

6th March 2023

To
Director (P&S, Tariff),
Airports Economic Regulatory Authority of India (AERA),
AERA Administrative Complex,
Safdarjung Airport, New Delhi – 110003, India

Dear Sir,

Sub: Regarding CP 15/2022-23 in the Matter of Determination of Tariff in Respect of Cargo Handling Services for GMR Hyderabad Air Cargo (GHAC) – Submission of Comments – Reg.

This is with reference to our Multi Year Tariff Proposal (MYTP) for the 3rd Control Period submitted to the Authority and subsequent release of the Consultation Paper (Ref. No. 15/2022-23) by AERA dated 14th Feb'2023.

In this regard, GMR HYD Air Cargo (GHAC) humbly requests the Authority to consider the below points:

1. Cost of Debt for FRoR

The Authority has considered Cost of Debt @ 9.00% based on RBI publication of June'22. Post June'22, the RBI has increased the Repo Rate in August'22, September'22, December'22 and recently in February'23 by a total of 140 basis points during this period. The 1-year MCLR of various scheduled banks has also increased by 120-130 basis points between Jun'22 and Feb'23. E.g., SBI increased from 7.20% (15 May'22) to 8.50% (15 Feb'23), ICICI increased from 7.55% (1 Jun'22) to 8.70% (1 Feb'23).

In view of the same, we request the Authority to consider Cost of Debt @ 10.40% instead of current 9.00% while calculating FRoR.

2. Cargo Volume Growth Rate

In our MYTP submission dated 14 July'22 we had considered the projected cargo volume for full year FY23 based on Q1 FY23 actuals market growth rates and prevailing macro-economic scenario. During this YTD period of 3 months, the market was growing at 6.6% (average growth rate for HYD, DEL, BOM, BLR, MAA, CCU, COK) and accordingly we had considered a growth rate of 10.4% for full year FY23, which was around 3.8% higher growth rate w.r.t. the

market. Subsequently, due to elapsed time period since July'22 submission and significant change in macro-economic scenario (slowdown), we had, vide our submission dated 19 Jan'23, submitted revised figures based on the actual YTD FY23 10-month figures updating our Cargo volumes as well as CAPEX scheduling and OPEX. As per this revised submission, the cargo volume growth rate for the full year FY23 was considered at 1.8% YoY growth i.e., from 125,755 MT (FY22) to 127,998 MT (FY23) which was 3.3% higher than the market growth rate of -1.5% (average growth rate for HYD, DEL, BOM, BLR, MAA, CCU, COK) for the YTD FY23 10-month period of Apr'22-Jan'23. This revised submission was fully aligned and consistent with our earlier submission only, factoring in the actual performance of the market. In fact, for the subsequent period i.e., for FY24, 25 and 26, we have taken CAGR of 8% which was also the same as in our initial July'22 submission.

In view of the above we request the Authority to consider cargo volume as per our submission dated 19th Jan'23 which is more representative of the actual cargo volume numbers for FY23.

3. Correction in International Express/Courier Handling Charges

In our CP 15/2022-23, Page No. 33, Para 8.2.3, the Authority has proposed for uniform tariff increase in percentage terms to Export, Import & International Express Cargo handling services as below:

"The Authority feels that a significant portion of total CAPEX & OPEX is incurred on providing of Import Cargo Handling Services, therefore, CAPEX & OPEX thereof should be allocated to Import Cargo Services also.

It would not be appropriate to load entire burden of proposed Tariff increase to Users of Export Cargo Handling Services, as it will adversely affect the price competitiveness of export goods.

In view of the above, the Authority proposes to consider uniform tariff increase in percentage terms to Export, Import & International Express Cargo handling services, as given in the ARR Table 19 below. The above is in line with AERA's consistent approach regarding uniform rate of Tariff increase for all the services provided by the ISP."

The uniform Tariff increase proposed as per Table 19 is 32%, 20%, 20% for FY24, FY25 and FY26 respectively. However, the same has been missed in the Tariff Rate Card proposed by the Authority as in Annexure VI, page no. 76.

We request the Authority to address this and make the same uniform Tariff increase of 32%, 20% and 20% for International Express Cargo also.

4. Regarding Import TSP Tariff

We had proposed no increase in Imports TSP till FY2026 as Airlines operating from Hyderabad Airport are facing directional imbalance between imports (~25% of Intl.) and exports (~75%



of Intl.) which is making the freighter airlines to impose higher export freight rates out of HYD to make-up for this imbalance. In order to address this imbalance and facilitate better and competitive freight rates for both Exporters and Importers from our region we had proposed not to increase the Import TSP for few years (till FY26) as a measure to indirectly support growth of both Export and Import cargo. Hence, our proposed approach was not at all intended to load Exports at the cost of Import.

Accordingly, we once again request the Authority to consider our request to not increase Import TSP till FY26 and suitably adjust the differential ARR with increase in non-Import TSP tariff line items.

Thanking you

Yours sincerely,

For **GMR Hyderabad Air Cargo** (A division of GMR Air Cargo and Aerospace Engineering Ltd)

Saurabh Kumar


Saurabh Kumar
Chief Executive Officer