Multi Year Tariff Proposal for Third Control period

Starting from 2021-22 to 2025-26

and

Annual Tariff Proposal

For 1st April 2022 to 31ST March 2023

for

International Cargo Terminal

Operated, Maintained and Managed by

Delhi Cargo Service Centre Private Limited

at

Indira Gandhi International Airport, New Delhi

Submitted by:

Delhi Cargo Service Center Pvt Ltd

For DELHI CARGO SERVICE CENTER PVT. LTD.

Authorised Signatory

Delhi Cargo Service Center Private Limited
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3

DISCLAIMER

At the outset, Delhi Cargo Service Centre Pvt. Ltd. (**'DCSC'**) states that the present Multi Year Tariff Proposal (**'MYTP'**) is being filed pursuant to AERA's instructions issued vide AERA's letter dated 11.05.2022 and also during the virtual meeting held on 18th August 2022 which was attended among others by members and officers of AERA and DCSC in the said virtual meeting, AERA has reiterated its directions to DCSC to submit its MYTP for the Third Control Period for determination of tariff for Cargo Handling Services at Indira Gandhi International Airport, New Delhi (**'IGIA'**). During the virtual meeting it was argued before AERA that in view of the ad-interim order dated 8.11.2021 of Hon'ble Appellate Tribunal that directed *"no precipitate action shall be taken by the respondent"* such filing of MYTP might be seen as an act of contempt by the Hon'ble Tribunal. However, AERA was of the contrary view and accordingly has also advised us that non filing of MYTP might be construed as non-compliance AERA provisions which might attract undesirable consequences. AERA also directed that MYTP should be filed at the earliest preferably not later than 27th August 2022. Hence this application is being filed.

DCSC, however, respectfully differs with AERA's direction on the following counts:

a. **Cargo handling services have been held to be Non-Aeronautical Services:** The Hon'ble Telecom Disputes Settlement & Appellate Tribunal (**'Appellate Tribunal'**), in its judgment dated 23.04.2018, has held that cargo handling services are Non-Aeronautical Services. Notably, the Hon'ble Supreme Court, recently in its judgment dated 11.07.2018, has also upheld this decision of the Hon'ble Appellate Tribunal. Accordingly, since AERA's regulatory purview is restricted to determining tariff for Aeronautical Services, it cannot determine tariff for the service of cargo handling i.e., a Non-Aeronautical Service and the tariff would be fixed and governed by the sub-concession agreement between DCSC and the concerned airport operators.

b. **Issue is sub-judice before the Hon'ble Appellate Tribunal:** The airport operators i.e., Delhi International Airport Ltd. (**'DIAL'**) and Mumbai International Airport Ltd. (**'MIAL'**) have challenged AERA's direction to cargo handling service providers (including DCSC) to submit their respective MYTPs for determination of tariff. The appeals are predicated on the ground that cargo handling services have been held to be Non-Aeronautical Services by the Hon'ble Appellate Tribunal. As such, since AERA's jurisdiction to determine tariff for cargo handling service providers like DCSC is under challenge, it would, respectfully, not be appropriate for AERA to direct DCSC to submit its MYTP for determination of tariff.

c. **Interim Orders passed by the Hon'ble Appellate Tribunal:** The Appellate Tribunal, by way of its interim order dated 08.11.2021, has directed that *"no precipitate action shall be taken by the respondent"* i.e., AERA. This interim order was confirmed and made absolute by order dated 01.04.2022. In view of these interim orders, AERA has been directed not to take any precipitative action on the issue of determining tariff for cargo handling services during the pendency of these appeals. Thus, any directions to the Cargo Service Operators including DCSC to file its MYTP would be violative of these interim orders.

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d. **AERA's application for vacation of Interims Orders:** It appears that AERA had also filed an application for vacation of these interim order so as to enable it to perform its function of determining tariff for cargo handling service providers. The Hon'ble Appellate Tribunal has neither allowed this application nor passed any ad-interim orders varying or modifying interim orders referred to at point (c) above. Hence, AERA has itself sought the Hon'ble Appellate Tribunal's permission to determine tariff during the pendency of the aforesaid appeals. As this permission has not been granted till date, AERA cannot compel DCSC to file its MYTP yet.

In view of the above, DCSC is submitting the accompanying MYTP under protest and without prejudice to its rights under the applicable law. The submission of the MYTP ought not to be construed as DCSC's consent to the jurisdiction of AERA to determine tariff for cargo services, which is currently under adjudication by the Hon'ble Appellate Tribunal in the aforesaid appeals.

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CHAPTER 1: INTRODUCTION

1.1 Delhi Cargo Service Center Pvt Ltd (hereinafter referred to as 'DCSC'), is Special Purpose Company incorporated under the Companies Act, 1956 pursuant to the Concession Agreement dated 19.11.2009 awarded to Cargo Service Center India Pvt Ltd., (hereinafter referred to as 'CSC') a company registered under the Companies Act, 1956 at Mumbai and having its registered office at 301-303, Rangoli Building, Sahar Road, Near Air Cargo Complex, Andheri East, Mumbai 400 099 by Delhi International Airport Limited (hereinafter referred to as 'DIAL').

1.2 The shareholding structure of the DCSC is as follows:

Name of the Shareholder	Equity Holding (%)
Cargo Service Center India Pvt Ltd.	54
Global Infrastructure Partners	46
Total	**100**

1.3 Under the Concession Agreement dated 19.11.2009, DCSC renders Cargo Handling Services at the Indira Gandhi International Airport, Delhi (hereinafter referred to as 'IGIA') and is also responsible to undertake the work of Design, Develop, Finance, Construct, Operate, Maintain and Manage the new facilities comprised in the International Cargo Facilities and to provide the services to the Users and collect from such Users the Cargo Handling Charges at the facilities at IGIA. The Concession Agreement is valid till 31.07.2034.

1.4 Pursuant to the Concession Agreement, DCSC started providing Cargo Handling Services from November 2009 from the erstwhile Domestic Cargo Terminal catering to domestic cargo needs of the consumers.

1.5 From March 2012 onwards, DCSC is providing Cargo Handling Services from the newly constructed Cargo Terminal Building for handling of International Cargo in addition to providing services at the Domestic Cargo Terminal.

1.6 **The Terminal, inter-alia, offers the following services:**

i) The acceptance & weighment of General Cargo,
ii) Carting, unitization, packing & labelling, and releasing of general cargo,
iii) Supervision of third party-built cargo including import cargo, documentation,
iv) Delivery order services to airlines customers.
v) Handling of international cargo (general, special, valuable, and perishable) for both import and export.
vi) In relation to exports: admittance, storage, documentation, facilitating customs examination, x-ray screening and certification, carting, unitization and making it ready for movement to aircraft.

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vii) In relation to imports: receiving loaded pallets, de-stuffing, binning/storage, documentation, facilitating customs examination and delivery.
viii) Disposal and auction of long-standing cargo.
ix) Other Services necessary and incidental to the its main services.

1.7 History of Tariff Determination by the Authority

i) DSCSC has started its operations from 19.11.2009 after obtaining due permissions from various authorities.

ii) In accordance with the Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling, and Supply of Fuel to the Aircraft Guidelines, 2011 ('Guidelines'), DCSC had submitted its Multi Year Tariff Proposals ('MYTP') and Annual Tariff Proposal ('ATP') for cargo handling services for approval of the authority for the First Control Period (FY.2011-12 to FY.2015-16) on 29.06.2011 and 05.07.2011 respectively. The Authority in its Order No. 13/2011-12 dated 07.10.2011 deemed the services provided by DCSC to be 'Material' but 'Competitive' and consequently adopted the 'Light Touch Approach' to tariff determination for the services rendered by DCSC.

iii) Subsequently, the Authority determined the Annual Tariffs for cargo handling services provided by DCSC for first tariff (FY. 2011-12) and second tariff year (FY. 2012-13) vide its Order No. 05/2012-13 dated 21.05.2012, for the third tariff year (FY. 2013-14) vide its Order No. 30/2013-14 dated 31.07.2013, for the fourth tariff year (FY. 2014-15) vide its Order No. 18/2014-15 dated 06.02.2015 and fifth tariff year (FY. 2015-16) vide Order No. 39/2015-16 dated 04.11.2015 respectively for the First Control Period.

iv) The Authority vide its Order No. 50/2015-16 dated 21.03.2016 allowed DCSC to continue the tariffs existing as on 31.03.2016 up to 30.09.2016. Subsequently, the Authority vide its Order No. 11/2016-17 dated 29.09.2016 extended the levy of tariffs as on 31.03.2016 up to 31.03.2017 and vide its Order No. 19/2016-17 dated 31.03.2017 further extended the levy of tariffs as on 31.03.2016 up to 30.09.2017.

v) DCSC submitted Multi Year Tariff Proposal for the Second Control (FY.2016-17 to FY.2020-21), which was approved by the Authority vide its Order No. 2/2017-18 dated 11.05.2017. The Authority decided to adopt same 'Light Touch Approach' for determination of the tariffs for the Second Control Period (FY.2016-17 to FY.2020-21) and determined the annual tariffs for the first tariff year (FY. 2016-17) and the second tariff year (FY. 2017-18) of the Second Control Period respectively.

vi) The Authority allowed DCSC to continue the levy of tariffs existing as on 31.03.2017 up to 30.09.2018 vide its Order No. 12/2017-18 dated 29.09.2017 and Order No. 43/2017-18 dated 28.03.2018.

vii) The Authority vide its Order No. 22/2018-19 dated 04.10.2018 approved tariffs for FY. 2018-19, FY. 2019-20 and FY. 2020-2021.

viii) Subsequently, the Authority issued Order No. 67/2020-21 dated 25.03.2021 making an interim arrangement to allow DCSC to continue the levy of existing tariff of the relevant control period for a further period of 6 months, i.e., till 30.09.2021. This interim arrangement was extended by the Authority for a further period of 6 months, i.e., till

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31.03.2022 vide its Order No. 18/2021-22 dated 15.09.2021 and till 31.09.2022 vide Authority's Order No. 46/2021-22 dated 17.03.2022.

CHAPTER 2: PRINCIPLES FOR DETERMINATION OF "AERONAUTICAL TARIFF"

2.1 DCSC understands that the Authority would determine the approach for tariff regulation based on following three parameters as prescribed in Clause 3 of the Guidelines:

a) Materiality

b) Competition

c) Reasonableness of existing User Agreements

2.2 Further, as stated in Clause 3.2 of the Guidelines, on analysis of the above parameters the Authority shall deem the service provider as:

(i) ***'not material'***, *the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period, according to the provisions of Chapter V;*

(ii) ***'material but competitive'***, *the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period, according to the provisions of Chapter V;*

(iii) ***'material and not competitive'*** *but where the Authority is assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) for Service Provider(s) based on a light touch approach for the duration of the Control Period, according to the provisions of Chapter V;*

(iv) ***'material and not competitive'*** *and where the Authority is not assured of the reasonableness of the existing User Agreement(s), the Authority shall determine Tariff(s) based on price cap approach for the duration of the Control Period. In such cases, the Authority shall determine the Aggregate Revenue Requirement according to Chapter III and determine Tariff(s) according to the provisions of Chapter IV'.*

We take this opportunity to assess DCSC's standing viz-a-viz the parameters stated for assessing each criteria as stated in the Guidelines.

2.3 Stage I: Materiality Assessment

2.4 As per the Clause 4.3 in the Guidelines, the materiality index for service provided for cargo facility at major airports is defined as:

$$\textbf{\textit{Materiality Index}}\ (\mathbf{MI_C}) = \frac{\textit{Cargo Volume at major airport A}}{\textit{Total Cargo Volume at Major Airports}} \times 100$$

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'Where the MI_c, as calculated above is 2.5% or more at a major airport, the service provided for cargo facility at major airport A shall be deemed 'material'. If MI_c is below 2.5%, then service provided for cargo facility at major airport A shall be deemed 'not material.'

2.5 The percentage share of cargo volumes for major airports, as per the AAI statistics for FY 21-22 are given below

Sr No.	Airport	Total Cargo Volume FY 22 ('MT)	% Of Total Cargo Volume at Major Airports
1	Delhi	9,11,928	32.98%
2	Mumbai	7,42,296	26.84%
3	Chennai	3,14,664	11.38%
4	Bangalore	3,49,080	12.62%
5	Kolkata	1,06,332	3.84%
6	Hyderabad	1,31,592	4.76%
7	Cochin	45,012	1.63%
8	Ahmedabad	83,880	3.03%
9	Trivandrum	16,572	0.60%
10	Pune	14,040	0.51%
11	Calicut	7,488	0.27%
12	Guwahati	16,260	0.59%
13	Srinagar	5,268	0.19%
14	Lucknow	11,376	0.41%
15	Goa	3,084	0.11%
16	Jaipur	6,636	0.24%
	Total	**27,65,508**	**100%**

Source: aai.gov.in

2.6 As is evident from the above table, the MI_c (Materiality Index) calculated for IGIA in the above table is **32.98%** which exceeds the threshold of 2.5% laid down in the Guidelines. Therefore, the service provided by DCSC at IGIA are deemed as '**material**'

2.7 <u>Stage II: Competition Assessment</u>

2.8 As per the Clause 5 in the Guidelines, the competition assessment for service provided for cargo facility at major airports is defined as:

'Where a Regulated Service is being provided at a major airport by two or more Service Provider(s), it shall be deemed 'competitive' at that airport. If a Regulated Service is provided by less than two Service Provider(s), it shall be deemed 'not competitive'.

2.9 At IGIA, there are two cargo handling service providers including DCSC. Details of competitive facilities/service providers are provided below:

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Sr. No	Details of Cargo Handling Service Providers at IGIA
1.	*Celebi Delhi Cargo Terminal Management India Pvt Ltd*
2.	*Delhi Cargo Service Center Private Limited*

2.10 Since the number of service providers is *'two or more'*; therefore, service provided by DCSC at IGIA are deemed as **'competitive'**.

2.11 Based on the criteria prescribed under the CGF Guidelines, the Cargo services being provided by DCSC is 'material' but 'competitive', the Authority is requested to determine tariff according to the 'Light Touch Approach' for the Third Control Period as has been done for the First and Second Control Period.

2.12 <u>Analysis of User Agreements</u>

2.13 DCSC has entered into User Agreement with various airlines upon successfully competing in the competitive bidding process conducted by the airlines. Each User Agreement is executed following exhaustive negotiations with respect to price and quality of services with the respective Users.

2.14 DCSC uses the IATA Standard Ground Handling Agreement ('SGHA') as the foundation for its User Agreements with the concerned agents/airlines which is then revised to capture the individual use cases of the airlines/ agents based on pricing and quality terms negotiated between the parties and the legal requirements proposed by the concerned airlines. Copies of User Agreements with major airlines agreements are attached as Annexure 1.

2.15 The User Agreements contain confidential information pertaining to DCSC and the Airlines. DCSC requests the Authority not to publish these User Agreements in the public domain in line with the proviso to Clause 7.2 of the Guidelines. The proviso to Clause 7.2 of the Guidelines is reproduced below:

"Provided that the Authority shall consider specific submission(s) from Service Provider(s) for not putting certain information in the public domain on grounds of such information being Confidential Information."

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PART – A - BUILDING BLOCKS – GENERAL CARGO

CHAPTER 3: CARGO VOLUME PROJECTION

3.1 **Historical Cargo Volumes of DCSC:**

Table 1: Actual tonnage handled by DCSC for the last three years of second control period

Particulars	FY18-19	FY19-20	FY20-21
Tonnage (MT)	315,485	321,467	244,067

3.2 In the year 2020-2021, the Covid-19 pandemic adversely affected the total tonnage handled by DCSC at IGIA. The reduction in the traffic due to the ongoing pandemic can be observed from the decrease in tonnage of DCSC from 3,15,485 MT in FY 2018-19 to 2,44,067 MT in FY 2020-21.

3.3 Projected Cargo Volumes of DCSC:

i. DCSC expects that it will suffer a steep reduction in revenue as the projected cargo volumes (both domestic and international) are likely to decrease in the Third Control Period on account of the following factors:

ii. **Cargo operations of Vistara and AirAsia to be taken over by Air India:** As the Authority is aware, Air India and all its ancillary businesses have been acquired by the Tata Group, which also includes Air India Cargo's cargo handling operations. Air India has its own Domestic Cargo Handling facility at IGI Airport for handling its own/associates' cargo. Considering Vistara and Air Asia are also owned and managed by the Tata Group, it is indisputable that in an effort to minimize costs and reliance on outside entities, Vistara and Air Asia's cargo operations will also be taken over by Air India Cargo. The transition is inevitable is further fortified by Air India's recent acquisition of Air Asia. Further, and as is well known, Tata group is contemplating merging the subsidiaries into one entity i.e. Air India to enjoy advantages of synergies and scale. As such, it is inevitable that the cargo operation will be conducted in a manner that will give synergy and benefits to its group airlines. DCSC will suffer on account of this consolidation as the entire domestic cargo operations of Air Asia and Vistara will be shifted to the terminal owned and operated by Air India from their own facility at IGI Airport thereby reducing DCSC's market share in cargo handling operations and consequently, adversely impact its revenues.

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Table 2: Impact of acquisition of Air Asia and Vistara by Tata Group.

Particulars	FY 23	FY 24	FY 25	FY 26
AirAsia – Domestic (MT)	3,468	14,149	14,432	14,721
Vistara Airlines -Domestic (MT)	14,229	58,054	59,215	60,400
Total (MT)	**17,697**	**72,704**	**73,748**	**75,121**
% age Contribution to Total Tonnage of DCSC	**5%**	**20%**	**20%**	**20%**

iii. **Operationalization of Cargo Hub at Jewar Airport**: As per RFP issued for Jewar Airport, which is around 70 km from IGIA, cargo operations will start during FY 2024-25. The Techno Economic Feasibility Report ('TEFR') prepared by Price Waterhouse Cooper provides cargo projections for Jewar Airport as well. As per the projections in the TEFR, 55% of the total cargo traffic handled by IGI Airport is expected to be diverted to Jewar Airport. Cargo traffic is most likely to split based on the following counts:

(a) the proximity of the cargo generating centre to the concerned airport

Due to higher connectivity, hinterland for IGI Airport not only includes Delhi NCR but also includes UP, Rajasthan, Punjab and other North Indian states.

Distance between the airport and the cargo generating centers is expected to be a key factor influencing cargo movement. For instance, cargo generated in Greater Noida region is more likely to move to the airport at Jewar than to IGI airport. The projected cargo traffic for the hinterland is expected to reach 2.5 million tons by FY26 and 3.6 million tons by FY31. In addition to distance, improvement of road connectivity is also expected to divert traffic from IGI airport to the new airport.

In NCR region, Gautam Budh Nagar and Ghaziabad are the 2 major cargo generating centers which are part of Jewar's hinterland. Estimates reveal that about 50% of the NCR international cargo at IGIA is generated in these two districts. Other districts such as Gurgaon, Jhajjar, and Faridabad which are part of IGI hinterland in NCR region contribute ~ 30% of the international cargo.

Clearly, majority of the cargo traffic will be diverted to Jewar Airport.

(b) potential investments in air cargo centric industries

In addition to the current traffic movement, potential investments in air cargo centric industries such as electronics, machine parts, pharmaceuticals, leather etc. would also play a key determining role in determining future cargo movement.

The TEFR reveals that as per the investment plans, a total of 2, 00,000 million INR of investment is expected to be realized in the Delhi NCR region. Gautam Budh Nagar is expected to account nearly 1,20,000 million INR of investments, which is primarily in the electronics sector.

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The investment in the Jewar hinterland is expected to drive up the cargo for Jewar. Based on existing investment and future investments, out of the total cargo traffic in the hinterland, Gautam Budh Nagar may account for 40% of the traffic in future.

Hence in accordance with the plans of Jewar Airport following volumes will be reduced from IGIA market share as quoted by them after a detailed study.

Table 3: Impact of Jewar Airport

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Jewar Airport (Market adjustment)-IGI Airport (MT)	-	-	-	149,000	176,000
Jewar Airport (Market adjustment) - DCSC Share @ 40% (MT)	-	-	-	59,600	70,400

A copy of the TEFR for Jewar Airport is annexed herewith as Annexure 2

3.3 Air Freight Station

i. In the policy guidelines on Air Freight Station dated 28th October 2014, Ministry of Civil Aviation (MOCA) stated as under:

"1.01 Concept of Air Freight Station

Air Freight Station (AFS) is an off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/export goods loaded and empty Unit Load Devices (ULDs) and cargo in bulk / loose for home consumption, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export. In the case of Express Companies, there could be a dedicated AFS for express cargo or they can also make use of AFS meant for general cargo or ICD to handle air cargo. This initiative of AFS will create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time. By also specially authorising some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs, could be fully utilised. These policy guidelines governing Air Freight Station would be common and binding on all stakeholders concerned in the supply chain of International Air Cargo operations such as Airlines, Air Cargo Terminal operators, Airport Operators, Freight Forwarders / Customs Brokers, Exporters/ Importers and all regulatory organisations.

1.02 Functions of AFS

The primary functions of AFS are summed up as under:-

a. Receipt of Export Cargo for processing and to make the cargo "Ready for Carriage" condition including ULD (Unit Load Device) building of export cargo and scanning of cargo. While ULDs will be the ideal mode of handling cargo for and from AFS, export / import consignments both in palletised / ULD and bulk, loose form shall also be facilitated.

b. Transit operations by road to and from serving Airport.

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c. All Customs related requirements for import and exports including inspection of cargo wherever required.
d. Unitization of Cargo.
e. Temporary storage of cargo and Unit Load Device (ULDs).
f. Re-building of ULDs of Export Cargo.
g. De-stuffing of Import Cargo.
h. Storage, Examination, Packing and Delivery of Import Cargo.
i. Auction / disposal of 30 days old uncleared Import Cargo.
j. Maintenance and repair of Unit Load Devices

In a nut shell, all Export and Import cargo clearance including customs related activities like assessment, examination, payment of duties etc. would be provided at the AFS, as is done in any other Customs station. Besides the customs authorities, other cross-border regulatory agencies such as Plant Quarantine office, Drug Controller's office etc., would also be accommodated by the respective AFS enterprise in the same premises. This may include, for example, space for establishment of laboratory for immediate inspection and the area should be well lit.

1.03 Location of AFS

Greenfield AFS facility can be located anywhere in India subject to fulfilment of all regulatory requirements contained in these guidelines. Setting up of AFS at the existing ICDs which are already notified by Customs would also be permitted."

ii. In the past few years, it has been lot of interest and development of AFS. It is understood that one of the earliest AFS is going to start its operation very soon. In fact, in a meeting held on 22nd January 2019 with AERA along with the party that is pioneering the setup of AFS in Delhi. In the meeting it was decided that that cargo operators of IGI Airport, Delhi M/s DCSC and M/s CELEBI to submit a tariff proposal for AFS cargo at Air Cargo Terminal, Delhi. Subsequently DCSC submitted its Tariff Proposal with AERA on 29.03.2019 and on 17.05.2019 revised Tariff Proposal was submitted with AERA.

iii. During the said meeting held on 22nd January 2019, it was mentioned by proposed AFS operator that he will bring in at least 40 tons of cargo per day. Since the carrying capacity on the air side (which is the capacity of the aircraft to carry cargo) is limited and fixed and does not increase due to increase of handling capacity, whether by way of increase in cargo terminal infrastructure or introduction of AFS infrastructure, it is believed that cargo volume that is brought in by the AFS operator shall be the cargo that would have been originally brought to the Cargo Terminal Operator. Accordingly, the cargo that is processed and brought in by AFS operator will get reduced from the volume of Cargo Terminal Operator. The tariff proposal for AFS is being filed separately for AFS with this application.

iv. Growth percentage has been assumed at 2% since Delhi Airport is saturated in terms ATM.

v. Based on the above metrics; tonnage projected in the current control period as follows:

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Table 4: Projected Cargo Volume for the 3rd Control Period:

(in MT)

Particulars	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26
Tonnage (MT)	**3,21,467**	**2,70,054**	**2,55,774**	**2,60,915**	**2,07,761**	**2,02,562**
Add:						
Growth YOY @ 2% p.a.			5,115	5,218	4,155	4,051
AirAsia – Domestic		13,600	13,872	14,149	14,432	14,721
Vistara Airlines -Domestic		55,800	56,916	58,054	59,215	60,400
AFS Tonnage (Treated Separately)			14,600	14,892	15,190	15,494
Jewar Airport (Market adjustment)					59,600	70,400
Projected Gross Tonnage (MT)	**3,21,467**	**3,39,454**	**3,46,277**	**3,53,229**	**3,60,354**	**3,67,628**
Less						
AirAsia-Domestic (Market adjustment)			3,468	14,149	14,432	14,721
Vistara -Domestic (Market adjustment)			14,229	58,054	59,215	60,400
AFS Tonnage (Treated Separately)			3,650	14,892	15,190	15,494
Jewar Airport (Market adjustment)					59,600	70,400
Projected Net Tonnage (MT)	**3,21,467**	**3,39,454**	**3,24,930**	**2,66,133**	**2,11,916**	**2,06,614**
Tonnage Growth %		5.6%	-4.3%	-18.1%	-20.4%	-2.5%

CHAPTER 4: **Operational Yield**

4.1 As per Clause 10.4 of the CGF Guidelines, Yield is the "*Present value (PV) of ARR_t for a Tariff Year t is being determined at the beginning of the Control Period and the discounting rate for calculating PV is equal to the Fair Rate of Return determined by the Authority according to Clause 9.1*".

4.2 ARR has been defined in Clause 2.5 as:

"*2.5. Aggregate Revenue Requirement means the revenue requirement from Regulated Service(s) determined by the Authority, where applicable, taking into consideration, a fair rate of return applied to the forecast Regulatory Asset Base, forecast expenditure, forecast depreciation, forecast taxation and forecast revenue from services other than Regulated Services, calculated according to Clause 8 2.5. Aggregate Revenue Requirement means the revenue requirement from Regulated Service(s) determined by the Authority, where applicable, taking into consideration, a fair rate of return applied to the forecast Regulatory Asset Base, forecast expenditure, forecast depreciation, forecast taxation and forecast revenue from services other than Regulated Services, calculated according to Clause 8*"

4.3 In view of the above, it is also relevant to refer to the definition of Regulated Service in the CGF Guidelines, which is reproduced hereunder:

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"2.20. Regulated Service(s) for the purpose of these Guidelines mean any service(s) provided for (i) ground handling services relating to aircraft, passengers and cargo at an airport; (ii) the cargo facility at an airport; and (iii) supplying fuel to the aircraft at an airport"

4.4 A conjoint reading of the above definitions along with the description of services as mentioned in para 1.6 above, makes it clear that Yield is derived from provision of a Regulated Service i.e., the revenue earned from provision of the service, which in the present case is the cargo facility at IGI Airport. It is indisputable that DCSC provides cargo handling services (as described in para 1.6 above) and therefore provides limited storage services during the course of its handling services but does not provide and it not meant to provide any storage services which are not in the course of its handling services. Govt of India encourages faster clearance of goods to optimize the benefits of infrastructure and has, therefore, fixed the free storage period as 48 hours. With cargo terminal operators, customs and all relevant authorities working 24x7x365 it is very well possible to clear cargo within just a fraction of the free period from its arrival / departure at the airport. It may be stated here that we are witnessing an increasing trend of clearance of cargo with a fraction of the free period. As such storage beyond the free period of 48 hours cannot be construed as the service in the course of its handling services. The cargo movement to and from cargo terminals must be fast and continuous so that there is a faster and efficient turnaround of cargo. Cargo terminals get choked by storage of goods that is not in the course of its handling services and thus discourage such storage by applying charges which are discouraging and punitive in nature. As such, demurrage charges, which are discouraging and punitive in nature and which are levied for failure to clear goods/cargo within the free period is not a revenue earned from intended provision of a service cannot be treated as a a dependable component of Yield. In other words, Demurrage is not relatable or accrues from rendition of any intended service by DCSC.

4.5 In this regard, it is also apposite to refer to the Airports Authority of India (Storage and Processing of Cargo, Courier and Express Goods and Postal Mail) Regulations, 2003 (**'Regulations'**) issued by the Airports Authority of India in exercise of its powers conferred under section 42(2)(d) of the Airports Authority of India Act, 1994.

4.6 Regulation 5 read with the Schedule of Scale of Charges (**'the Schedule'**) provides for the rates and manner in which the Terminal, Storage and Processing Charges and Demurrage Charges are to be levied. Regulation 5 has been reproduced hereinbelow:

*"5. **Scale of Charges**- The Authority shall fix the scale of charge at the rate as specified in the Schedule for storage, or processing of goods under these regulations for providing requisite facilities and <u>to discourage storage beyond a reasonable time thereby minimizing the dwell time of cargo at the Terminal.</u>"*

Demurrage has been defined as:

"2. Definitions- (1) in these regulations, unless the context otherwise requires:

*(n) "**Demurrage**" means the rate or amount of charges payable to the Authority by a shipper or consignee or carrier or agent or passenger for utilizing storage facility at Cargo*

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Terminal, for storage of cargo, goods, unaccompanied baggage, stores, courier bags, express parcels, Postal mail, etc. for extended period beyond the stipulated free storage period for clearance or removal from the Cargo Terminal of the Authority or of the Customs at the Cargo Terminal."

4.7 Thus, demurrage charges are levied for failure of the user to clear the goods after the stipulated free period. This is in terms of the mandate of Regulation 5 to discourage the storage beyond a reasonable time thereby minimising the dwell time of cargo at the terminal. Accordingly, demurrage charges cannot be considered as part of the dependable revenue earned by DCSC from provision of its intended services.

4.8 Cargo terminal encourages to have a faster throughput facility for a simple reason that the assets is turned over very fast so that the capacity of the assets optimized. The capacity of the assets will be optimized only when the throughput increases and not when storage occurs. Increased dwell time/storage of cargo is contrary to the objective of infrastructure development. If the infrastructure development is hinged on the demurrage, it will reduce the capacity of the infrastructure and investment of the infrastructure will increase unnecessarily, which will add to the tariff.

4.9 In fact, demurrage charges result in losses for the cargo handler. Increased dwell time (for which the penalty of demurrage is levied) reduced the facility's capacity as we are unable to utilize terminal for processing of cargo and are unable to collect the corresponding cargo handling charges. To make up for the lost business on account of increased dwell time and consequent demurrage charges, we would have to incur significant capex to increase the facility's capacity. Accordingly, demurrage charges have not been considered as part of the Yield.

4.10 In any case and without prejudice to the above, the Demurrage Charges accruing to DCSC in 2019-20 and 2020-21 were on account of restrictions/ lockdowns imposed by the Government due to Covid-19 which led to disruption in supply and delivery chains. Accordingly, this abnormal increase in demurrage during that period should not be, in any case, considered for determination of tariff on actuals and as a projection.

4.11 Without prejudice to the above, it is also pertinent to note that demurrage charges will see reduction on account of Air Cargo Logistic Complex (ACLC) developed by DIAL. ACLC is situated right next to our cargo terminal. It has been seen that many agents and importers are quickly shifting their cargo from Cargo Terminal to bonded warehouses situated at ACLC without any requirement of paying off the custom duties immediately and this enables them to avoid the demurrage charges as their cargo is being cleared from Cargo Terminal premises within demurrage free period. DCSC also encourage such activity as it frees up the valuable space of the DCSC Cargo Terminal which can be turned around fast. However, this activity also results in reduce demurrage charges

4.12 On the basis of above assumptions, it is believed that demurrage estimates for period from FY 23 to FY 26 will be 50% to 30% of the demurrage yield of FY 22 respectively. Accordingly, the reduction of the demurrage has been ascertained and the entire table on yield has been reproduced below:

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6.2 The Operation and Maintenance (O&M) Cost mainly comprises of the following expenses:

a) Concession Fees

b) Cargo Handling expenses

c) Employee expenses

d) Outsourced cost

e) License fees

f) Other Administrative & General (A&G) Expense

All the costs projected in the ARR are based on prudent assumptions keeping in mind the requirement of the agreement entered with DIAL and the service level expectation by the stakeholders.

6.2.1: Concession Fees:

Concession fees are being paid to DIAL @ 25.8.% (average) of Gross revenue.

6.2.2: Cargo Handling expenses:

Cargo handling expenses are incurred for export/import handling services like loading/unloading of cargo, weighment, carting of cargo from/to warehouse etc.

6.2.3: License Fees:

It represents space rentals paid by DCSC to DIAL for the space occupied. Rates are being defined Concession Agreement dated 19th November 2009.

6.2.4: Employee Cost:

It represents the salaries and wages for the employees directly engaged in cargo business at IGIA.

6.2.5: Other Administrative & General (A&G) Expenses:
It represents the administrative and maintenance expenses related to the cargo operations.

6.2.6 DCSC believes that any cost, if given and released in public, would be detrimental to the operations of DCSC. Operating in a competitive environment, the costs are highly confidential in nature and sharing of the same with any external entities is not in the best interest of DCSC. IT IS THEREFORE REQUESTED THAT ALL COST INORMATION SUBMITTED HERE BE KINDLY KEPT CONFIDENTIAL.

All the costs projected in the ARR are based on prudent assumptions keeping in mind the requirement of the agreement entered with DIAL and the service level expectation by the stakeholders.

6.3 DCSC has submitted the following component-wise actual Operation & Maintenance (O&M) costs incurred during last 3 years of the 2nd Control Period:

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9.1 *Fair Rate of Return (FROR)*

9.1.1. The Authority shall determine the Fair Rate of Return (FROR) for a Control Period as its estimate of the weighted average cost of capital for a Service Provider as under:

$$FROR = (g \times Rd) + ((1 - g) \times Re)$$

Where:

g is gearing (i.e. debt/ debt + equity)

Rd is the pre-tax cost of debt

Re is Post-tax cost of equity

9.1.2. *The FROR shall be calculated on a nominal basis for a Control Period.*

9.1.3. *Cost of Equity*

The Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Service Provide, subject to the consideration of such factors as the Authority may deem fit.

9.1.4. *Cost of Debt*

(a) *The Authority shall consider the forecast cost of existing debt, subject to the Authority being assured of the reasonableness of such costs based on a review including of its source(s), procedure(s) and method(s) used for raising such debt(s).*

(b) *The Authority shall consider the forecast for future cost of (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source(s), procedure(s) and method(s) to be used for raising such debt(s).*

(c) *The Authority shall consider, in respect to the of debt, interest free or concessional loan arrangements, if any.*

(d) *The Authority shall determine a weighted average cost of debt, according to the formula indicated in the Illustration 2 below Clause9.1.7, in a Control Period for the purpose of determination of FROR. The determination of such weighted average cost of debt shall have reference to projected quantum of debt for each Tariff Year in a Control Period.*

9.1.5 *The Authority shall not consider financing costs of any short term debt, with maturity of less than 12 months, in its determination of weighted average cost of debt. The Authority shall instead review such costs according to Clause9.4.*

9.1.6 *The Authority shall consider, in respect of the cost of equity or cost of debt, as the case may be, the nature of all financial instruments being used or proposed to be used to mobilize such funds.*

9.1.7. *Gearing*

The Authority shall determine a weighted average gearing in Control Period for the Purpose of determination of FROR. The determination of such weighted average Gearing

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shall have reference to actual and projected quantum of debt submitted by Service Provider. The calculation of such weighted gearing shall be based on the fore-cast quantum of debt and equity for each Tariff Year in a Control Period.

The Authority in the previous Control Periods has taken the FROR to be 14% per annum. The FRoR of 14% to DCSC was allowed during the Control Periods when substantial debt had been undertaken by DCSC (in some fiscal years exceeding the quantum of equity infused by DCSC) to fund the Capital Expenditure (Capex).

Over the years, DCSC instead of passing on the corporate profits earned in a fiscal year to its shareholders in the form of Dividends has utilized them to create a cash surplus.

In the Third Control Period, DCSC seeks to re-invest a part of its cash surplus into its operations at the IGIA. DCSC proposes to adopt the fiscally responsible approach of funding the entire proposed Capex estimated by DCSC through internal accruals and the cash surplus.

For the Third Control Period, the quantum of debt is zero and consequently Cost of Debt for calculation of FRoR will be nil. Thus, FRoR will be equal to the Cost of Equity ('COE') of DCSC.

DCSC proposes the Authority to consider pre-tax COE for the Third Control Period at 19% per annum. The same is a commensurate to the COE considered by the Authority when calculating FRoR of 14%. And would provide reasonable return to DCSC on its investment.

CHAPTER 8: AGGREGATE REVENUE REQUIREMENT (ARR)

Annual Revenue Requirement Calculation

DCSC has furnish all the details as per Appendix AI.2 for the Multi Year Tariff Proposal. Refer Form 16 of Annexure 3.

8.1 Agreement for providing Regulated Service.

DCSC has been granted permission to provide the Cargo Facilities service at the IGIA by DIAL vide Concession Agreement dated 19.11.2009.

Where DIAL issued a Request for Qualification-cum-Request for Proposal (the 'RFQP') for Cargo Concession to the public, inviting, interested parties to submit their applications for undertaking non-exclusive concession to finance, develop, operate, maintain and manage Cargo Facilities at IGIA. DIAL has selected Cargo Service Center India Pvt Ltd as the successful bidder pursuant to the RFQP to undertake Cargo Concession. Copy of Cargo Concession agreement dated 19.11.2009 is provided in Annexure 5.

8.2 Details of Competitive Facilities

As already stated earlier, DCSC is one of the cargo service providers at IGIA. Details of the same are presented below.

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Sr. No	Details of Cargo Handling Service Providers at IGIA
1	Celebi Delhi Cargo Terminal Management India Pvt Ltd
2	Delhi Cargo Service Center Private Limited

8.3 Business Plan

The Business Plan including key financial statements like Balance Sheet, Profit & Loss Statements etc. projected for the financial year 2021-22 to 2025-26 has been attached herewith in accordance with the AERA specified formats. Details of key financial statements attached in Forms F2, F3 & F4 of Annexure 2 respectively

8.4 Annual Revenue Requirement

DCSC India has determined its annual revenue requirement in line with the AERA's guideline. Under clause 8.2 and 8.3 of the guideline, AERA has specified the regulatory building blocks for determination of the annual revenue requirement. The relevant extract is as follows:

1 *Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB)*

2 *Operation and Maintenance Expenditure (O)*

3 *Depreciation (D)*

4 *Taxation (T)*

5 *Revenues from services other than Regulated Service(s) (NAR)"*

6 *The Aggregate Revenue Requirement for the Control Period (ARR) shall be expressed as under:*

$ARR = \sum(ARR_t)$ and

$ARR_t = (FRoR \times RAB_{t_t}) + D_{t_t} + O_t + T_t -. NAR_t$

7 *Where t is the Tariff Year in the Control Period and ARR_t is the Aggregate Revenue Requirement for year t Estimate of required Fair Rate of Return"*

8 The summary of the annual revenue requirement for the control period has been attached.

8.5 Details of the annual revenue requirement (ARR) for the third control period has been specified In the below table

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PART – B - BUILDING BLOCKS – AIR FREIGHT STATION (AFS)

AIR FREIGHT STATION (AFS)

The Policy Guidelines of Ministry of Civil Aviation (MOCA) on Air Freight Station dated 28.10.2014, states as under:

"1.01 Concept of Air Freight Station
Air Freight Station (AFS) is an off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/export goods loaded and empty Unit Load Devices (ULDs) and cargo in bulk / loose for home consumption, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export. In the case of Express Companies, there could be a dedicated AFS for express cargo or they can also make use of AFS meant for general cargo or ICD to handle air cargo. This initiative of AFS will create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time. By also specially authorising some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs, could be fully utilised. These policy guidelines governing Air Freight Station would be common and binding on all stakeholders concerned in the supply chain of International Air Cargo operations such as Airlines, Air Cargo Terminal operators, Airport Operators, Freight Forwarders / Customs Brokers, Exporters/ Importers and all regulatory organisations.

1.02 Functions of AFS

The primary functions of AFS are summed up as under:-

a. Receipt of Export Cargo for processing and to make the cargo "Ready for Carriage" condition including ULD (Unit Load Device) building of export cargo and scanning of cargo. While ULDs will be the ideal mode of handling cargo for and from AFS, export / import consignments both in palletised / ULD and bulk, loose form shall also be facilitated.
b. Transit operations by road to and from serving Airport.
c. All Customs related requirements for import and exports including inspection of cargo wherever required.
d. Unitization of Cargo.
e. Temporary storage of cargo and Unit Load Device (ULDs).
f. Re-building of ULDs of Export Cargo.
g. De-stuffing of Import Cargo.
h. Storage, Examination, Packing and Delivery of Import Cargo.
i. Auction / disposal of 30 days old uncleared Import Cargo.

j. Maintenance and repair of Unit Load Devices

In a nut shell, all Export and Import cargo clearance including customs related activities like assessment, examination, payment of duties etc. would be provided at the AFS, as is done in any other Customs station. Besides the customs authorities, other cross-border regulatory agencies such as Plant Quarantine office, Drug Controller's office etc., would also be accommodated by the respective AFS enterprise in the same premises. This may include, for example, space for establishment of laboratory for immediate inspection and the area should be well lit.

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1.03 Location of AFS

Greenfield AFS facility can be located anywhere in India subject to fulfilment of all regulatory requirements contained in these guidelines. Setting up of AFS at the existing ICDs which are already notified by Customs would also be permitted."

CHAPTER 9: COMPARATIVE ACTIVITIES OF AFS AND GENERAL CARGO PROCESS

9. The following are the comparative activities of AFS and General cargo:

Activities are categorised into below mentioned broad categories of their process & related charges :

9.1 : Acceptance of Cargo

9.2 : Screening of Cargo

9.3 : Warehousing of Cargo

9.4: Palletization of cargo

9.5: Release of cargo

9.1 Acceptance of Cargo (Process)

Sl No	Elements	General Cargo	AFS
1	Unloading from trucks	✓	✓
2	Ready for Carriage checks	✓	✓
3	Weight and Volume checks	✓	✓
4	Document verification and CTO system updation	✓	✓
5	Digital messages to stakeholders / authorities	✓	✓
6	Barcode labelling and scanning	✓	✓
7	Transporting cargo to Security Hold Area (SHA)	✓	✓
8	Physical security and vigilance of cargo	✓	✓
9		×	✓

9.1.1 Acceptance of Cargo (Charges)

Sl No	Elements	Equipment / Procedure / Resource used	General Cargo	AFS
1	Unloading from trucks	- Forklift - Stacker - BOPT / HOPT - Skids	Terminal Storage and Processing Charges (TSP Levied)	AFS Charges Levied
2	Ready for Carriage checks	- Visual / Physical checks		
3	Weight and Volume checks	- Weighing scale		
4	Document verification and CTO system updation	Computer systems		

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5	Digital messages to stakeholders / authorities	Computer systems		
6	Barcode labelling and scanning	- Barcode scanners - Barcode printers		
7	Transporting cargo to Security Hold Area (SHA)	- Forklift - Stacker		
8	Physical security and vigilance of cargo	- CCTV - Security Guards		
9	Dimensions / Contour and bulge checks			

9.2 Screening of cargo (Process)

Sl No	Elements	General Cargo	AFS
1	Piece-wise screening for detecting explosives or prohibited substances	✓	×
2	Cooling-off procedure for odd size cargo	✓	×
3	Consignment Security Declaration (CSD) provided by CTO to the Carrier as per the regulations	✓	×
4	Documentation verification	✓	×
5	Pasting Security screening labels	✓	×

9.2.1 Screening of Cargo (Charges)

Sl No	**Elements**	**Equipment / Procedure / Resource used**	**General Cargo**	**AFS**
1	Piece-wise screening for detecting explosives or prohibited substances	- Dual-View X-Ray machine - Explosive Vapour Detector - Explosive Tracer Detector - Roller belts - Forklift - Stacker - Skids	X-Ray Machine Charges and X-Ray Certification Charges Levied	No Charges Levied
2	Cooling-off procedure for odd size cargo	- Visual / Physical checks		
3	Consignment Security Declaration (CSD) provided by CTO to the Carrier as per the regulations	- Computer system		

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4	Documentation verification	- Physical checks		
5	Pasting Security screening labels	- Security stickers		

9.3 Warehousing of cargo (Process)

Sl No	Elements	General Cargo	AFS
1	Transporting Cargo to storage racks/SHA	✓	✓
2	Digital messages to Customer Airline	✓	✓
3	Inventory management	✓	✓
4	Physical security and vigilance of cargo	✓	✓

9.3.1 Warehousing of Cargo (Charges)

Sl No	Elements	Equipment / Procedure / Resource used	General Cargo	AFS
1	Transporting Cargo to storage rack/SHA	- Forklift - BOPT - Skids	Charges already included in TSP	AFS Charges already included in TSP
2	Digital messages to Customer Airline	-Computer system		
3	Inventory management	-Customer system		
4	Physical security and vigilance of cargo	-CCTV -Security Guards		

9.4 Palletization of cargo (Process)

Sl No	Elements	General Cargo	AFS
1	Transporting cargo from storage racks to loading bulit-up station	✓	✓
2	Container and Pallet handling / ULD management	✓	✓
3	Palletization of cargo	✓	✓
4	Securing cargo with polythene, belts and lashings	✓	✓
5	ULD weighment	✓	✓
6	Digital messages to Customer Airlines	✓	✓
7	Flight document pouch for Captain and destination	✓	✓
8	Physical security and vigilance of cargo	✓	✓

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9.5 *Release of cargo*

Sl No	Elements	Equipment / Procedure / Resource used	General Cargo	AFS
1	Transporting of cargo from loading build-up station/SHA to release bay	- Roller decks - Dollies - Tug - Scissor lifts	Charges already included in TSP Charges	AFS Charges already included in TSP Charges
2	Flight Manifest creation / ULD Gate pass	- Computer system		
3	Shifting ULDs from release bay to GHA dollies	- Physical handing - Automated release belts		
4	Digital messages to Customer Airlines i.e. FFM and other FSU messages	- Computer system		
5	Physical security and vigilance of cargo	- CCTV - Security Guards		

CHAPTER 10 : CARGO VOLUME PROJECTION (AFS)

10.1 Projected Cargo Volumes of DCSC (AFS):

Recently, there has been lot of interest in development of AFS and it is understood that one of the first AFS will start its operation soon. In the meeting held on 22.01.2019 by the Authority, the proposed AFS Operator cargo operators of IGIA i.e., M/s DCSC and M/s CELEBI, the proposed AFS Operator stated that the AFS facility will bring in at least 40 tons of cargo per day.

In the same meeting, it was decided that that cargo operators of IGIA i.e., M/s DCSC and M/s CELEBI will partake in this pioneering effort and submit a tariff proposal for AFS cargo at Air Cargo Terminal, Delhi. Subsequently, DCSC submitted its Tariff Proposal with AERA on 29.03.2019 and on 17.05.2019 revised Tariff Proposal was submitted with AERA.

Since the carrying capacity on the air side is limited, it is believed that cargo volume that will be brought in by the AFS operator would be the cargo that would have been originally brought to the Cargo Terminal Operator. Cargo that is processed and brought in by AFS operator will get reduced from the volume of Cargo Terminal Operator. DCSC is filing a separate tariff proposal for AFS along with the MYTP for the Cargo Service.

10.2 Since IGIA is saturated in terms of ATM, the Growth percentage has been assumed at 2%.

10.3 Based on the above assumption, the tonnage projected in the current control period as follows:

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Table 14 : Cargo Volume for the 3rd Control Period:

(Rs in Crs.)

Particulars	FY 20	FY 22	FY 23	FY 24	FY 25	FY 26
AFS Tonnage (Treated Separately)			3,650	14,892	15,190	15,494

CHAPTER 11: REGULATORY ASSET BASE (RAB) AND DEPRECIATION (AFS)

11.1 DCSC has projected a Capex Expenditure (CAPEX) for development of Cargo Infrastructure and procurement of Cargo Equipment during for AFS cargo for the Third Control Period (FY 2021-22 to FY 2025-26). The details of Capital Expenditure planned by MCSC for Third Control Period are given below:

Table 15: CAPEX additions proposed for AFS Cargo handling for the 3rd Control Period- AFS

Rs in Crs

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Plant and Machinery	-	2.00	0.20	0.20	0.20	**2.60**
Total	-	**2.00**	**0.20**	**0.20**	**0.20**	**2.60**

11.2 Depreciation on tangible assets and intangible assets is provided on a pro-rata basis under the straight-line value method and the useful life of assets is considered as per the life specified in Schedule II to the Companies Act, 2013. Leasehold Improvements are amortized on straight line basis over lease term. The Depreciation Schedule is provided in the Form 9 of Annexure 2.

11.2.1 : DCSC has computed the depreciation for the 3rd Control period as given in Table below:

Table 16: Depreciation proposed by DCSC for Third Control Period- AFS

(Rs in Crs.)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Plant and Machinery	-	0.09	0.09	0.09	0.09	3.60
Total		**0.09**	**0.09**	**0.09**	**0.09**	**3.60**

11.3 Regulatory Asset Base (RAB):

Computation of Opening, Closing and Average RAB proposed for the 3rd Control Period is given in the Table below:

Table 17: RAB for the Third Control Period – AFS

(Rs in Crs.)

Particulars	3rd Control Period				
	FY 22	FY 23	FY 24	FY 25	FY 26
Opening RAB	-	0.00	1.96	1.97	1.97
+ Additions	-	2.00	0.20	0.20	0.20
(-) Disposals	-	0.00	0.00	0.00	0.00
(-) Depreciation	-	0.04	0.18	0.20	0.23
Closing RAB	-	**1.96**	**1.97**	**1.97**	**1.94**
Average RAB	-	0.98	1.97	1.97	1.96

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Chapter 12: OPERATING & MAINTENANCE EXPENDITURE

12.1 As provided in Clause 9.4 of the CGF Guidelines mentioned in Direction No. 04/2010-11, the Operational and Maintenance (O&M) Expenditure incurred by the Service provider(s) include expenditure incurred on security operating costs, other mandated operating costs and statutory operating costs.

12.2 The Operation and Maintenance (O&M) Cost mainly comprises of the following expenses:

a) Concession Fees

b) Cargo Handling expenses

c) Employee expenses

d) Other Administrative & General (A&G) Expense

All the costs projected in the ARR are based on prudent assumptions keeping in mind the requirement of the agreement entered with DIAL and the service level expectation by the stakeholders.

12.2.1 : Concession Fees:

Concession fees are being paid to DIAL @ 24% of Gross revenue as mentioned in the Concession Agreement dated 19.11.2009.

12.2.2: Cargo Handling expenses:

Cargo handling expenses are incurred for export/import handling services like loading/unloading of cargo, weighment, carting of cargo from/to warehouse etc.

12.2.3: Employee Cost:

It represents the salaries and wages for the employees directly engaged in cargo business at Delhi Airport.

12.2.4: Other Administrative & General (A&G) Expenses :
It represents the administrative and maintenance expenses related to the AFS cargo operations.

12.2.5 DCSC believes that any cost, if given and released in public, would be detrimental to the operations of DCSC. Operating in a competitive environment, the costs are highly confidential in nature and sharing of the same with any external entities is not in the best interest of DCSC. IT IS THEREFORE REQUESTED THAT ALL COST INORMATION SUBMITTED HERE BE KINDLY KEPT CONFIDENTIAL.

All the costs projected in the ARR are based on prudent assumptions keeping in mind the requirement of the agreement entered with DIAL and the service level expectation by the stakeholders.

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12.3 DCSC has submitted the following component-wise actual Operation & Maintenance (O&M) costs incurred during last 3 years of the 2nd Control Period:

12.4 DCSC has submitted the following component-wise proposed Operation & Maintenance (O&M) costs for the Third Control Period:

Table 18: Operating & Maintenance Expenditure for 3rd Control Period – AFS

(Rs in Crs.)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total	FY 23	FY 24	FY 25	FY 26
Payroll Cost (A)	-	0.40	1.84	2.11	2.43	6.78	-	15%	15%	15%
Land Licence Fee	-	0.04	0.17	0.19	0.20	0.60	-	7.50%	7.50%	7.50%
Repair & Maintenance Expenditure (C)	-	0.12	0.56	0.64	0.74	2.06	-	15%	15%	15%
Concession Fees(E)	-	0.28	1.11	1.25	1.41	4.05	-	-	13%	13%
Total Operation and Maintenance Expenditure	-	**0.84**	**3.68**	**4.19**	**4.78**	**13.50**	-	-	14%	14%

CHAPTER 13: FAIR RATE OF RETURN(FROR) - AFS

13.1 : Enclosed are the excerpts of Clause 9.1 of the AERA guidelines ,2011

"9. Regulatory Building Blocks

9.1 Fair Rate of Return (FROR)

9.1.1. The Authority shall determine the Fair Rate of Return (FROR) for a Control Period as its estimate of the weighted average cost of capital for a Service Provider as under:

FROR = (g x Rd) + ((1 – g) x Re)

Where:

g is gearing (i.e. debt/ debt + equity)

Rd is the pre-tax cost of debt

Re is Post-tax cost of equity

9.1.2. The FROR shall be calculated on a nominal basis for a Control Period.

9.1.3. Cost of Equity

The Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Service Provide, subject to the consideration of such factors as the Authority may deem fit.

9.1.4. Cost of Debt

(e) The Authority shall consider the forecast cost of existing debt, subject to the Authority being assured of the reasonableness of such costs based on a review including of its source(s), procedure(s) and method(s) used for raising such debt(s).

For DELHI CARGO SERVICE CENTER PVT. LTD.

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32

(f) *The Authority shall consider the forecast for future cost of (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source(s), procedure(s) and method(s) to be used for raising such debt(s).*

(g) *The Authority shall consider, in respect to the of debt, interest free or concessional loan arrangements, if any.*

(h) *The Authority shall determine a weighted average cost of debt, according to the formula indicated in the Illustration 2 below Clause9.1.7, in a Control Period for the purpose of determination of FROR. The determination of such weighted average cost of debt shall have reference to projected quantum of debt for each Tariff Year in a Control Period.*

9.1.5 *The Authority shall not consider financing costs of any short term debt, with maturity of less than 12 months, in its determination of weighted average cost of debt. The Authority shall instead review such costs according to Clause9.4.*

9.1.6 *The Authority shall consider, in respect of the cost of equity or cost of debt, as the case may be, the nature of all financial instruments being used or proposed to be used to mobilize such funds.*

9.1.7. *Gearing*

The Authority shall determine a weighted average gearing in Control Period for the Purpose of determination of FROR. The determination of such weighted average Gearing shall have reference to actual and projected quantum of debt submitted by Service Provider. The calculation of such weighted gearing shall be based on the fore-cast quantum of debt and equity for each Tariff Year in a Control Period.

It is reiterated that for the Third Control Period, DCSC proposes to adopt the fiscally responsible approach of funding the entire proposed Capex estimated by DCSC through internal accruals and the cash surplus.

Resultantly, the quantum of debt is zero and consequently Cost of Debt for calculation of FRoR will be nil. Thus, FRoR will be equal to the Cost of Equity ('COE') of DCSC.

DCSC proposes the Authority to consider pre-tax COE for the Third Control Period at 19% per annum. The same is a commensurate to the COE considered by the Authority when calculating FRoR of 14%. And would provide reasonable return to DCSC on its investment.

CHAPTER 14: AGGREGATE REVENUE REQUIREMENT (ARR)

14.1 Agreement for providing Regulated Service.

DCSC has been granted permission to provide the Cargo Facilities service at the IGIA Airport by DIAL vide Concession Agreement dated 1911.2009.

For DELHI CARGO SERVICE CENTER PVT. LTD.

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DIAL had issued a Request for Qualification-cum-Request for Proposal (the 'RFQP') for Cargo Concession to the public, inviting, interested parties to submit their applications for undertaking non-exclusive concession to finance, develop, operate, maintain and manage Cargo Facilities at IGIA. DIAL has selected Cargo Service Center India Pvt Ltd as the successful bidder pursuant to the RFQP to undertake Cargo Concession. Copy of Cargo Concession agreement dated 19.11.2009 is provided in Annexure 5.

14.2 Details of Competitive Facilities

As already stated earlier, DCSC is one of the cargo service providers at Delhi Airport. Details of the same are presented below.

Sr. No	Details of Cargo Handling Service Providers at Delhi Airport
1	Celebi Delhi Cargo Terminal Management India Pvt Ltd
2	Delhi Cargo Service Center Private Limited

14.3 Business Plan

The Business Plan including key financial statements like Balance Sheet, Profit & Loss Statements etc. projected for the financial year 2021-22 to 2025-26 has been attached herewith in accordance with the AERA specified formats. Details of key financial statements attached in Forms F2, F3 & F4 of Annexure 2 respectively

14.4 Annual Revenue Requirement

DCSC India has determined its annual revenue requirement in line with the AERA's guideline. Under clause 8.2 and 8.3 of the guideline, AERA has specified the regulatory building blocks for determination of the annual revenue requirement. The relevant extract is as follows:

13 *Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB)*

14 *Operation and Maintenance Expenditure (O)*

15 *Depreciation (D)*

16 *Taxation (T)*

17 *Revenues from services other than Regulated Service(s) (NAR)"*

18 *The Aggregate Revenue Requirement for the Control Period (ARR) shall be expressed as under:*

19 $ARR = \sum(ARR_t)$ and

For DELHI CARGO SERVICE CENTER PVT. LTD.

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20 $ARR_t = (FRoR \times RAB_{t_t}) + D_{t_t} + O_t + T_t - . NAR_t$

21 *Where t is the Tariff Year in the Control Period and ARR_t is the Aggregate Revenue Requirement for year t Estimate of required Fair Rate of Return"*

22 The summary of the annual revenue requirement for the control period has been attached.

14.5 Details of the annual revenue requirement (ARR) for the third control period has been specified In the below table.

Table 19: Projected Annual Revenue Requirement (ARR) -AFS for the 3rd control period:

(Rs in Crs.)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Average RAB	-	0.98	1.97	1.97	1.96	~~6.87~~
Return on RAB (A)	-	0.19	0.37	0.37	0.37	**1.31**
O & M Expenses (B)	-	0.56	2.57	2.94	3.37	**9.45**
Depreciation (C)	-	0.04	0.18	0.20	0.23	**0.66**
Tax @ 34.944 %	-	0.01	0.06	0.07	0.08	**0.23**
ARR per Year (A + B + C +D)	-	**1.08**	**4.30**	**4.84**	**5.46**	**15.69**
Discount Rate	-	19%	19%	19%	19%	
PV Factor	-	1	0.84	0.71	0.59	
PV ARR (E)	-	**1.08**	**3.62**	**3.44**	**3.22**	**11.36**
Revenue from Regulated Service Before Tariff Increase	-	1.08	4.42	4.51	4.60	**14.61**
% Tariff Increase Proposed	-		**7%**			
Revised Revenue with Proposed Tariff Increase	-	1.08	4.72	4.81	4.91	**15.52**
PV Factor	-	1	0.84	0.71	0.59	
PV of Revenue after Tariff Increase	-	**1.08**	**3.96**	**3.42**	**2.90**	**11.36**

Table 20: Revenue from regulated service before Tariff Increase - AFS:

Particulars	**FY23**
ARR per Year (Rs in Crs)	1.08
Projected Tonnage (MT)	3650
Yield /MT (Rs/MT)	2,968

For DELHI CARGO SERVICE CENTER PVT. LTD.

Authorised Signatory

Table 21: Revenue from regulated service after Tariff Increase - AFS for 3rd Control Period

Rs.in Crs

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Projected Tonnage (MT)	-	3650	14892	15190	15494
Yeild /MT (Rs/MT)	-	2,968	3,168	3,168	3,168
Expected Revenue (Rs in Crs)	-	1.08	4.72	4.81	4.91

Table 22: Proposed Tariff for AFS Cargo (Rs/kg)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Tariff (Rs per kg)	-	2.97	3.17	3.17	3.17

14.6 In order to cover the deficit percentage as mentioned in the above table, following tariff increase is proposed for cargo operations in DCSC.

Table 23: Proposed Tariff Increase - AFS for 3rd Control Period

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Tariff Increase Proposal	-	-	7%	-	-

In light of the above, DCSC requests the Authority to approve the tariffs and in this regard is also submitting the Annual Tariff proposal (ATP) as per the AERA guidelines under clause A1.8 in the specified in Form F14.

15 List of Annexures enclosed along with document:

Annexure	Particulars
1	Copies of SHGA agreement
2	Copy of Techno Economic Feasibility Report (TEFR)for Jewar Airport
3	MYTP - City side & Air side duly signed for the 3rd control period
4.1	ATP - City side & Air side Duly signed for the FY 22-23 – General Cargo
4.2	ATP - duly signed for the FY 22-23 – AFS Cargo
5	Concession Agreements
6	Audited Financials for the year 2020-21
7	Provisional Financials for FY 2021-22

For DELHI CARGO SERVICE CENTER PVT. LTD.

Authorised Signatory

Form F9: Formats for Forecast and Actual Roll-forward Regulatory Asset Base (RAB)

Rs. In Crs

	Financial Year	2019-2020	2020-2021	2021-22	2022-23	2023-24	2024-25	2025-26
A	**Opening Regulatory Asset Base (RAB)**							
	Furniture & Fixtures	0.34	0.38	0.34	0.29	0.65	0.58	0.52
	Office Equipment	0.30	0.31	0.28	0.51	1.68	1.53	1.43
	Leasehold improvements (Office premises & Cargo Premises)	137.13	128.41	117.98	108.81	129.08	216.66	200.63
	Electrical equipment's & Computers (including software)	7.01	5.10	3.38	1.75	11.91	29.37	27.22
	Plant & Machinery	11.27	12.10	10.54	15.47	25.36	122.63	149.10
	Vehicle	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Opening Rab (Excl Goodwill)	**156.04**	**146.31**	**132.53**	**126.83**	**168.69**	**370.77**	**378.90**
A1	**Security Depsoit - DIAL**	**37.23**	**51.08**	**69.39**	**70.89**	**101.28**	**101.28**	**101.28**
A2	**Total Opening Rab (Excl Goodwill)**	**193.27**	**197.39**	**201.92**	**197.72**	**269.97**	**472.05**	**480.18**
B	**Additions /WIP Capitalisation**							
	Furniture & Fixtures	0.15	0.09	0.08	0.52	0.00	0.00	0.00
	Office Equipment	0.10	0.07	0.44	1.67	0.00	0.00	0.00
	Leasehold improvements (Office premises & Cargo Premises)	1.77	0.12	1.25	32.87	110.18	6.56	0.00
	Electrical equipment's & Computers (including software)	0.12	0.18	0.33	12.19	19.67	0.00	8.57
	Plant & Machinery	3.99	1.52	8.19	12.74	109.97	43.44	41.43
	Vehicle	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Wip Capitalisation (Excl Goodwill)	**6.13**	**1.96**	**10.29**	**59.99**	**239.82**	**50.00**	**50.00**
B1	**Security Depsoit - DIAL**	**13.85**	**18.31**	**1.50**	**30.39**	**0.00**	**0.00**	**15.64**
B2	**Total Addition**	**19.98**	**20.27**	**11.79**	**90.38**	**239.82**	**50.00**	**65.64**
C	**Disposals /Transfers(Net of Depreciation on disposal)**							
	Furniture & Fixtures	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Office Equipment	0.00	0.00	0.06	0.00	0.00	0.00	0.00
	Leasehold improvements (Office premises & Cargo Premises)	0.00	0.00	0.01	0.00	0.00	0.00	0.00
	Electrical equipment's & Computers (including software)	0.00	0.00	0.02	0.00	0.00	0.00	0.00
	Plant & Machinery	0.00	0.00	0.12	0.00	0.00	0.00	0.00
	Vehicle	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Disposals /Transfers (Excl Goodwill)	**0.00**	**0.00**	**0.22**	**0.00**	**0.00**	**0.00**	**0.00**
C1	**Security Depsoit - DIAL**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C2	**Total Disposals /Transfers (Excl Goodwill)**	**0.00**	**0.00**	**0.22**	**0.00**	**0.00**	**0.00**	**0.00**
D	**Depreciation Charge**							
	Furniture & Fixtures	0.11	0.12	0.13	0.15	0.08	0.06	0.03
	Office Equipment	0.09	0.09	0.15	0.50	0.15	0.11	0.08
	Leasehold improvements (Office premises & Cargo Premises)	10.48	10.55	10.41	12.60	22.60	22.59	22.58
	Electrical equipment's & Computers (including software)	2.02	1.90	1.95	2.02	2.22	2.15	3.07
	Plant & Machinery	3.16	3.08	3.14	2.85	12.70	16.97	21.55
	Vehicle	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Depreciation Charge (Excl Goodwill)	**15.86**	**15.74**	**15.77**	**18.13**	**37.74**	**41.87**	**47.31**
D1	**Security Depsoit - DIAL**							
D2	**Total Depreciation Charge (Excl Goodwill)**	**15.86**	**15.74**	**15.77**	**18.13**	**37.74**	**41.87**	**47.31**
E	**Closing Regulatory Asset Base (RAB)**							
	Furniture & Fixtures	0.38	0.34	0.29	0.65	0.58	0.52	0.49
	Office Equipment	0.31	0.28	0.51	1.68	1.53	1.43	1.35
	Leasehold improvements (Office premises & Cargo Premises)	128.41	117.98	108.81	129.08	216.66	200.63	178.05
	Electrical equipment's & Computers (including software)	5.10	3.38	1.75	11.91	29.37	27.22	32.72
	Plant & Machinery	12.10	10.54	15.47	25.36	122.63	149.10	168.98
	Vehicle	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total Closing Rab (Excl Goodwill)	**146.31**	**132.53**	**126.83**	**168.69**	**370.77**	**378.90**	**381.59**
E1	**Security Depsoit - DIAL**	**51.08**	**69.39**	**70.89**	**101.28**	**101.28**	**101.28**	**116.92**
	Total Closing Rab (Excl Goodwill)	**197.39**	**201.92**	**197.72**	**269.97**	**472.05**	**480.18**	**498.51**
F	**Average Rab (Excl Goodwill)**	**195.33**	**199.65**	**199.82**	**233.84**	**371.01**	**476.11**	**489.34**

Tonnage Projection by DCSC for the 3rd Control period

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26
Total Tonnage	315,485	321,467	244,067	270,054	255,774	260,915	207,761	202,562
Add:								
UPS								
Blue Dart								
Tonnage	**315,485**	**321,467**	**244,067**	**270,054**	**255,774**	**260,915**	**207,761**	**202,562**
Growth %tage					2%	2%	2%	2%
Add:								
Growth YOY					5,115	5,218	4,155	4,051
AirAsia - Domestic				13,600	13,872	14,149	14,432	14,721
Vistara Airlines -Domestic				55,800	56,916	58,054	59,215	60,400
AFS Tonnage (Treated Seperately)				0	14,600	14,892	15,190	15,494
Jewar Airport (Market adjustment)				0	0	0	59,600	70,400
Projected Gross Tonnage	**315,485**	**321,467**	**244,067**	**339,454**	**346,277**	**353,229**	**360,354**	**367,628**
Less					**1.020**	**1.020**	**1.020**	**1.020**
AirAsia - Domestic (Market adjustment)				0	3,468	14,149	14,432	14,721
Vistara Airlines -Domestic (Market adjustment)				0	14,229	58,054	59,215	60,400
AFS Tonnage (Treated Seperately)				0	3,650	14,892	15,190	15,494
Jewar Airport (Market adjustment)				0	0	0	59,600	70,400
Projected Net Tonnage	**315,485**	**321,467**	**244,067**	**339,454**	**324,930**	**266,133**	**211,916**	**206,614**
Tonnage Growth %				5.6%	-4.3%	-18.1%	-20.4%	-2.5%

Form F3 Historical and Profit and Loss Account (refer Section AI 4 of Appendix 1)

Rs. In Crs.

S.N.	Particulars	(FY 2020-21)	Tarrif Year 1 (FY 2021-22)	Tarrif Year 2 (FY 2022-23)	Tarrif Year 3 (FY 2023-24)	Tarrif Year 4 (FY 2024-25)	Tarrif Year 5 (FY 2025-26)
1	**Revenue**						
	Revenue From Regulated Services	282.85	405.02	305.76	409.97	483.92	527.16
	Revenue From Other Than Regulated Services	0.00	0.00	0.00	0.00	0.00	0.00
2	**Operation & Maintenance Expenditure**						
	Pay Roll Costs	32.83	45.92	52.81	60.73	69.84	80.31
	Administrative & General Expenses	54.12	62.44	71.59	78.92	87.09	96.21
	Repair & Maintenance Expenditure	4.41	6.96	8.01	9.21	10.59	12.18
	Utilities (Electricity)Expenses	5.28	7.00	8.05	9.25	10.64	12.24
	Concession Fees	71.47	103.39	78.88	105.77	124.85	136.01
3	**Earnings before depreciation, interest and taxation (EBDIT) (3) = (1) - (2)**	**114.74**	**179.30**	**86.41**	**146.09**	**180.91**	**190.22**
	Depreciation And Amortisation	15.74	15.77	18.13	37.74	41.87	47.31
4	**Earning Before Interest And Taxation (EBIT)**	**99.00**	**163.53**	**68.29**	**108.34**	**139.04**	**142.91**
	Total Interest And Finance Charges	16.80	7.82	4.09	4.09	4.09	4.09
5	**Profit/ (Loss) before tax**	**82.20**	**155.71**	**64.20**	**104.25**	**134.95**	**138.82**
	Provision for Tax	3.54	(5.41)	22.43	36.43	47.16	48.51
6	**Profit/(Loss) after tax**	**78.66**	**161.12**	**41.76**	**67.82**	**87.79**	**90.31**
7	**Balance Carried To Balance Sheet**	**78.66**	**161.12**	**41.76**	**67.82**	**87.79**	**90.31**

Form F11(e): Utilities (Electricity)Expenses **Rs. In Crs**

S. N.	Particulars	2020-2021	2021-22	2022-23	2023-24	2024-25	2025-26
	Utilities Cost						
A	Power Charges	5.28	7.00	8.05	9.25	10.64	12.24
	Total	**5.28**	**7.00**	**8.05**	**9.25**	**10.64**	**12.24**

Form F11(f): Other Outflows **Rs. In Crs**

	Particulars	2020-2021	2021-22	2022-23	2023-24	2024-25	2025-26
A	Concession Fees	71.47	103.39	78.88	105.77	124.85	136.01

Form F11(c): Admin & General Expenses Rs. In Crs

S.N.	Particulars	2020-2021	2021-22	2022-23	2023-24	2024-25	2025-26
A	**Administrative Charges**						
	Rates & Taxes	0.49	0.51	0.59	0.67	0.77	0.89
	Lease and hire charges	4.01	5.37	6.18	7.10	8.17	9.40
	Rent	0.00	0.00	0.00	0.00	0.00	0.00
	Travelling and conveyance	1.24	1.44	1.65	1.90	2.19	2.52
	Communication	0.65	0.95	1.09	1.25	1.44	1.65
	Printing and stationery	0.48	0.81	0.94	1.08	1.24	1.42
	Housekeeping expenses	1.96	2.24	2.57	2.96	3.40	3.91
	Software Maintenance & License Charges	1.20	1.25	1.43	1.65	1.90	2.18
	Advertisement and business promotion expenses	0.03	0.13	0.15	0.17	0.20	0.23
B	**Consultancy / Advisory Expenses**						
	Audit Fees & Other Professional Charges	0.87	1.04	1.19	1.37	1.58	1.81
C	**Other Charges**						
	Cargo handling charges	0.00	0.00	0.00	0.00	0.00	0.00
	Contracted manpower costs	1.51	2.03	2.33	2.68	3.08	3.55
	License fees	36.99	39.76	45.51	48.92	52.59	56.54
	Security Charges	2.49	3.65	4.20	4.82	5.55	6.38
	Insurance Cost	1.38	1.86	2.13	2.45	2.82	3.24
	Packing materials	0.39	0.29	0.33	0.38	0.44	0.50
	Miscellaneous expenses	0.43	1.13	1.30	1.50	1.73	1.98
D	**Grand Total**	**54.12**	**62.44**	**71.59**	**78.92**	**87.09**	**96.21**
E	Administrative & General expenses Capitalised						
F	**Net Admin & General Expenses**	**54.12**	**62.44**	**71.59**	**78.92**	**87.09**	**96.21**

Projected Annual Revenue Requirement (ARR) by DCSC for the 3rd Control Period has been reproduced below :

Particulars	(FY 2021-22)	(FY 2022-23)	FY 2023-24	FY 2024-25	FY 2025-26	Total
Average RAB	199.82	233.84	371.01	476.11	489.34	1770.13
Return on RAB (A)	37.97	44.43	70.49	90.46	92.98	336.32
O & M Expenses (B)	225.72	219.34	263.89	303.01	336.95	1348.91
Depreciation (C)	15.77	18.13	37.74	41.87	47.31	160.82
Tax @ 34.944 %	21.79	23.87	37.86	48.59	49.94	182.05
ARR per Year (A + B + C +D)	**301.24**	**305.77**	**409.98**	**483.93**	**527.18**	**2028.10**
Discount Rate	19%	19%	19%	19%	19%	
PV Factor	1.00	1.00	0.84	0.71	0.59	
PV ARR (E)	**301.24**	**305.77**	**344.52**	**341.74**	**312.83**	**1606.10**
Revenue from Regulated Service Before Tariff Increase	405.14	350.29	280.76	218.67	213.20	1468.06
% Tariff Increase Proposed	0%	38%	38%	38%	41%	
Revised Revenue with Proposed Tariff Increase	405.14	483.40	387.45	301.76	301.39	1879.14
PV Factor	1.00	1.00	0.84	0.71	0.59	
PV of Revenue after Tariff Increase	**405.14**	**483.40**	**325.59**	**213.10**	**178.85**	**1606.07**