Split ac water cooler dewatering pump and other electrical items. Selection process is through E tender and the work is awarded to the lowest bidder.

Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
Furniture & Fixtures: Other than Office	Furniture for PAX Facility	15	88.27	73.27	Breakup of Furniture for Pax Facility as per AERA Order has not been defined item wise keeping the unforeseen requirements and site condition requirement. Actual Furniture during 2017-18 was mainly on account of Furniture to CISF, Inauguration plaque and inspection/stamping table, providing and placing traffic barricades etc. Actual Furniture during 2018-19 was mainly on account of Replacement of entrance mats at entrance gate of arrival and departure area, procurement of table and chairs sets with in the arrival area for passenger facilitation. The quantification of the furniture has been decided based on passenger throughput and peak hours requirement which has been increased over a period of time. Selection process is call of tender and the work is awarded to lowest bidder.
X Ray Baggage System	In-Line XBIS (CTX)	1000.00	1831.00	831.00	In-Line X-Ray baggage is the security equipment for baggage screening and the responsibility of the airport operator to provide the same. AUCC has been called for the same. Selection of contractor is through e-tender and the same is awarded based on lowest quote.
X Ray Baggage System	Hand Baggage XBIS	174.25	221.11	46.86	X Ray machine was transferred from AAI under Asset transfer being a holding of CHIAL and also been acquired on lease model during year 2017-18. The capital expenditure was incurred as per the real time requirement of asset keeping into account the passenger facilitation. Selection process

Asset Head	Asset description	As approved in First Control Period Order	As actually incurred	Diff.	Reasons for difference
					is call of tender and the work is awarded to lowest bidder.
X Ray Baggage System	Baggage Handling System	-	240.99	240.99	Rs. 241 lakhs are capitalized for baggage handling system - Arrival carousels. Due to increase in traffic, capex was incurred to the international side of arrival area for the smooth passenger movement.
Building Terminal	ADDITIONAL COST OF TERMINAL BUILDING TO AAI	-	383.84	383.84	This was unforeseen expenditure as the same was communicated from AAI - as remaining to be paid to contractor for terminal building - CHIAL's share.
Apron	Apron and Linked Taxi Track - Resurfacing of Runway	-	359.19	359.19	After the resurfacing of runway, there was level difference in the taxi track on CHIAL side connecting the Runway. Accordingly resurfacing/ merging of Taxi Track work has been carried out from the contractor of IAF at the tender rate of IAF.

Annexure 3: Items where cost incurred was greater than approved

Asset Head	Asset description (Rs. in Lakhs)	As approved	As incurred	Variance
Machinery & Equipment	DFMD	20	36.26	15.87
Machinery & Equipment	Explosive Trace Detectors	96	98.38	1.89
Tools & Equipment	Office Equipment	6	13.34	7.34
Vehicles – Security	Dog Squad Vehicle	15	15.33	0.33
Electrical Installation/Air Conditioners	One PBB	540	832.22	292.22
Electrical Installation/Air Conditioners	Dismantling packing, transportation/ shifting, unpacking reinstallation and commissioning of 3 No. escalator	90	132.00	42.00
Electrical Installation/Air Conditioners	Misc.- Electrical Work	103	200.64	97.61
Furniture & Fixtures: Other than Office	Furniture for PAX Facility	15	88.27	73.27
X Ray Baggage System	In-Line XBIS (CTX)	1,000	1,831.23	831.23
X Ray Baggage System	Hand Baggage XBIS	174	462.11	287.86
	TOTAL	2,060	3,710	1,650

Annexure 4: Items where cost incurred was less than approved cost

Asset Head	Asset description	TOTAL	TOTAL	TOTAL
Apron	Ramp Equipment Area	43.45	38.49	4.96
Roads, Bridges & Culverts - CISF Security	Watch Tower & Perimeter Road	43.53	42.19	1.34
Building Terminal	Construction of Commercial Fitouts and bulk heads	150.00	139.26	10.74
Building Terminal	Monorail System for Façade Maintenance	503.00	478.96	24.04
Building Terminal	Other Miscellaneous Civil Work	568.19	127.76	440.43
Building - Temporary	Prefab Structure for CISF	550.00	468.31	81.69
Computers & I.T. Hardware & Access	Computers & Other IT Items	57.00	36.39	20.61
Computers & I.T. Hardware & Access	Miscellaneous Works - Airport System - Networking/LAN etc.	30.00	1.12	28.88
Machinery & Equipment	Bomb Detection & Disposal Systems	500.00	8.72	491.28
Tools & Equipment	Walkie Talky	4.92	4.71	0.21
Vehicles – Security	Motorcycle for CISF	1.40	0.68	0.72
Electrical Installation/Air Conditioners	Perimeter Lighting	67.00	63.10	3.90
Electrical Installation/Air Conditioners	Providing electrical connection for CHIAL offices at Upper Level	70.00	50.04	19.96

Asset Head	Asset description	TOTAL	TOTAL	TOTAL
Furniture & Fixtures: Other than Office	CISF Furniture	5.00	4.27	0.73
	TOTAL	2,593.49	1,464.00	1,129.49

Annexure 5: Projects which were not approved but incurred during First Control Period

Asset description (Rs. in Lakhs)	TOTAL
Extension Of Apron for Night Parking	1,676.77
Rubber Speed Bumps	4.41
Rubber Road Barriers	1.43
Additional Cost of Terminal Building To AAI	383.84
Plinth Protection Along Perimeter Road	36.47
Miscellaneous Asset ≤ Rs. 100,000	4.09
Misc. Machinery & Equipment	6.10
CCTV	11.58
Apron And Linked Taxi Track - Resurfacing of Runway	359.19
Miscellaneous Asset ≤ Rs. 100,000	2.61
Misc. Machinery & Equipment	3.39
Miscellaneous Asset ≤ Rs. 100,000	10.08
Capitalize Construction Of 02 Nos Fix Finger Doc 30/09/2020	509.43
Installation Of 04 Nos of CCTV Systems along With Accessories at CHIAL Doc 24/05/2020	0.42
Capitalize And pay for Electrical Panel for Escalator Power Supply Connection and Other Associated Electric Works Doc 04/05/2020	2.45
Capitalize And Payment For 2Nd Final Ra Bill for Electrical Works Like SITC of High Mast Street Light Poles Supply and Laying of Cable Lt Panel Runway Cable Etc Doc 04/05/2020	51.06
Procurement Of 03 Nos Face Recognition Biometric Attendance System Machine Doc 19/03/2021	0.30
Payment For Purchase Of 02 Nos Alcohol Breath Analyzer Doc 19/10/2020	0.78
TOTAL	3,064.41

Annexure 6: Projects approved but costs not incurred in First Control Period

Asset Head	Asset description	TOTAL (Rs. in Lakhs)
Building Terminal	Canopy at Entry Point along with shed for parking QRT vehicle of Punjab police	100.00
Building Terminal	Construction of Aero Bridge Fixed Finger	250.00
Building Terminal	Additional Sitting Facilities in Admin Office and Fencing and approach road.	100.00
Building Terminal	Raising Height of City Side Boundary	65.00
Building Terminal	VIP Lounge at Arrival Domestic side with toilet and furniture	100.00
Building - Temporary	Temporary Establishment for Misc. Opl Req.	120.00
Computers & I.T. Hardware Access	Creation of Website	3.00

Asset Head	Asset description	TOTAL (Rs. in Lakhs)
Machinery & Equipment	Video Conferencing System for AHCR	170.00
Machinery & Equipment	Electronics (TV, Wi-Fi, EPABX, Phones etc.)	10.00
Machinery & Equipment	Hydraulic Tyre Killers	30.00
Machinery & Equipment	Tyre Killer & Bollads (2 Nos. Automated)	50.00
Machinery & Equipment	Mobile Morcha	4.00
Machinery & Equipment	Other Miscellaneous Security Items	15.00
Machinery & Equipment	TV/PA System for AVSEC Training Room	2.50
Machinery & Equipment	Access Control System (Bio Metric)	35.00
Tools & Equipment - Security	Under Vehicle Mirrors	11.00
Electrical Installation/Air Conditioners - Security	Entertainment Systems	25.00
Electrical Installation/Air Conditioners - Security	SITC of 1 No. Passenger Escalator	60.00
Electrical Installation/Air Conditioners - Security	Providing Carbon Flooding System	50.00
Electrical Installation/Air Conditioners - Security	CCTV For Isolation Bay Cargo etc.	25.00
Total		1,225.50