

January 7<sup>th</sup> 2019

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
सफ़रजंग एयरपोर्ट, नई दिल्ली-110003

प्राप्त  
13322  
14/01/2019

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Ms. Geetha Sahu

AGM Finance,

Airports Economic Regulatory Authority Of India,

AERA Building, Administrative Complex,

Safdarjang Airport, New Delhi-11003

Sh. Karri.N  
14-01-19  
Pl. put up on file.

Dear Madam,

Sub : In the matter of Multi Year Tariff Proposal (MYTP)/Annual Tariff Proposal (ATP) for Second Control Period in respect of M/s Menzies Aviation Bobba (Bangalore) Pvt. Ltd., (MABB) for providing cargo handling services at Kempegowda International Airport, Bengaluru

We would like to thank you, the Chairman, Member, Secretary and other senior officials for their presence along with our Management team and having given us the opportunity to present our position at our office on December 07, 2018.

With reference to the email dated December 20, 2018 we would like to reiterate the position which we have submitted to the delegates. The gist of our submission is as follows:

- We were selected to create modern and efficient Cargo facilities at Kempegowda International Airport, Bengaluru
- Our Customers mainly being Airlines, Customs Broker and Freight Forwarders, having strong bargaining power and due consultation to arrive at demanding service level agreements for the tariff charged. Airlines usually sign periodic contracts ranging from 2-3 years which get renewed after fresh negotiations again based on the prevailing market condition.
- Our service is on par with International Standards and we comply as per IATA standards and MABB is also in receipt of various awards for the quality of services rendered
- Cargo Services being provided by MABB at Kempegowda International Airport, is "Material but Competitive" and hence in accordance with the provisions of Chapter V of the AERA Guidelines the tariff shall be determined under "Light Touch Approach" for FY 2016-17 to FY 2020-21 of the 2nd Second Control Period.

1371/ABMCF  
15.01.19

- Based on the Order No.21/2018-19, the tariff charges as provided by Airport Operators/Independent Service providers of Cargo facility, Ground Handling and supply of fuel to the Aircraft- interim arrangement to continue to levy of existing tariffs as on 30.09.2018 for a period of six months w.e.f 01.10.2018 to 31.03.2019 or till determination of tariffs for the second control period whichever is earlier.
- The last tariff increase for MABB was approved by Authority vide order No.14/2013-14 dated May 21, 2013 and there was no increase subsequent to the referred order, even though there was yearly inflation increase in operating cost (payroll and other costs).
- Based on the email/letter dated December 20, 2018 the authority after incorporating the actuals observed the following key aspects/parameters:
  - Return on Average RAB for FYs 2016-17 and 2017-18 stands at 69% and 96% respectively.
  - The turnover/profit % for FYs 2016-17 and 2017-18 is 26% and 29% respectively.

M/s Menzies Aviation Bobba (Bangalore) Pvt Ltd				
Rs. In Million				
Details	ACS as provided by the Company		ACS as computed by the Authority	
	2016-17	2017-18	2016-17	2017-18
<b>Total Revenue from Regulated Services (1)</b>	<b>1,018.41</b>	<b>1,160.16</b>	<b>1,018</b>	1,160
- Cargo Handling Revenue	732.10	841.60	732.10	841.60
- Demurrage Collection	286.31	318.55	286.31	318.55
<b>Total Revenue from Services other than Regulated Services (2)</b>	<b>141.56</b>	<b>147.14</b>	<b>142</b>	147
- Rental Income	31.34	32.20	31.34	32.20
- Interest & Other Income	110.21	114.93	110.21	114.93
<b>Total Expenditure (6)</b>	<b>856.19</b>	<b>929.32</b>	<b>856.19</b>	<b>929.32</b>
<b>Regulatory Operating Profit (1)-(6) = (7)</b>	<b>162.22</b>	<b>230.83</b>		
<b>Regulatory Operating Profit as per AERA ((1+ 2)-(6)) = (7)</b>			<b>303.78</b>	<b>377.97</b>
Capital Expenditure (8)	30.93	36.81	30.93	36.81
Opening RAB (9)	462.56	414.11	462.56	414.11
Disposals/ Transfers (10)	-0.32	0.65	-0.32	0.65
Closing RAB (8) + (9) - (10) - (4) = (11)	414.52	371.99	414.52	371.99
Average RAB (9) + (11) / 2 = (12)	438.54	393.05	438.54	393.05
Return on Average RAB (7) / (12)	37%	59%	69%	96%
Total Volume (Cargo) (13) In Million	139.85	158.92	139.85	158.92
Actual yield per unit (1/13)	<b>7.28</b>	<b>7.30</b>	<b>7.28</b>	<b>7.30</b>
<b>Regulatory Revenue/Regulatory Profit</b>	<b>16%</b>	<b>20%</b>		
<b>Turnover/Profit (Including Regulatory and Non-regulatory)</b>			<b>26%</b>	<b>29%</b>

From the above statement, it is clear that the Authority has also considered Non-regulatory revenue to arrive at Regulatory operating profit by virtue of which there is a difference in Return on average RAB and Turnover/profit as computed by the Authority and MABB.

Based on the above computation, the Actual Return on Average RAB for FYs 2016-17 and 2017-18 stands at 37% and 59% respectively and not 69% and 96% respectively considered by the Authority.

Similarly, the turnover/profit % for FYs 2016-17 and 2017-18 is 16% and 20% respectively and not 26% and 29% respectively considered by the Authority

Based on the above, we request the Authority to kindly consider our ACS Submission.

**Further following are the reasons for increase in actual Return on Average RAB and Net profit ratio vs MYTP for the said years:**

- 1) Demurrage Income has increased due to the following:
  - During FY 2017-18, GST roll out has caused delay in customs clearance,
  - Reduction of free period by MOCA for exports and imports
  - Effective April 01, 2017 onwards new regulation of advance filing for imports; late filing settlement with customs resulted in more demurrages
- 2) MABB has spent Rs 3.68 crores for capital expenditure instead of Rs 15.85 crores as projected in MYTP filling for FY 17-18 due to shifting of capex expending from FY 17-18 to FY 18-19.

**FUTURE OUTLOOK**

• **REVENUE:**

Managing the Revenue stream with the Current level is difficult due to :

- During the year the MABB has lost its few existing customers due to stiff competition.
- Challenges in maintaining the Customers due to high bargaining.
- Few other major International Airlines RFP/renewal in 2019
- No Capacity available with International Airlines
- No anticipation of new customers for the next three years
- Demurrage revenue is not controllable by the ISP. It is not related at all to the cargo volumes, and free storage period is defined by Ministry of Civil Aviation from time to time. Demurrage cannot be forecasted as these are one-time events of inefficiencies due to different stakeholders other than ISP. Bengaluru being the fastest clearing port in India, almost 65% of the cargo gets cleared within respective free period.

- AEO (Authorized economic operator) focus from CBIC, 1800 companies approx. approved hence importers benefited with faster clearance/ less dwell time.

CBIC (Central Board of Indirect Taxes and Customs) which is under the purview of Ministry of Finance, Department of Revenue is encouraging and promoting the AEO Programme for all the customers and trade, due to which the Customers and trade get benefited by fastest clearance, Deferred Duty and thereby there will be further reduction in demurrage revenue.

- **OPERATING EXPENDITURE:**

Going forward our Operating Expenditure will be high due to:

- Increase in the Payroll Cost due to Inflation and additional recruitments.
- Other Administrative Expenditure due to inflationary trend
- In pursuance of the guidelines issued by BCAS, access point of warehouse sterile areas need to be guarded by the security personnel of Regulated Agent. As of now, the sterile area is guarded by CISF (Airport Security Unit), however, in pursuance of the guidelines, we are required to recruit certified screeners as Security Personnel and their demand in the market is very high.

- **CAPITAL EXPENDITURE:**

Below are the expected Capital Expenditure for the next three years

Years	Projected Capex Spend	Projections as per MYTP filled
2018-19	Rs.10.80 Crores	Rs.4.26 Crores
2019-20	Rs.3.95 Crores	Rs.0.92 Crores
2020-21	Rs.16.12 Crores	Rs.2.54 Crores

Note: For the FY 2018-19, MABB has already spent to the tune of Rs.7.50 Crores which comprise of X-Ray Machines (05 Nos), 10 T Scissor Lift (02 Nos) Narcotics Detector (02 Nos) and 1.6T Electric Reach Truck (01 No).

- All Capital Expenditure to be depreciated by May 2023.

- **Revised Projections and Return on RAB and Net profit ratio:**

Based on the above and forecasted Cargo Revenue, Operating Expenditure and Capital expenditure, we would like to inform the authorities that our Projected Tonnages, Return on Average RAB and Turnover/Profit % is as below:

Years	Tonnages	Return on Average RAB	Regulatory Profit/Regulatory Revenue
2018-19	198,400	42.89%	12.88%
2019-20	212,070	22.42%	6.13%
2020-21	224,220	19.97%	4.89%



**Our Humble request to the Authority:**

In light of the above, we would request your good self to kindly allow us to maintain the existing rates i.e status quo as:

- Services rendered are Global Industry Standards & Customer centric services
- Continuous upgrade of systems and equipment - New technology for Safety & Regulatory
- No increase to pricing despite increase in operational cost
- Additional payroll cost for insourcing and CISF replacement
- To maintain current service standards, expect the same level of pricing to continue – for most of our Customers the tariffs are charged below AERA approved rates.
- Also given volume discounts and other commercial benefits to few major customers and proposing to provide volume discount to few other customers during the upcoming renewals in the financial year 2019-20.
- Revised forecast from 2018-19 to 2020-21 is the testimony based on the above statements.

Thanking you,

Menzies Aviation Bobba(Bangalore) Pvt. Ltd.,



**K Venkata Reddy**  
Chief Executive Officer



## REVISED ANNUAL COMPLIANCE STATEMENT: TARIFF YEAR 2016-17 till 2020-21 2ND CONTROL PERIOD

Details	2016-17				2017-18				2018-19				2019-20				2020-21			
	MYTP (FC)	Audited	MYTP (FC)	Audited	MYTP (FC)	Audited	MYTP (FC)	Audited	MYTP (FC)	Updated FC	MYTP (FC)	Updated FC	MYTP (FC)	Updated FC	MYTP (FC)	Updated FC	MYTP (FC)	Updated FC	MYTP (FC)	Updated FC
Total Revenue from Regulated Services (1)	830	1,018	852	1,160	897	1,255	912	1,267	906	1,340	906	1,340	912	1,267	906	1,340	906	1,340	906	1,340
- Cargo Handling Revenue	632.57	732.10	658.37	841.60	703.78	952.19	744.47	1,009.88	776.31	1,077.13	776.31	1,077.13	744.47	1,009.88	776.31	1,077.13	776.31	1,077.13	776.31	1,077.13
- Demurrage Collection	197.18	286.31	193.76	318.55	193.18	302.63	167.39	257.23	129.29	262.38	129.29	262.38	167.39	257.23	129.29	262.38	129.29	262.38	129.29	262.38
Total Revenue from Services other than Regulated Services (2)	56	142	57	147	63	160	65	160	60	160	60	160	65	160	60	160	60	160	60	160
- Rental Income	31.71	31.34	33.29	32.20	34.29	32.01	36.01	32.01	37.81	32.01	37.81	32.01	36.01	32.01	37.81	32.01	37.81	32.01	37.81	32.01
- Interest & Other Income	24.00	110.21	24.00	114.93	29.00	127.82	29.00	127.82	21.75	127.82	21.75	127.82	29.00	127.82	21.75	127.82	21.75	127.82	21.75	127.82
Operating Expenditure (3)	615.05	693.98	641.45	748.00	684.32	862.81	716.42	981.79	753.48	1,054.42	753.48	1,054.42	716.42	981.79	753.48	1,054.42	753.48	1,054.42	753.48	1,054.42
Depreciation (4)	81.83	79.28	94.25	78.28	98.00	98.35	99.07	110.14	102.97	127.02	102.97	127.02	99.07	110.14	102.97	127.02	102.97	127.02	102.97	127.02
Income Tax (5)	88.57	82.93	56.35	103.05	59.32	132.05	52.54	97.55	34.00	92.57	34.00	92.57	52.54	97.55	34.00	92.57	34.00	92.57	34.00	92.57
Total Expenditure (6)	785.44	856.19	792.05	929.32	841.64	1,093.22	868.04	1,189.48	890.45	1,274.01	890.45	1,274.01	868.04	1,189.48	890.45	1,274.01	890.45	1,274.01	890.45	1,274.01
Regulatory Operating Profit (1)-(6) = (7)	44.31	162.22	60.08	230.83	55.32	161.60	43.82	77.63	15.15	65.50	15.15	65.50	43.82	77.63	15.15	65.50	15.15	65.50	15.15	65.50
Capital Expenditure (8)	76.51	30.93	158.50	36.81	42.69	108.00	9.29	39.43	25.44	161.24	25.44	161.24	9.29	39.43	25.44	161.24	25.44	161.24	25.44	161.24
Opening RAB (9)	467.14	462.56	461.82	414.11	526.07	371.99	470.75	381.64	380.96	310.93	380.96	310.93	470.75	381.64	380.96	310.93	380.96	310.93	380.96	310.93
Disposals/ Transfers (10)	-	(-0.32)	-	0.65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing RAB (8) + (9) - (10) - (4) = (11)	461.82	414.52	526.07	371.99	470.75	381.64	380.96	310.93	303.43	345.16	303.43	345.16	380.96	310.93	303.43	345.16	303.43	345.16	303.43	345.16
Average RAB (9) + (11) / 2 = (12)	464.48	438.54	493.95	393.05	498.41	376.81	425.86	346.29	342.20	328.05	342.20	328.05	425.86	346.29	342.20	328.05	342.20	328.05	342.20	328.05
Return on Average RAB (7) / (12)	9.54%	(37%)	12.16%	(59%)	11.10%	43%	10.29%	22%	4.43%	20%	4.43%	20%	10.29%	22%	4.43%	20%	4.43%	20%	4.43%	20%
Total Volume (Cargo) (13) In Thousands	131.64	139.85	137.48	158.92	144.35	198.40	149.12	212.07	155.82	224.22	155.82	224.22	149.12	212.07	155.82	224.22	155.82	224.22	155.82	224.22
Actual yield per Tonnage (1/13) (Incl Demurrages)	6.303	7.282	6.198	7.300	6.214	6.325	6.115	5.975	5.812	5.974	5.812	5.974	6.115	5.975	5.812	5.974	5.812	5.974	5.812	5.974
Actual yield per Tonnage (1/13) (Excl Demurrages)	4,805	5,235	4,789	5,296	4,875	4,799	4,992	4,762	4,982	4,804	4,982	4,804	4,992	4,762	4,982	4,804	4,982	4,804	4,982	4,804
Return on average RAB	9.54%	36.99%	12.16%	58.73%	11.10%	42.89%	10.29%	22.42%	4.43%	19.97%	4.43%	19.97%	10.29%	22.42%	4.43%	19.97%	4.43%	19.97%	4.43%	19.97%
Return on average RAB after adjusting for excess Demurrage Revenue		20.32%		32.69%		19.07%		1.14%		-13.30%		-13.30%		1.14%		-13.30%		-13.30%		-13.30%
Turnover/Profit	5.34%	15.93%	7.05%	19.90%	6.17%	12.88%	4.81%	6.13%	1.67%	4.89%	1.67%	4.89%	4.81%	6.13%	1.67%	4.89%	1.67%	4.89%	1.67%	4.89%
Turnover/Profit (Including Non-regulated Revenue)	11.30%	26.19%	12.91%	28.91%	12.35%	22.72%	11.14%	16.64%	7.74%	15.03%	7.74%	15.03%	11.14%	16.64%	7.74%	15.03%	7.74%	15.03%	7.74%	15.03%



*[Signature]*

**VENKATA REDDY**  
Chief Executive Officer  
Menzies Aviation Bobba (B'lore) Pvt. Ltd.  
Plot No. C-04L  
Kempegowda International Airport  
Devanahalli, Bangalore-560 300

# Comparison Statement B/W MABB & AISATS Bangalore

## Maximum Rates To Be Paid By Freight Forwarder For International Cargo

		Existing Tariff MABB		Existing Tariff AISATS		% Comparison	
S.no.	List of Charges	Minimum Rate	Rate per Kg	Minimum Rate	Rate per Kg	Minimum Rate	Rate per Kg
A) International Cargo							
Export Cargo							
1	Terminal, Storage and Processing Charges (TSP)- (Per Shipping Bill)						
a)	General Cargo	131	1.1	125.00	1.05	4.80%	4.76%
b)	Special Cargo	263	1.65	250.00	1.58	5.20%	4.43%
c)	PER/DGR/VAL cargo	263	2.87	250.00	2.73	5.20%	5.13%
2	Customs Cargo Service Provider Charge (Per Shipping)	30	0.65	-----	-----	-----	-----
3	Demurrage Charges (Rate per Kg per day)						
a)	General Cargo	137	0.88	136.50	0.84	0.37%	4.76%
b)	Special Cargo	263	1.65	262.50	1.58	0.19%	4.43%
c)	PER/DGR/VAL cargo	263	2.87	262.50	2.73	0.19%	5.13%
4	Courier Handling Charge	158	1.65	150.00	1.58	5.33%	4.43%
5	Packing/Repacking/Strapping Charge	6	-----	5.00	-----	20.00%	-----
6	Return Cargo Charge	525	-----	500.00	-----	5.00%	-----
7	Air way Bill Amendment Charge	105	-----	100.00	-----	5.00%	-----
8	weight/Volume Mis-Declaration Charge						
a)	2-5% variation	2	-----	2	-----	0.00%	-----
b)	More than 5% variation	5	-----	5	-----	0.00%	-----
9	Overtime Charge (beyond customs working Hours)	53	-----	50.00	-----	6.00%	-----
	Val Cargo	1050	-----	1000.00	-----	5.00%	-----
Import Cargo							
1	Terminal, Storage and Processing Charges (TSP)- (Per Shipping Bill)						
a)	General Cargo	131	5.4	125.00	5.40	4.80%	0.00%
b)	Special Cargo	263	10.8	250.00	10.80	5.20%	0.00%
c)	PER/DGR/VAL cargo	263	10.8	250.00	10.80	5.20%	0.00%
2	Customs Cargo Service Provider Charge (Per HAWB)	30	1.85	-----	-----	-----	-----
3	Demurrage/Storage Charge(rate per kg pe day)						
a)	General Cargo						
i)	Flight Sctual Time of Arrival(ATA) plus 72 hours	No Charge	-----	No Charge	-----	-----	-----
ii)	Cargo cleared between 72 hours and 120 hours	336	1.65	336.00	1.65	0.00%	0.00%
iii)	Cargo cleared between 120 hours and 720 hours	336	3.09	336.00	3.09	0.00%	0.00%
iv)	Cargo cleared after 720 hours	336	4.63	336.00	4.63	0.00%	0.00%



b)	Special Cargo	No Charge	-----	No Charge	-----	-----	-----
i)	Flight Sctual Time of Arrival(ATA) plus 72 hours	No Charge	-----	No Charge	-----	-----	-----
ii)	Cargo cleared between 72 hours and 120 hours	656	3.09	625.00	3.09	4.96%	0.00%
iii)	Cargo cleared between 120 hours and 720 hours	656	6.17	625.00	6.17	4.96%	0.00%
iv)	Cargo cleared after 720 hours	656	9.26	625.00	9.26	4.96%	0.00%
c)	PER/DGR/VAL cargo						
i)	Flight Sctual Time of Arrival(ATA) plus 72 hours	No Charge	-----	No Charge	-----	-----	-----
ii)	Cargo cleared between 72 hours and 120 hours	1339	6.17	1275.00	6.17	5.02%	0.00%
iii)	Cargo cleared between 120 hours and 720 hours	1339	12.4	1275.00	12.40	5.02%	0.00%
iv)	Cargo cleared after 720 hours	1339	18.58	1275.00	18.58	5.02%	0.00%
4	Courier Handling Charge	210	6.06	200.00	6.06	5.00%	0.00%
5	Air way Bill Amendment Charge	105	-----	100	-----	5.00%	-----
6	Transshipment charge-International to Domestic						
a)	General Cargo	131	1.98	125.00	1.98	4.80%	0.00%
b)	PER/DGR/VAL cargo	247	1.98	235.00	1.98	5.11%	0.00%
7	Documentation Charges	105	-----	105	-----	0.00%	-----
8	Overtime Charge (beyond customs working Hours)						
a)	General Cargo	210	-----	200.00	-----	5.00%	-----
b)	Val Cargo	1050	-----	1000.00	-----	5.00%	-----
9	Packing/Repacking/Strapping Charge	6	-----	5.00	-----	20.00%	-----