GOA INTERNATIONAL AIRPORT
GMR Goa International Airport Limited

GMR

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Letter No. - GGIAL/AERA/2023-24/1783
Date – 29th Sep'2023

To,

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

Sub: Submission of the comments to the Consultation Paper for the 1st Control Period of Manohar International Airport, Mopa, Goa (GOX).

Reference: Consultation Paper no 11/2023-24 dated 31.08.2023

Dear Sir,

We write with reference to the consultation paper issued by the Authority for the Manohar International airport captioned above. The Authority in the consultation paper has directed stakeholders to submit the comments to the consultation paper latest by 29th September 2023.

We hereby submit our comments to the consultation paper issued by the Authority, as Annexure A, for your kind consideration.

Thanking you
For GMR Goa International Airport Ltd.

NARAYANA
RAO KADA

Digitally signed by NARAYANA RAO KADA
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K Narayana Rao
Director

Manohar International Airport
MOPA, GOA

Response to

Consultation Paper No. 11/2023-24 dated 31st August 2023

Contents

1 Determination of Tariff for the Period from COD (5th January) to 31st March 2023

1.1 Pre-Control Period Expenses

Authority's consideration

Authority considered total Expenditure of Rs. 55.79 crores for the period from COD to 31st March 2023. Further, the Authority notes that GIAL, Mopa, Goa has prepared Financial Statements following Indian Accounting Standards (IND AS) on 31st March 2023. Accordingly, certain notional entries have been passed relating to Finance cost, Security deposit etc. to ensure IND AS compliance on security deposit and lease. The Authority proposes to exclude such notional IND AS adjustments from Operating expenditure for the purpose of true up exercise.

The Authority has explained its analysis on allocation ratios for Aeronautical expenses in para 8.2.1 (I). The Authority proposes to use the same and accordingly consider Rs. 55.43 crores as Aeronautical expenses for the period from COD to 31st March 2023 as presented below:

Particulars	**Reference**	**Amount**
Operating Expenditure as per Financial Statement (Refer Annexure 3)	A	55.79
IND AS adjustment (Lease rentals on equipment was capitalized as Asset under IND AS, this has been treated as Operating expenditure) (Refer Annexure 3)	B	2.99
Amount proposed to be considered by the Authority	C=(A+B)	**58.78**
Impact of Allocation Ratio	D	3.35
Aeronautical Opex	E=C-D	**55.43**

GGIAL's response

A. Commercial Operation Date

Provisions of Concession Agreement

As per the Clause 15.1.1 of the GGIAL Concession Agreement (the "CA"), the Airport shall be deemed as completed when the Completion Certificate or the Provisional Certificate, as the case may be, is issued under the provisions of Article 14, and accordingly the Commercial Operation Date (COD) of the Airport shall be the date on which such Completion Certificate or the Provisional Certificate is issued and the Concessionaire shall have obtained the Applicable Permits, including the license from DGCA to operate the Airport (the "COD"). The Airport shall enter into commercial service on COD whereupon the Concessionaire shall be entitled to demand and collect Fee in accordance with the provisions of Article 31.

Compliance to the above conditions:

1) Office of the Director General of Civil Aviation (DGCA), Govt of India vide its letter dated 26th October 2022 issued the Aerodrome License- Public use.
2) Independent Engineer M/s. Engineers India Limited issued provisional certificate dated 7th December 2022.
3) Company communicated the COD as 7th December 2022 to GoG vide its letter dated 13th Dec'22
4) Independent Engineer - M/s. Engineers India Limited issued provisional certificate dated 24-May-23, specifying that "all works forming part of Airport have been completed, and the Airport is ready for entry into commercial operation on 7th December 2022."

Further it is evident from the Prime Minister movement flight and positioning flights which also travelled at MOPA for Airport Inauguration on 11th December 2022 successfully. This would not have been possible if all the facilities were not maintained as per the licensing conditions. Hence the Airport effectively became operational for these movements from 7th December 2022.

Considering the above, the GMR Goa International Airport, MOPA declared COD as on 7th December 2022.

While allowing operational expenses, the Authority considered COD as 5th January 2023 and allowed operational expenses accordingly from 5th January 2023. In this regard we would like to highlight that this approach of not allowing expenses incurred from 7th December 2022 to 5th January 2023 either as operational expenses or as capital expenditure is not in line with expected principal of regulatory which ensures complete recovery of expenses incurred by Airport Operator. This approach of AERA will result in reduction in UDF by undermining of actual expenses and consequently not allowing the Airport Operator to recover its cost actually incurred. Hence, it is requested to consider the operational expenses including lease rentals w.e.f. COD i.e. 7th December 2022.

Thus, the Airport was commissioned on 7th December 2022, though it commenced 1st flight on 5th January 2023. <u>However, the Authority has not considered expenses incurred from the COD i.e. 7th December 2022 to 5th January 2023 either as operational expenses or as capital expenditure</u>.

<u>B. Lease Expenses</u>

The Authority has not deliberated upon the lease rental expenses incurred during Pre-Control period in relation to equipment leased by the Airport Operator. The lease rentals pertain to leased equipment's worth Rs. ~80 Cr. The lease rental expenses for the year FY 2024 comes to Rs 14.76 Cr. While the Authority has considered the lease expenses in the projections for the period FY 2024 onwards, the same has not been considered for the period starting from COD to 31st March 2023. The corresponding amount booked under actuals of FY 2022-23 as financial statements includes the above mentioned lease rental expense apart from lease accounting of solar asset and the break-up is as follows:

1) Interest Component in Note no. 23 (Ind AS financials) of amount Rs. 2.89 Cr

2) Amortization of right of use assets of in Note no. 24 of amount Rs. 3.29 Cr

It seems that the lease expenses, as mentioned above have been missed by the Authority. We request the Authority to consider the expenses as mentioned above in the final determination.

1.2 Land Development Cost considered as a separate item

<u>Authority's consideration</u>

AERA has considered Land Development Cost as a separate line item and has depreciated it over balance period of 36.5 years. The relevant excerpt of para 3.2.10 and 3.2.11 of the consultation paper listing Authority's observations on land development cost is as follows:

The Authority notes that GIAL, Mopa, Goa has undertaken development activities on the land provided by the GoG on lease for the construction of Manohar International Airport, Mopa, Goa. These activities have been done across the area of land, to prepare the same for further construction activities. The Authority notes the details mentioned in the Order 35/2017-18 dated 12th January 2018 as presented below: "Land development activities in relation to Airports comprise of preparing and leveling the land to be fit for further development activities relating to Airside works, Buildings, Roads etc. Land development activities carried out before further construction works are done, are permanent in nature and do not need to be altered / changed in any time in future and do not have a determinate useful life. Where Land is owned by the company, these are generally to be treated as part of the Land value and is not to be depreciated. In cases where the development activities are carried out on land which is leased to the Airport Operator, the development charges are generally to be charged off over the period of the lease rentals. Land Development related costs should be identified and accounted as a separate line item under a sub-head of "Land Development" cost. If the land is leased to the Airport Operator, Land development cost shall be depreciated over the balance period of lease term."

As per Annexure 1 of Order 35/2017-18 dated 12th January 2018, Land Development Cost incurred on Leased land is to be amortized over the lease period. The Authority notes that this practice has also been followed in Authority's Order No. 11/2021-22 dated 28th August 2021 on determination of Aeronautical tariff for third control period for BIAL.

Accordingly, the cost of Rs.792.73 crores incurred on Land Development (including loading of FA and other indirect cost) is proposed to be considered as a separate line item which will be depreciated over the balance lease period of 36.5 years.

<u>GGIAL's response</u>

Ind AS 16 Property, Plant and Equipment notified by the Ministry of Corporate Affairs, Govt. Of India deals with measurement of cost of property, plant and equipment.

Relevant extract of Ind AS 16 is as follows:

<u>Element of Cost of an asset:</u>

Para 16 The cost of an item of property, plant and equipment comprises:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

b) *any **costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management**.*

c) *the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.*

Para 17 Examples of directly attributable costs are:

a) *costs of employee benefits (as defined in Ind AS 19, Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment;*

b) *costs of site preparation;*

c) *initial delivery and handling costs;*

d) *installation and assembly costs;*

e) *costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and*

f) *professional fees.*

Based on the above understanding, the cost of site preparation is the directly attributable cost for all immovable assets and these costs are directly allocated to these assets, since Property, Plant and Equipment recognises only tangible assets. Further, it is in line with the allocation of other soft costs i.e., employee benefits listed under (a); professional fee i.e., architecture, design, project engineering etc., which are allocated to these immovable assets.

Accordingly, GGIAL has considered the stand of allocating the site preparation costs i.e., earth works to immovable properties developed at the site i.e., Runway, Taxiway, Apron, Terminal Building etc.,

Further, this is again re-iterated in the Educational/Technical material provided by ICAI in its note on allocation of these assets. Below is the extract of the same.

"

In accordance with the above paragraphs, the initial carrying value of the factory is computed as below:

Particulars	Amount (Rs. in thousands)	Amount capitalised (Rs. in thousands)	Remarks
Costs of dismantling existing structures on the site (demolition costs)	500	500	Site preparation costs which are directly attributable to the building (cost of getting the asset ready for use in the manner intended by the management)
Material consumed to construct the factory	6,000	6,000	Directly attributable cost
Employment costs	1,800	1,600	Employment costs for the period of 8 months are directly attributable. Therefore, costs to be capitalised is Rs. 1600 (i.e., 8/9 x 1,800)
Other costs directly related to the	1200	1,000	Directly attributable cost excluding

"

As showcased above, cost of dismantling existing structures on the site is directly attributable to the building. GGIAL in its fixed asset register has also considered the land development cost as costs directly attributable to various assets and allocated accordingly. Hence, we request the Authority to treat the "Land Development" as directly attributable to various heads of capital cost instead of a separate line item as proposed by the Authority.

2 Traffic for the First Control Period

2.1 Traffic Assessment for FY 2023-2024

Manohar International Airport Limited, Airport, Mopa, Goa (GGIAL) was commissioned on 7th December 2022 and first domestic commercial flight was scheduled on 5th January 2023 and subsequently International Operations commenced from 21st July 2023. GGIAL has handled 1.87 Mn passengers during H1 of FY 2024. Actual month on month traffic during FY 2024 are as per below table: -

Pax traffic (in Mn.)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep 23 (E*)	H1 FY 24
Domestic	0.33	0.34	0.31	0.27	0.29	0.32	1.86
International	-	-	-	0.00	0.00	0.00	0.01
Total	0.33	0.34	0.31	0.27	0.30	0.32	1.87

*Estimated

The primary reason for lower traffic than projected by CRISIL during the period is on account of late commencement of International Operations, GoAir stopped the operations from 2nd May 2023, followed by reservations of seats for Haj Pilgrimage. The expected traffic during Oct 2023 will be 0.35 Mn.

GGIAL has received initial slots filing for Winter Schedule 2023 (WS 23) from both Domestic and International carriers which is as follows.

Initial Slots request for WS 23

No	Domestic Airline	Avg. No. of Departure / day	Avg. ATMs / day
01	IndiGo	24	48
02	Akasa Air	14	28
03	Spice jet	13	26
04	Vistara	7	14
05	Go First	7	14
06	Air India	4	8
07	AIX Connect	4	8

08	Star Air	3	6
	Sub-Total Dom (A)	76	152
	International	**Avg. No. of Departure / week**	**Avg. ATMs/week**
09	Air India	3	6
10	IndiGo	3	6
11	Gulf Air	4	8
12	Oman Air	7	14
13	Arkia Israel	1	2
14	Aero Nomad	1	2
15	Qatar Airways	7	14
16	TUI	4	8
Sub-Total Int'l/week		30	60
Sub-Total Int'l/day (B)		4	8
Grand Total/Day (A+B)		**80**	**160**

Considering conversion of 80% initial slots filing into actual operations, MIA is expected to handle 128 ATMs per Day from 29th October 2023 till 31st Mar 2024. Hence the expected traffic from Nov 2023 till Mar 2024 will be: -

Description	Nos
No of ATMs / day	128
Pax / ATM	150
Expected Traffic per month (in Mn)	0.58
Expected Traffic from Nov'23 to Mar'24 (in Mn)	2.90

The estimated traffic during FY 2024 at GGIAL will be as per below table:

Description	Traffic (in Mn)
Actual Traffic from Apr 23 till Sep 23	1.87
Expected Traffic in Oct 2023	0.35
Expected Traffic from Nov 23 till Mar 24	2.90
Total Traffic for FY 2024	5.12

Based on above facts the Authority is requested to kindly consider traffic for FY-24 as 5.12 Mn instead of our submission and AERA proposal of 6.88 Mn.

2.2 Passenger Traffic

Authority's consideration

AERA has considered total domestic passengers in place of billable domestic passengers for calculation of YPP. The relevant excerpt of para 4.2.3 of the consultation paper listing Authority's observations on passenger traffic is as follows:

The Authority notes that GGIAL, Mopa, Goa has only considered billable domestic passengers, excluding 2% of domestic passenger traffic. The Authority notes that Government of India has allowed exemption of UDF to certain categories of passengers through Order No. AIC 14/ 2019 read with AIC 20/ 2019. GGIAL, Mopa, Goa cannot claim any passthrough regarding UDF on such categories and this is followed by AERA across at all Major Airports. Therefore, there is no reason to consider the billable PAX traffic separately, as the Authority follows a consistent approach across all Major Airports, that naturally accounts for such considerations while projecting aeronautical revenues. The Authority notes that if this has been considered differently in any of the recent tariff orders, the same will be changed at the time of true up.

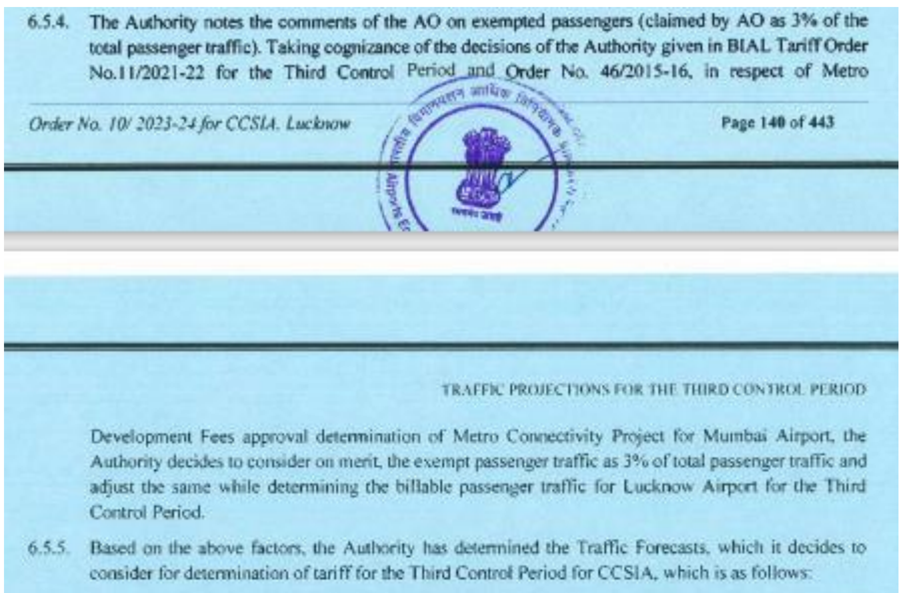
GGIAL's response

A key consideration in YPP Calculation is passenger traffic. Any underestimation of such traffic adversely affects YPP numbers. In this regard, AERA has itself asserted that certain categories of passengers have been exempted through Government Order. The passengers that will pay UDF only should be considered in calculations as the airport can recover its cost only from such passengers.

In this regard we would like to highlight that AERA has not considered exempt passengers is not in line with expected principal of regulatory which ensures timely and complete recovery of approved ARR. This approach of AERA will result in reduction in UDF and consequently not allowing Airport Operator to timely recover its approved ARR.

With respect to exempted passengers, we would like to draw the attention of the Authority on the tariff order for Chaudhary Charan Singh International Airport, Lucknow for the Third Control Period, Order No. 10/2023-24. (Clause 6.5.4 and Clause 6.5.5). The Airport Operator had adjusted the total traffic to account for billable passenger traffic. The Airport Operator had requested for 3% of the traffic to be considered as exempt, which AERA had accepted citing that it had taken similar decisions in BIAL Tariff Order No. 11/2021-22 and Order No. 46/2015-16 in respect of Metro Development Fees approval determination of Metro Connectivity Project for Mumbai Airport._The relevant extract for Lucknow Order has been attached below.

"



6.5.4. The Authority notes the comments of the AO on exempted passengers (claimed by AO as 3% of the total passenger traffic). Taking cognizance of the decisions of the Authority given in BIAL Tariff Order No.11/2021-22 for the Third Control Period and Order No. 46/2015-16, in respect of Metro

Order No. 10/ 2023-24 for CCSIA, Lucknow Page 140 of 443

TRAFFIC PROJECTIONS FOR THE THIRD CONTROL PERIOD

Development Fees approval determination of Metro Connectivity Project for Mumbai Airport, the Authority decides to consider on merit, the exempt passenger traffic as 3% of total passenger traffic and adjust the same while determining the billable passenger traffic for Lucknow Airport for the Third Control Period.

6.5.5. Based on the above factors, the Authority has determined the Traffic Forecasts, which it decides to consider for determination of tariff for the Third Control Period for CCSIA, which is as follows:

Table 67: Traffic decided by the Authority for the Third Control Period

Domestic Passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Domestic PAX submitted by AO	46.97	31.00	44.00	54.12	65.49	77.93	**272.54**
Domestic PAX decided by the Authority (A)		27.11	43.47	54.12	65.49	77.93	**268.12**
AO's submission as a % of FY 2019-20 traffic		66%	94%	115%	139%	166%	
Traffic as per Authority as a % of FY 2019-20 traffic		58%	93%	115%	139%	166%	
Domestic exempted PAX %	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Average**
Submitted by AO		3%	3%	3%	3%	3%	3%
As per the Authority (B)		3%	3%	3%	3%	3%	3%
Domestic Billable PAX (in Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		30.07	42.68	52.50	63.53	75.59	
As per the Authority C = A*(1-B)		26.30	42.17	52.50	63.53	75.59	
International Passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
International PAX submitted by AO	7.37	3.3	5.4	8.37	10.04	11.9	**39.01**
International PAX decided by the Authority = (D)		5.93	8.72	9.67	10.80	11.9	**47.02**
AO's submission as a % of FY 2019-20 traffic		45%	73%	114%	136%	161%	
Traffic as per Authority as a % of FY 2019-20 traffic		80%	118%	131%	147%	161%	
International exempted PAX %	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Average**
Submitted by AO		3%	3%	3%	3%	3%	3%
As per the Authority (E)		3%	3%	3%	3%	3%	3%
International Billable PAX (in Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		3.20	5.24	8.12	9.74	11.54	
As per the Authority F = D*(1-E)		5.75	8.46	9.38	10.48	11.54	
Total passengers (Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Total PAX as per AO's submission	54.34	34.3	49.4	62.49	75.53	89.83	**311.55**
Total PAX decided by the Authority = A+D		33.04	52.19	63.79	76.29	89.83	**315.14**
Total traffic as per AO's submission as a % of FY 2019-20 traffic		63%	91%	115%	139%	165%	
Total traffic as per Authority as a % of FY 2019-20 traffic		61%	96%	117%	140%	165%	
Total Billable PAX (in Lacs)	**FY 2019-20**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**	**Total**
Submitted by AO		33.27	47.92	60.62	73.26	87.14	**302.20**
As per Authority (C+F)		32.05	50.62	61.88	74.00	87.14	**305.69**

"

AERA had also allowed exemption for transit/transfer passengers at Bengaluru Airport in BIAL Traffic Order No. 11/2021-22, citing the reason that such passengers are exempt from paying UDF. Relevant extract from the BIAL order is provided below.

"

Transfer passengers at Bangalore Airport

4.5.9 The Authority noted BIAL's submission related to transit/ transfer passengers at Bengaluru airport. The Authority noted from the Second Control Period order for BIAL that the transit/transfer passengers transiting upto 24 hours are exempted from levy of UDF. The relevant extract is produced below:

"Transit/transfer passengers (this exemption may be granted to all the passengers transiting upto 24 hours "A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

4.5.10 The Authority noted that BIAL has revised its projections of the share of the transit/ transfer passenger in the total passenger based on the actual transit/ transfer passenger share of FY21. The same are produced below:

Table 67: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's MYTP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	13%	13%	13%	13%	13%
International Pax	5%	5%	5%	5%	5%

Table 68: Forecast of share of transit/ transfer passenger in total passenger as per BIAL's ATP for the Third Control Period

% of Exempt passengers	FY2022	FY2023	FY2024	FY2025	FY2026
Domestic Pax	25.75%	17.45%	17.45%	17.45%	17.45%
International Pax	16.07%	11.11%	11.11%	11.11%	11.11%

4.5.11 The Authority examined the submissions made by BIAL related to the transit passengers in its ATP. The Authority is of the view that the increase in the transit passengers during FY21 is on account of the COVID-19 pandemic and thus, it is a short term trend and not likely to sustain in the future. Further, the Authority will be truing up the aeronautical revenues for the TCP based on actuals which will take into the actual transit passengers at BIAL. Therefore, the Authority decides that the share of transit passengers proposed by BIAL as part of its MYTP seem reasonable for the Third Control Period. "

As there are multiple instances where AERA has considered only billable traffic, we request AERA to allow consideration of only billable passengers, hence allowing an exemption of 2% for domestic passenger traffic.

3 Capital Expenditure (CAPEX), Depreciation and Regulatory Asset Base for the First Control Period

3.1 Non-consideration of capital cost

3.1.1 Reduction in capital cost (other than inflation-related reasons)

Authority's consideration

There are multiple cases where AERA has reduced capital cost owing to certain specific reasons. These have been mentioned by AERA in Clause 5.3 - Authority's examination regarding Capital expenditure (CAPEX) for the First Control Period.

GGIAL's response

A. Cost of Airside Pavement - Authority has not accepted Rs. 50 Cr. for emergency runway. It has been mentioned by AERA that It can be used as Emergency runway only after installation of all equipment and DGCA approval. Accordingly, this CAPEX can be allowed (in absolute terms) when assets is put to use.

Construction of taxiway segments abutting functional taxiway cannot be undertaken without significantly impacting flight schedules across the national network as segments of taxiway closures will create ground flow related restrictions for Air Traffic Control at this Airport because of the Airfield design. Also undertaking such works very close to the aircraft movement area with live operations involves flight safety/security issues which should ideally be avoided as much as possible.

Considering the same, such programs are always undertaken as a best practice to avoid future operational impacts and mitigate flight safety/security concerns. Remaining enabling activities to activate the taxiway to function as a back-up runway is relatively easier. AERA should actually encourage such planned executions which avoids future impact on passengers/Airlines and flight schedules across the country instead of penalising them.

We would like to highlight that carrying out these civil works at a later stage would have been challenging (major impact on costs as well as operational issues) considering the location would be "airside". Accordingly, it was considered prudent to at least carry out the civil works as part of Phase 1, which has resulted in major works being carried out in the most cost-effective manner. Hence, we request the authority to consider the cost of Rs 50 Crores as the part of the project cost in Phase 1 itself.

B. **ATC Technical Tower and ATC Tower**: Authority has recommended Rs. 41.80 Cr. for ATC Technical Block and Rs. 27.78 Cr. for ATC Tower. It has been mentioned by AERA that the rates adopted have been analyzed comparing similar projects executed and the technical backup requirements.

We would like to highlight that the rate requested by GGIAL is based on actual cost incurred in carrying out the works by the contractor. The various challenges faced due to continuous changes in requirements from AAI-CNS team has resulted in abortive work etc. Hence the overall costs are justified and same is requested to be allowed.

C. **General Capex** : AERA has mentioned that there is no immediate need for significant Capex to be incurred by GGIAL, Mopa, Goa. However, to account for any security related upgrades or any regulatory requirements, the Authority deems it appropriate to consider Rs. 10 crores each year as General Capex. These funds may only be utilized by GGIAL, Mopa, Goa in cases of specific requirements or regulatory mandates related to security or other regulatory needs.
We would like to request the Authority to consider the actual General Capex incurred during true up exercise in the next Control Period.

D. **General Explanation**

We submit that the capital cost that has been submitted by GGIAL has been decided based on a competitive bidding process and hence the price discovery has already been undertaken in the process. The capital cost for multiple items have been estimated by AERA based on normative approach. Adjustment of capital cost based on normative approach does not provide a true picture of the actual cost that has been incurred on a project.

As per Clause 5.6 of the Concession Agreement on "Obligations related to procurement of goods and services", GGIAL has followed a fair and transparent process for procurement of goods and services. As per the Concession Agreement, this is the criteria that has to be followed for procurement of goods and services. Using theoretical benchmarks for capital costs defeats the purpose of a procurement process. The relevant Clauses of the Concession Agreement are reproduced herein below for the Authority's reference.

5.6.1 The Concessionaire agrees and undertakes that it shall procure contracts, goods and services for the construction and operation of the Airport in a fair, transparent and efficient manner, and without any undue favour or discrimination in this behalf. In pursuance hereof, it shall frame a procurement policy specifying the principles and procedures that it shall follow in awarding contracts for supply of goods and services, and shall place the policy on its website the information of general public and all interested parties. The policy shall also include the principles and procedures to be followed for leasing, licensing, sub-licensing, or grant or allocation of any space, building, rights or privileges to private entities.

5.6.2 For procurement of goods, works or services and for award of leases, licences, sub-licences or any other rights or privilege where the consideration exceeds Rs. 25,00,00,000 (Rupees twenty-five crore) in any Accounting Year (collectively the "Contracts"), the Concessionaire shall invite offers through open competitive bidding by means of e-tendering and shall select the awardees in accordance with the policy specified under Clause 5.6.1. For the avoidance of doubt, the Parties agree that the Concessionaire may, in its discretion, pre-qualify and shortlist the applicants in a fair and transparent manner for ensuring that only experienced and qualified applicants are finally selected on arm's length in a manner that is commercially prudent and protects the interests of the Users. The Parties further agree that the

Concessionaire shall not enter into any Related Party Transaction or Contract with any Related Party except with (a) with the prior written consent of the Authority, which consent shall not be unreasonably withheld as a reserved item/affirmative action in accordance with the terms of the Shareholders' Agreement; and (b) such transaction is on arm's length basis and is in compliance with the provisions of the Companies Act, 2013. The Parties also agree that before granting any consent hereunder, the Authority shall be entitled to seek such information as it may reasonably require in relation to the Contract and the Related Party with whom the Contract is proposed to be executed and in the event the Authority does not approve or reject the proposal within 30 (thirty) days of the date on which the required information has been provided, it shall be deemed that the Authority has no- objection to such Contract.

<u>As per TDSAT order for DIAL dated 21 July 2023, TDSAT has opined that AERA cannot reduce capex.</u> The following reasons support the decision:

1) As per Section 13(1) of the AERA Act, AERA has to take into account the capital expenditure incurred on the project. Hence AERA has to appreciate capital expenditure which has been already incurred on the project.
2) If an expansion phase has been approved by AERA, capital expenditure related to the phase has to be also accepted by AERA.
3) Global competitive bidding process was followed by GGIAL for procurement of goods. If there is no evidence that the global bidding process had any flaws, the bidding process is accepted to be transparent. The price offered by the lowest bidder can be considered as "Market discovered price" arrived at through competitive bidding process. This market discovered price cannot be reduced by AERA under the guise of "efficient cost".
4) The figure arrived at by AERA is an estimated or probable cost. If the market discovered price is allowed to be altered by AERA in the name of "efficient cost", terms of contract will be altered which is not permissible, especially when the bidding process is not challenged by AERA.
5) Even under Section 63 of the Electricity Act, 2003 it has been mentioned that "…*The Appropriate Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding…*".

The arguments provided above are also applicable to GGIAL. <u>Therefore, it is requested that AERA accepts the response of GGIAL on the matter and approves the capital cost as provided by GGIAL</u>.

3.1.2 Non-consideration of additional overhead charges

<u>**Authority's consideration**</u>

There are multiple instances where additional overhead charges have not been considered by AERA. The cases are as below:

Sl.No.	*Category*	*Amount (in Rs. Cr.)*
1	*Airside Pavement (Runway, Taxiways and Apron)*	*13.99*
2	*Passenger Terminal Building (PTB) including Fit Outs*	*15.95*
3	*Airside Buildings, Roads and Drainage Systems*	*8.30*
4	*Site Preparation/Earth Work*	*17.98*
5	*Administrative Office Building & Site Office*	*1.40*
6	*ATC Technical Block & ATC Tower*	*2.94*
7	*Main Access Road & Car Park*	*1.23*
TOTAL		***61.79***

The reason provided for non-inclusion for the same is "*It is not to be considered as machinery to carry out additional works including mobilization, site office and other infrastructure was already available. So, remobilization of resources related cost not applicable*."

GGIAL's response

It is respectfully submitted that the recommendation of M/s KITCO in this regard is not correct. The heading additional overhead includes expenditure that has been incurred during execution of the additional works that includes amongst others:

1) Additional staff supervision deployed and associated costs like accommodation, travel etc
2) Cost related to manpower (labour) accommodation, facilities
3) Temporary work requirements like roads, offices etc

Since it is difficult to evaluate these costs separately, a percentage similar to the percentage in the contract has been considered.

During the construction phase of GGIAL, construction of the project got delayed due to several factors which were not due to the Concessionaire default. Some of the issues are as below:

1) **Stay on Tree Cutting** - The execution of Project got delayed first due to stay on tree cutting at Project site by Hon'ble High Court of Bombay (Goa) on March 08, 2018, and later the Hon'ble Supreme Court of India had passed an order dated January 18, 2019 to maintain status quo at project site and subsequently suspended the Environment Clearance granted to the Project vide order dated March 29, 2019. Post detailed hearing of the matter & Hon'ble Supreme Court of India vide its order dated January 16, 2020, reaffirmed the Environment Clearance granted to the

Project and dismissed the petition. For this, GGGIAL had received approval from GoG on February 07, 2020 for extension of SCOD and concession period by 634 days.

2) **Delay due to COVID-19 pandemic** – Due to COVID-19 related delays, the Government of Goa had extended timelines to the below:

   a. Concession Period from September 03, 2057 to May 30, 2059

   b. Scheduled Completion Date (SCD) from September 03, 2020 to Nov 28, 2022

Hence there had been repeated mobilization of labour and machinery on account for these delays. Hence, we request the Authority to allow the actual expenditure spent on the item mentioned above.

3.1.3 Reduction of Financing Allowance

Authority's consideration

Authority has reduced financing allowance to the tune of Rs. 193.81 Cr. The relevant excerpt of para 5.3.17, 5.3.18 and 5.3.19 of the consultation paper listing Authority's observations on reduction of financing allowance is as follows:

The Authority vide email dated 13th June 2023 sought for certifications on Financing Allowance for Phase-I and the details of the Cost of Debt from GGIAL, Mopa, Goa. Based on the details and certificates provided by GGIAL, Mopa, Goa the financing allowance has been recomputed by the Independent Consultant (M/s PKF S&S LLP) as below:

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Rate of interest	10.25%	10.25%	10.64%	10.81%	10.75%	10.73%	10.69%	9.00%

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Opening WIP	-	13.01	27.80	167.83	346.22	695.45	1,621.50	141.58	
Capital Expenditure	12.61	16.10	132.47	152.21	296.84	808.67	1,044.02	456.32	2,919.24
Capital Receipts	-	-	-	-	-	-	-		
Commissioned Assets	0.23	3.30	2.28	0.18	0.74	0.59	2,613.42	605.00	3,225.79
Financing Allowance	**0.63**	**1.99**	**9.89**	**26.36**	**53.13**	**117.98**	**89.47**	**7.10**	**306.55**
Closing WIP	**13.01**	**27.80**	**167.83**	**346.22**	**695.45**	**1,621.50**	**141.58**	**0.00**	**-**

Furthermore, GGIAL, Mopa, Goa has submitted estimate of Financing Allowance for Phase-II and Phase-III as Rs. 15.44 crores and Rs. 52.25 crores respectively. Upon analysis and communication with GGIAL, Mopa, Goa via mail dated 13th June 2023, GGIAL, Mopa, Goa stated that Phase-II work will commence in early FY 2023-24. The Authority based on the GGIAL, Mopa, Goa's submission notes that Phase-II work will start and get commissioned by end of this year. Therefore, the Authority notes that there is no requirement of Financing Allowance for Phase-II.

With respect to Phase-III, the Authority notes that the trigger for expansion for Phase-III is FY 2024-25 therefore, the Authority is of the view that the expenditure for Phase-III shall be incurred from FY 2024-25 and commissioned in FY 2025-26. The Authority assumes that 40% of the approved expenditure for

Phase-III will be spent in FY 2024-25 and the remaining will be in FY 2025-26, based on which financing allowance for Phase-III is recalculated as Rs. 15.33 crores as against Rs. 52.25 crores submitted by GGIAL, Mopa, Goa

GGIAL's response

While computing the Financing Allowance (FA), the Authority computed Capital Work in Progress (CWIP) based on Independent Auditor Certificate for all years except FY 2023. CWIP addition amount for FY 2023 needs to be corrected to Rs.1,273 Cr. based on Independent Auditor Certificate provided, instead of Rs. 1,044 Cr as has been considered by AERA. The Auditor Certificate is attached herewith again for ready reference as Annexure - 1. Following is the revised calculation based on correct CWIP addition amount.

CWIP	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	Total
Rate of interest	10.25%	10.25%	10.64%	10.81%	10.75%	10.73%	10.69%	9.00%	
Opening	-	13	28	168	346	695	1,621	383	
Addition	13	16	132	152	297	809	1,273	228	**2,919**
Capitalisation	0	3	2	0	1	1	2,613	628	**3,249**
Closing	12	26	158	320	642	1,504	281	0	
Financing Allowance	**0.63**	**1.99**	**9.88**	**26.36**	**53.13**	**117.97**	**101.68**	**17.94**	**329.60**
Closing WIP (after FA)	**13.01**	**27.80**	**167.83**	**346.23**	**695.45**	**1,621.49**	**382.61**	**0**	

Hence we request AERA to consider the correct amount of Rs. 329.60 Cr. as Financing Allowance.

3.1.4 Non-consideration of Debt Service Reserve Account

Authority's consideration

The Authority has not considered Debt Service Reserve Account (DSRA) as part of CAPEX. Also, while M/s KITCO has recommended paying a return on the amount at a rate equivalent to the difference between WACC and the interest earned on the deposit, the same has not been accepted by AERA. The relevant excerpt of para 5.3.23, 5.3.24, 5.3.25 and 5.3.26 of the consultation paper listing Authority's observations on non-consideration of debt service reserve account is as follows:

The Authority notes M/s KITCO comment on Debt Service Reserve Account (DSRA) as follows. "An amount of Rs. 88.96 crores (out of total requirement of Rs.89.00 crores) has been transferred to DSRA after completion of Phase I and COD and progressively till 06th May 2023 by the AO. Further, AO is earning interest @ 7.19% p.a. (weighted average) on quarterly compounding on such deposit. Hence, the return to be provided on the amount in DSRA is to be computed on differential interest i.e., Weighted Average Cost of Capital (WACC) minus 7.19% p.a. (quarterly compounding), as per the applicable guidelines for the first control period up to FY 2027-28. Since DSRA is not a part of CAPEX, therefore same is not being reflected in the amount recommended by M/s KITCO for CAPEX.

While M/s KITCO has not considered this as part of the CAPEX cost, the Authority notes that M/s KITCO has indicated that a return equivalent to the difference between WACC and the interest earned on the deposit is to be given.

The Authority notes the following:

a. The requirement of DSRA is from the Loan arrangement entered into by GGIAL, Mopa, Goa for the purpose of financing the Airport Project. The Authority does not interfere in the manner of financing the airport construction. The Authority notes that different financing arrangements could have different pre-conditions which is primarily the responsibility of the GGIAL, Mopa, Goa.

b. The Authority further notes that GGIAL, Mopa, Goa is earning Interest at the rate of 7.25% per annum approximately on Fixed Deposit kept as DSRA.

Hence, the Authority is not convinced of providing any additional return on the DSRA deposit

GGIAL's response

GGIAL is a greenfield airport in which there are uncertainties related to traffic and revenue projections. These uncertainties are amplified given that GGIAL faces competition in the form of Dabolim Airport. In brownfield airports there is a certain degree of certainty in future revenue forecasts as the traffic numbers are established. This is not the case in case of greenfield airports, where lenders need some degree of comfort while disbursing debt.

In Project Finance, a Debt Service Reserve Account (DSRA), is a reserve account specifically set aside to make debt payments in the event of a disruption of cash flows to the extent that debt cannot be serviced. DSRA is typically funded in the final period of construction before debt starts to amortise. It is funded out of a mixture of debt and equity and is a part of overall sources of fund for project construction. As per the financing agreement with lenders, GGIAL is required to create and maintain a debt service reserve amount equivalent to Debt Service Payments of Rupee Lenders (only interest and Repayment Instalment) for the two quarters. The DSR Amount shall be created on SCOD and shall remain in force until the full repayment of monies by GGIAL to Lenders. The amounts accumulated in DSRA are not allowed to be used for any purpose other than for Debt Service Payments of Rupee Lenders. As part of financing agreements, GGIAL has created DSRA of Rs. 89 Cr. by way of deposit to Senior Lenders. The monies being funded by mix of Debt & Equity are part of project Means of Finance as upfront creation before the operational revenue starts thus forming part of Capital Expenditure cash outflow.

<u>Given the requirement of DSRA for lenders and the fact that amount in DSRA is allowed to be used only for Debt Service Payments, we request AERA to please consider it as part of capital cost in case of GGIAL</u>.

We acknowledge that DSRA fund has been kept as FDR, and is earning 7.25% interest per annum. In case DSRA is not considered to be a part of the capital cost, <u>we request Authority to allow atleast the differential return between WACC and rate of FDR to GGIAL as recommended by M/s KITCO in the report submitted to the Authority</u>.

3.2 Terminal Building allocation

<u>Authority's consideration</u>

The Authority has proposed to consider terminal building ratio of 90%:10% for the First Control Period, rather than the 91.03%: 8.97% as proposed by GGIAL. The explanation for the same has been provided in Clause 5.4.6 of the CP as below:

"The Authority has obtained the area statement of the Terminal building and notes that GGIAL, Mopa, Goa has considered 58,440.95 sqm as aeronautical out of total area of 67,726.02 due to which Terminal Building Ratio (TBLR) adopted by GGIAL, Mopa, Goa is 91.03%:8.97%. The Authority examined the Terminal Area ratio submitted by GGIAL, Mopa, Goa and analyzed that the non-aeronautical area allocation considered by GGIAL, Mopa, Goa for computation of Terminal Area Ratio is low when compared to other PPP airports. Further, it was observed that the area allocation towards non-aeronautical activities at the other PPP airports such as DIAL, MIAL, BIAL and HIAL are much higher than 10%. Even the IMG norms on passenger terminals recommend the non-aeronautical area allocation to be between 8-12% for any airport, while for bigger airports, i.e., with passenger traffic exceeding 10 million, commercial area could be up to 20% of the overall area. Considering that Manohar International Airport, Mopa, Goa is a newly established greenfield airport situated in a prominent tourist destination, the Authority believes that it will attract a substantial amount of traffic. The Authority encourages GGIAL, Mopa, Goa to allocate a larger portion of the terminal building for non-aeronautical activities which includes a wide range of amenities and services that cater to the needs and preferences of tourists visiting the region, together with ensuring meeting of all Aeronautical requirements. For the first control period, the Authority proposes a revised TBLR of 90%:10% for the First Control Period. This will be reviewed in the next Control Period."

<u>GGIAL's response</u>

The aeronautical/non-aeronautical areas used to calculate Terminal Building ratio are actual areas which are part of the Master Plan which has been approved by the Govt. of Goa. These parameters have been finalized and cannot be altered at this stage.

Comparing GGIAL to other airports does not seem prudent, as each airport has its own distinct characteristics. All the above airports that have been listed (DIAL, MIAL, BIAL and HIAL) have higher traffic numbers compared to the expected traffic numbers at GGIAL. Given GGIAL is a greenfield airport, there is no established traffic number in the case of GGIAL. In addition to this, there is the competition factor arising from an already established airport, i.e. Dabolim airport.

Hence in this case, there is a need to first establish GGIAL as a world class airport which can attract maximum passengers to the airport. Once this is established, more passengers will use the GGIAL airport which will in turn attract more non-aeronautical activities at the airport. <u>Taking all this into consideration, GGIAL has carefully analysed the terminal building distribution and has come up with the most optimum ratio of 91.03%:8.97%.</u> Please note that the ratio that has been provided is the actual distribution at the

Terminal Building. Hence it is requested that the Authority considers the aero: non-aero ratio of 91.03%:8.97% as calculated by GGIAL based on actuals instead of a benchmarked ratio assumed.

3.3 Other Asset allocation

Authority's consideration

The Authority has proposed the following asset allocation:

Asset	Classification by GGIAL	Classification by AERA
Land Development	*Not provided*	Common
City side development	Non-regulatory	Non-aero

GGIAL's response

a. Land Development:

In Section 1.2 of this document, we have provided reasons as to why Land Development Cost should not be considered as separate line item and its cost should be capitalized in the other assets. Hence we request the Authority not to consider Land Development as a separate line item.

b. City side development:

As per Annex III (Schedule A) of the Concession Agreement signed for MOPA, GOA,

"The land available for commercial development is 381 acres. Out of this 381 acres, a restricted land use area of 149 acres is earmarked for parking, fuel farm, and utilities infrastructure including the necessary road networks and open space, if any. The remaining unrestricted part of City Side Development admeasuring 232 acres, out of 381 acres, will only be used for conducting economic activities as provided in Annex IV of Schedule A. A land use plan shown in Map IB illustrates the area for City Side Development. The Concessionaire is free to use the area marked for unrestricted land use for commercial development at its discretion with the necessary approval from the appropriate competent Authorities.

Further, after providing or earmarked space for the necessary facilities defined in above para under the restricted land use, the remaining space out of 149 acres of restricted land use may be utilised for commercial development as allowed under unrestricted category subject to prior approval of the Authority as per the applicable development guidelines."

Further, reference is also made to the provision of the Concession Agreement at Para 32.3.2, which states as follows:

" … The GOI has vide its letter no F.No AV 24011/12/2013-AD dated April 13, 2015, approved the 30% (thirty per cent) shared-till framework for the determination and regulation of the Aeronautical Charges at the Airport, and the same shall be accordingly considered by AERA, in accordance with the provisions of this Agreement. For avoidance of doubt, revenue of the Concessionaire from City Side Development shall be excluded from the shared-till framework for the determination and regulation of the Aeronautical Charges." (emphasis supplied)

It is clear from the above provision that the City Side Development is excluded from the shared-till framework for the determination and regulation of the Aeronautical tariff for GGIAL. Hence we request the Authority to consider City side development under non-regulated category.

4 Fair Rate of Return for the First Control Period

4.1 Cost of equity

Authority's consideration

The Authority has proposed Average cost of equity as 15.18% for GGIAL. The relevant excerpt of para 6.2.1 to 6.2.8 of the consultation paper listing Authority's observations on cost of equity is as follows:

The Authority had commissioned independent studies for the evaluation of cost of capital separately in case of PPP Airports, namely DIAL, MIAL, HIAL, BIAL and Cochin International Airport Limited (CIAL) through a premier institute, namely Indian Institute of Management (IIM) Bangalore and proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of GGIAL, Mopa, Goa for the First Control Period.

The independent study reports have drawn from the international experience of airports and their conclusions have been evaluated to the extent comparable with Manohar International Airport, Mopa, Goa in terms of hybrid till, ownership structure, size, scale of operations and regulatory framework. The average Cost of equity arrived at by the independent study reports is 15.18%.

The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of equity.

Based on the above reports, the Authority proposes the Cost of equity of 15.18% for GGIAL, Mopa, Goa for the First Control Period.

The Authority has noted GGIAL, Mopa, Goa's submission that "One of the important aspect covered by CRISIL is the risk associated with Greenfield projects in multiple airport system. As per CRISIL the Greenfield Airport have inherent risk related to construction period, liquidity, project execution and traffic. Accordingly, there has to be some additional factor which needs to be factored in while arriving betas for such greenfield airports. The risk in case of Mopa, Airport further multiplies due to competition with existing airport. CRISIL has analyzed these scenarios and considered an alpha factor for such associated risk"

The Authority notes CRISIL report based on which GGIAL, Mopa, Goa has stressed on certain key factors specific to Greenfield Airports which include delays in construction/ project execution, subdued traffic, regulatory changes, liquidity etc.

- *The Authority notes that risks of construction/ project execution could arise in other situations also, not necessarily due to multiple airports being located in the nearby vicinity. Also, the Authority provides for Financing allowance on the work in progress assets for Greenfield airports, mitigating the risk of funds being locked up.*
- *The Authority notes that traffic projections submitted by GGIAL, Mopa, Goa in itself estimates additional traffic for Goa as a whole, instead of a linear growth in traffic. Based on the same and*

considering the positional advantage of Manohar International Airport, Mopa, Goa, the Authority perceives that inherent risk of subdued traffic, if any is minimum and transitional

- *As for the risks of regulatory changes, liquidity etc., these are factors that could impact any infrastructure development in general.*

Hence, the Authority is not convinced that any specific risks that may arise due to two airports being present in the nearby vicinity could impact the Cost of Equity, considering the current Regulatory and other environment. Accordingly, the Authority proposes to consider Cost of Equity at 15.18% as detailed in para 6.2.4.

The Authority has noted the risk factors enumerated by GGIAL, Mopa, Goa. However, the Authority notes that Airport Operators in India have certain inherent advantages and protections built into the tariff determination process that is being followed together with support being received from various Governments and Government agencies:

- *There is a well-documented and publicly notified regulatory regime for tariff determination. Proceedings of tariff determination are conducted in a transparent and consultative manner, in compliance with AERA Act and other relevant guidelines.*
- *The tariff determination methodology incorporates adequate returns on the Investment made by the Airport Operator together with reimbursement of reasonable O&M expenses incurred for the management of airport.*
- *The current tariff determination methodology also ensures truing up of certain building blocks based on efficiency and reasonableness of the same*
- *The Government of India, through the Ministry of Civil Aviation and various regulatory agencies, provides adequate support and guidance on all operational, safety, airline, connectivity and stakeholder related matters*
- *The relevant State Governments help the Airport Operators by the way of allotment of land on concessional rates in many of the cases, together with providing an improved connectivity from the city to the airports with enhanced road/ rail infrastructure etc.*

GGIAL's response

AERA considered the cost of equity of GGIAL as average of cost of equity of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach of AERA is contrary to the Tariff computation guidelines which suggests that the Authority shall estimate cost of equity, for a Control Period, by using the Capital Asset Pricing Model (CAPM) for each Airport Operator, subject to the consideration of such factors as the Authority may deem fit.

A. GGIAL's response on use of benchmarks

AERA has mentioned about the study conducted by Indian Institute of Management (IIM) Bangalore for determination of cost of equity. AERA has mentioned that it proposes to use these study reports as a basis, to the extent applicable and relevant, to ascertain the Cost of equity of GGIAL, Mopa, Goa for the First Control Period.

There are two reasons this cost of equity is not considered as applicable and relevant in this case by GGIAL:

1) Greenfield Airport – GGIAL is a greenfield airport in its 1st Control Period. Due to this reason, there is no established traffic number that is available in the case of GGIAL. AERA has mentioned regarding the traffic projections submitted by GGIAL, Mopa, Goa which estimates additional traffic for Goa as a whole, instead of a linear growth in traffic. It is to be mentioned that these numbers are just estimates at this stage. Hence it is noteworthy to mention that as this order will be valid for 5 years, any under-recovery from low traffic at this stage will have huge implications on the cash flow of the company. This can have high impact on efficient airport operations. The airports mentioned above, i.e. DIAL, MIAL, HIAL, BIAL and Cochin International Airport Limited all have established traffic numbers which is not true in case of GGIAL. Hence the study which is based on DIAL, MIAL, HIAL, BIAL and CIAL may not be applicable for GGIAL.

2) Competitive environment – Goa has another airport, i.e. Dabolim airport in close vicinity to GGIAL. This is unprecedented in case of the Indian scenario. While GGIAL has prepared projections for traffic distribution between GGIAL and Dabolim, in the current scenario these are just estimates. We reiterate the point above that any under-recovery from low traffic at this stage will have huge implications on the cash flow of the company. This can have high impact on efficient airport operations. The airports mentioned above, i.e. DIAL, MIAL, HIAL, BIAL and Cochin International Airport Limited do not work in a competitive environment. Hence the study which is based on DIAL, MIAL, HIAL, BIAL and CIAL may not be considering the risk of the competitive environment which GGIAL is experiencing. GGIAL has submitted the calculation of the cost of equity validated by an independent consultant which is M/s CRISIL which is a reputed firm and has vast experience in the area.

We request the Authority to consider an appropriate return on equity for the GGIAL considering the above factors and allow cost of equity as submitted with the MYTP.

B. GGIAL's response on Authority's reasoning

The Authority has talked about the below risk mitigation factors for MOPA:

1) Risks of construction/ project execution arises in other situations also, not necessarily due to multiple airports being located in the nearby vicinity. The Authority has also talked about providing financing allowance to mitigate the risk of funds being locked up.
2) The Authority also mentions that traffic projections submitted by GGIAL, Mopa, Goa in itself estimates additional traffic for Goa as a whole, instead of a linear growth in traffic. The Authority also talks about the positional advantage of MOPA.
3) The Authority also mentions that regulatory changes, liquidity etc. affect any infrastructure development.

The financing allowance only helps mitigate the cost on the equity invested, however, in a greenfield PPP project, construction risk is a part of the larger gamut of risks that a project usually presents. One of the biggest risks in a project is the traffic risk, for which the Authority has mentioned that traffic projections submitted by GGIAL, Mopa, Goa in itself estimates additional traffic for Goa as a whole, instead of a linear growth in traffic. We would like to submit that the studies conducted at this stage are estimates, and there is no past traffic data that can be referred to in case of MOPA which inherently makes the project significantly riskier. Another major factor that has not been acknowledged by AERA is the competition factor in a dual airport environment, which is a unique situation in the Indian context. Both of these are unique uncertainty factors in the project which warrant the use of a higher systematic beta. It has been mentioned by the Authority that there is a mechanism of true up of building blocks. We would like to highlight that true up exercise takes place after an entire Control Period. Any under-recovery of revenue in the current Control Period can result in substantial cashflow variations, which will affect the smooth working of airport operations.

<u>Further, it may be noticed that the project has undergone serious challenges in the construction phase which takes a toll on the expected business of the airport.</u> Some of the major challenges faced by Goa Project are tabulated below: -

No	Challenge	Particulars
1	**High Court / NGT Case on tree felling**	• Due to standing trees across the site, the mobilisation of earthwork contractors, major equipment, plants and key staff could not be done fully due to non-availability of working fronts because of stay by HC/NGT. • The mobilisation/ limited work progress happened on piecemeal basis depending on the front availability, thus adversely affecting the construction program in totality.
2	**Delay in getting tree cutting from GoG**	• Even though NGT disposed off the case on 21st Aug 2018, the final permission for cutting of trees was accorded to GGIAL by GoG on 1st Oct 2018.
3	**Imposition of Status quo & subsequent suspension of EC from SCI**	• No works could be carried out during the status quo order for 1 year. • Thereafter the suspension of EC required full work and equipment demobilization
4	**Rework of completed works due to damages in the monsoon season during stoppage of works**	• Contractor had executed 3,47,000 Sq.m of Clearing and Grubbing (C&G), 55,000 Cum of earthwork in filling before the suspension of works. • Due to heavy monsoon during 2019, which recorded ~ 6000 mm of rainfall in the project site, all the earthworks layers which were completed during suspension period were under submergence of water • These needed to be reworked post resumption of works

5	**Impact of COVID waves**	• During COVID times, there was a severe shortage of labour at site because of various restrictions imposed by Govt. of India • On account of adherence of various COVID protocols, the productivity at site suffered to the extent of 50%
6	**Supply chain issues**	• Various supply chain issues were encountered due to the China Border Issue and the Ukraine War
7	**Foreign market entry restrictions**	• Due to pandemic related restrictions imposed by countries, there were restrictions of entry to foreign market for Airline marketing

<u>On account of various challenges as mentioned above, the Project was completed after more than 6 years of signing of the Concession Agreement in Nov' 2016.</u>

These issues has been taken into cognizance by CRISIL, a premier consultancy firm, which has provided the below explanation in the "Estimation of Cost of Equity for GGIAL":

"Greenfield projects are inherently riskier, due to factors like delays in construction/project execution, subdued traffic as against projections, regulatory changes, inadequate liquidity, among others. These risks might result in delays or in substantial variations in cashflow as against the projections. Consequently, there is a view to account for these additional risks in the cost of equity calculations, by using a factor to appropriately allocate these risks.

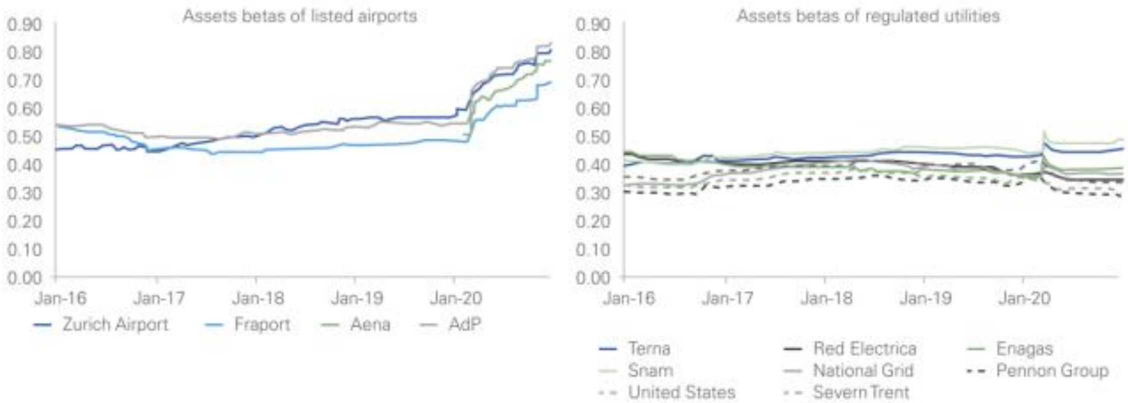
The operational environment of GGIAL, and the greenfield nature of the project, makes the project riskier than the assets considered for beta calculation. Due to this, we project a higher level of systemic risk associated with GGIAL. The risks to the airport are mentioned in section 3.3.3 in table 7. Among these, the presence of a fully operational Goa International Airport in high proximity of the greenfield airport will ensure higher uncertainty in cashflows and revenue. The same have been highlighted in the cashflow projections. However, due to the elevated risks for GGIAL there is a strong case for adjustment of cost of equity for greenfield projects, due to the riskier nature of the asset. We recommend introducing these changes through inflating the beta used for cost of equity calculations, to reflect higher systemic risks."

C. <u>Reasoning of Airports Council International</u>

In the "Policy Brief – Modernizing Global Policy Frameworks on Airport Charges: Ensuring the Efficient Use of Infrastructure for the Benefit of the Travelling Public" published by Airports Council International, it has been discussed that *"the COVID 19 pandemic has caused investors to re-evaluate the risk assessment of airports. There remains considerable uncertainty around short-term and long-term impacts of the pandemic on airport businesses regarding the timing and extent of traffic recovery, changes in the structure and composition of travel demand (e.g., slower and possibly permanently reduced business demand), and changes in market structure and general economic conditions. There is evidence that asset betas (a measure of market risk) of listed airport companies are showing a marked increase since the start of the pandemic:".* This is highlighted in the figure below:

“

FIGURE 17 Asset Betas of Listed Airports



Source: Adapted from Post-COVID Airport Regulation: A Clear Path? March 2021, Oxera.

”

It has also been mentioned that it is very likely that investors will require higher returns (higher cost of debt, higher equity returns) to mitigate this risk of COVID-19. Hence this assessment also supports the requirement of a higher rate of equity for airport developers.

D. <u>Cost of equity for other airports</u>

For MIAL, HIAL, DIAL and BIAL, the cost of equity approved by AERA for the 1st Control Period has been 16%. We would like to highlight that MIAL and DIAL had established traffic numbers as they were brownfield airports. None of the airports were facing a dual airport environment challenge. Cost of equity proposed for GGIAL for 15.18% is considerably lower compared to these airports which had a significantly lower risk profile compared to GGIAL.

E. <u>Cost of equity for energy – another regulated infrastructure sector</u>

As per the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, the rate of equity has been allowed as below:

1) 15.50% for thermal generating station, transmission system including communication system and run-of-river hydro generating system
2) 16.50% for storage type hydro-generating system including pumped hydro generating stations and run of river generating station with pondage.

There are two points worth noting:

1) The minimum cost of equity that has been allowed is 15.50%, higher than the 15.18% as proposed by AERA for GGIAL
2) For conventional generating system, the cost of equity is 15.50% but for a system which needs a newer technology and is riskier, i.e. storage type hydro-generating system, an increase of 1% on

the conventional rate of equity has been allowed. Parallels can be drawn to the GGIAL airport, which is inherently riskier given it is a brownfield airport operating in a competitive environment.

Extract from the order has been provided below:

"

CHAPTER – 8

COMPUTATION OF ANNUAL FIXED COST

30. **Return on Equity**: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.

(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of-river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of-river generating station with pondage:

"

Given the case of GGIAL airport is a special case, as it is a greenfield airport and has competition and other factors as mentioned above, the cost of equity has to be higher as compared to other airports and not the average of such airports. The Cost of Equity report submitted by GGIAL which has been prepared by M/s Crisil has also advocated for an additional equity return for airports like GGIAL which has been quantified between 1.42% to 1.75% for GGIAL. Further, the report is also specific to GGIAL and should be considered while finalizing the cost of equity for GGIAL.

4.2 Cost of debt

Authority's consideration

The Authority has proposed Average cost of debt as 9% for GGIAL. The relevant excerpt of para 6.2.9 to 6.2.15 of the consultation paper listing Authority's observations on cost of debt is as follows:

The Authority notes that the Airport Operator has considered Cost of debt at 10.45% for the First Control Period based on its rate of borrowing at MCLR + 2% spread.

The Authority notes that the cost of debt of the Airport, in the past years, has ranged from 10.25% to 10.81% in the years from FY 2017-18 to FY 2021-22, as per the certificates provided by the auditors of GGIAL, Mopa, Goa. The cost of debt for FY 2022-23 has reduced from the previous years (10.81% to 10.69%) and was at 10.42%. In FY 2022-23 the Company has taken Inter Corporate Loans, loans from NBFCs in addition to raising convertible and non-convertible debentures from its group company.

The Authority recommends that the Airport shall bring in further efficiencies in its cost of borrowing in order to reduce the interest rates. This suggestion is also in keeping with the spirit of PPP whereby it is expected that the financial strength of PPP airports is maintained at an optimal level and their cost of capital is within reasonably allowable limits. GGIAL, Mopa, Goa should avail the synergies and benefits owed to it by its strong shareholding and balance sheet of its Parent companies and therefore work towards bringing down the cost of debt to the same levels as other PPP airports.

The Authority believes that PPP airports have scope of bringing in better efficiencies in financial and operational management of an airport which would reflect in its overall cost of operations and lower FroR.

Further the Authority has also noted that the Weighted Average Lending Rate (WALR) of public sector banks and scheduled commercial banks as per the Reserve Bank of India's publication of December 2022 has been in the range of 8.92% to 9.52% p.a. The Authority has also noted that the average cost of debt of other five PPP airports viz., DIAL, MIAL, HIAL, BIAL and CIAL is 8.96%. Also, the rates of loan provided by Axis Bank range between 6.85% and 10.00% as per the information published by RBI for the period March 2023.

The authority notes that the airport has already become operational with Commercial operations from 5th January 2023 which would provide comfort to the lenders on its operational capabilities, ability of repayment etc. which could also bring down the interest rates. With traffic flowing into the airport and revenues earned from Aeronautical and Non-Aeronautical sources yielding benefits, the debt profile of Manohar International Airport, Mopa, Goa is bound to improve and inherent financial risk as reflected in the Cost of Debt will reduce to the levels of other PPP airports.

Accordingly, the Authority proposes to consider the Cost of Debt of 9% for the computation of Fair Rate of Return.

GGIAL's response

AERA has considered cost of debt of GGIAL as average of cost of debt of other five PPP airports viz., DIAL, MIAL, GHIAL, BIAL and CIAL. This approach is contrary to Clause 5.1.4 (b) of the Terms and Conditions for Determination of Tariff for Airport Operators Guidelines 2011 published by AERA which suggests that *The Authority shall consider the forecast for future cost of: (i) debt proposed to be raised during the Control Period; or (ii) such debt which may be subject to a floating rate of interest subject to the Authority being assured of the reasonableness of such costs, based on a review including of its source, procedure and methods to be used for raising such debt*.

Airports like DIAL, HIAL, BIAL etc., without any competitive airport in the area of operations, are "A" category rated, while GGIAL is having direct competition with Dabolim which means that there will be pressure on GGIAL ratings as well as Financial Institutions to reduce the risk spread.

AERA has indicated that the airport has already become operational with Commercial operations from 5th January 2023 which would provide comfort to the lenders on its operational capabilities, ability of repayment etc. which could also bring down the interest rates. GGIAL would like to submit the debt profile of a company can only improve once it starts getting positive PBT. In the AERA CP calculation, GGIAL is achieving positive PBT only in the year FY28, i.e. the last year of the CP. Hence the debt profile of GGIAL is not expected to change.

Given above, interest rates are likely to remain in the zone that we submitted with negative bias if traffic shift is slow.

The Rate of Interest is charged based on the Credit Risk Profile and Credit Rating of the Company at the time of sanction. The credit rating of GGIAL is CRISIL BBB- due to exposure to offtake risk because of existing Goa airport and shortfall in meeting debt obligations in initial years of operations.

Another point to note is that GGIAL is raising funds through a Rupee Facility Agreement between GMR Goa International Airport Limited and Axis Bank Limited signed dated 17th November 2021. As per the Rupee Facility Agreement, the Lending Rate is Axis Bank's MCLR + Spread of 2.00%. As per the Annual Reset Communication from Axis Bank, the effective rate of interest for term loans is 10.45%.

Further, we wish to inform you that the Rate of Interest is expected to go up to 11.15% p.a. from the next reset date i.e. 22nd November, 2023 considering the current 1Y-MCLR of Axis Bank. Copy of the current MCLR Rates of Axis Bank is attached herewith as Annexure – 2.

We would like to refer to Order No. 64/2020-21 in the case of Chatrapati Shivaji Maharaj International Airport, Mumbai for 3rd Control Period where AERA had accepted the actual cost of debt after receiving a letter from lender regarding the same. The excerpt regarding this is as below:

"MIAL submitted letter from State Bank of India dated 20th December 2019 which confirmed that on account of downgrade in the external rating of MIAL by India Ratings from A+ to A-, the existing pricing on all the credit facilities had been increased by 0.50% w.e.f. 9th August 2019, effective rate of interest being 10.30% p.a. The Authority proposed to consider effective interest rate of 10.30% as submitted by MIAL along with the relevant supporting for the Third Control Period. The Authority proposed to consider effective interest rate of 10.30% as submitted by MIAL along with the relevant supporting for the Third Control Period."

Hence it is requested that AERA provide GGIAL the actual rate of debt, which is 10.45% for this Control Period. This is based on the current effective rate of interest for the term loans from Axis Bank a rate of 10.45%.

5 Inflation for the First Control Period

5.1 Rate of Inflation

Authority's consideration

The Authority has proposed to consider inflation rates as per Results of the Survey of Professional Forecasters on Macroeconomic Indicators i.e., the 82nd Round released on 8th June 2023 published by the RBI. The rates are as below:

Particulars	FY24	FY25	FY26	FY27	FY28
WPI Inflation	1.90%	4.00%	4.00%	4.00%	4.00%

GGIAL's response

The inflation rate approved by AERA has been collated and produced below:

S.No.	Airport Location	Control Period	Inflation rate	Remarks
1	KEMPEGOWDA INTERNATIONAL AIRPORT, BENGALURU (BIAL)	01.04.2021 – 31.03.2026	4.90%	*Authority decides to consider the inflation of 4.9% for the Third Control Period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey professional forecasters on macroeconomic indicators of RBI.
2	INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI (DIAL)	01.04.2019 – 31.03.2024	4.60%	* Authority decides to consider the CPI headline inflation of 4.6% based on the RBI survey of professional forecasters on macroeconomic indicators – 61st round for the Third control period.
3	RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD (HIAL)	01.04.2021 – 31.03.2026	4.60%	*Authority decides to consider the max WPI of 4.6% based on the RBI survey of professional forecasters on macroeconomic indicators – 63rd round as per HIAL's submission.
4	CHHATRAPATI SHIVAJI MAHARAJ INTERNATIONAL	01.04.2019 – 31.03.2024	4.60%	* Authority decides to consider CPI headline inflation rate of 4.6% based on results of the Survey of

<table>
<tr><th>S.No.</th><th>Airport Location</th><th>Control Period</th><th>Inflation rate</th><th>Remarks</th></tr>
<tr><td></td><td>AIRPORT,MUMBAI (MIAL)</td><td></td><td></td><td>Professional Forecasters on Macroeconomic Indicators – Round 62 for the Third control period.</td></tr>
<tr><td>5</td><td>SARDAR VALLABHBHAI PATEL INTERNATIONAL AIRPORT, AHMEDABAD (AIAL)</td><td>01.04.2021 – 31.03.2026</td><td>For inflation rate please refer table given in Column E</td><td>* Authority stated that Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 79th released on 071h December 2022 published by the Reserve Bank of India (RBI), the Wholesale Price Index (All Commodities) inflation has decreased from 11.1 % to 10.4% for FY 2023 and from 5. 1% to 5.0% for FY 2024. The most recent inflation rates will be considered in this Tariff Order.

*Inflation rates decided by the Authority for the Third control period:
<table>
<tr><th>Particulars</th><th>FY 2022</th><th>FY 2023</th><th>FY 2024</th><th>FY 2025</th><th>FY 2026</th></tr>
<tr><td>WPI Inflation</td><td>12.97%</td><td>10.40%</td><td>5.00%</td><td>5.00%</td><td>5.00%</td></tr>
</table></td></tr>
<tr><td>6</td><td>NETAJI SUBHAS CHANDRA BOSE INTERNATIONAL AIRPORT, KOLKATA</td><td>01.04.2021 – 31.03.2026</td><td>4.90%</td><td>* Authority decides to consider inflation of 4.9% for the Third control period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI.</td></tr>
<tr><td>7</td><td>CHENNAI INTERNATIONAL AIRPORT, CHENNAI</td><td>01.04.2021 – 31.03.2026</td><td>4.90%</td><td>* Authority decides to consider inflation of 4.9% for the Third control period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI.</td></tr>
<tr><td>8</td><td>GOA INTERNATIONAL AIRPORT, GOA</td><td>01.04.2021 – 31.03.2026</td><td>4.90%</td><td>Authority decides to consider inflation of 4.9% for the Third control period based on the average of the median WPI inflation forecasts of the 4th</td></tr>
</table>

S.No.	Airport Location	Control Period	Inflation rate	Remarks
				quarter of FY 2020-21 and of FY 2021-22 given in the 691h round of survey of professional forecasters on macroeconomic indicators of RBI.

As evident from the Table above, the inflation for similar Control Period has ranged around 5% considering the time of publishing the Order. This brings about inconsistencies in the inflation value which holds a high significance in computation of Capital Cost, O&M Cost and Non-Aero revenue. The lowest value for inflation is 4.60%, which is 60 basis points higher than the 4.00% which has been proposed by AERA in case of GGIAL. The value of 1.90% which has been proposed for FY24 for GGIAL is the lowest in a year that has been proposed for a similar CP duration for other airports.

For Dabolim Airport, the inflation forecast has been considered by AERA as 4.9% which is significantly higher than that proposed for GGIAL.

Also, the actual inflation for FY22 and FY23 has been observed as 12.97% and 10.40% respectively. It does not seem probable that inflation will reduce to 1.90% in FY24 and 4.00% for FY25 and FY26.

We reiterate that GGIAL is a greenfield airport in a competitive environment in its 1st Control Period. Hence it is much more sensitive to any under-recovery of revenue as the traffic numbers are not established. In this case, such low inflation forecasts will hugely impact revenue realization and can affect efficient operations in the airport.

Hence, we request AERA to please consider the highest forecast as per the above airports and similar inflation to that considered for Dabolim Airport, i.e. 5%, and accept 5.00% as the inflation forecast for the 1st Control Period for GGIAL.

6 Operating and Maintenance Expenses for the First Control Period

GGIAL had submitted Aeronautical O&M cost of Rs. 1938 Cr.

6.1 Basis of Projections

S. No.	Particulars	GGIAL's submission	AERA's consideration
1	Expansion Factor	• Considered Passenger Capacity Expansion. • 10% for Phase 2 Expansion (FY 2024) and 22% for Phase 3 Expansion (FY 2026).	As per Clause 8.2.14, the Authority notes that GIAL, Mopa, Goa in its submission has projected various expenses by considering an incremental factor of 10% in FY 2023-24 and 22% in FY 2025-26. These increments were attributed to the capacity expansion in Phase II and Phase III, respectively. Upon analysing, the Authority notes that a more accurate representation of the impact of infrastructure development on expenses would be achieved by considering the increase in terminal building area instead of just capacity. Thus, the Authority proposes to use the area expansion in Phase II and III as the incremental factor. The Authority also recognizes that the increase in expenses may not be directly proportional to the increase in the Terminal Building area due to factors such as technological innovations, advancements, and economies of scale. Hence, the Authority proposes to consider 2/3rd (66.67%) of the area increase i.e. 7% in FY 2023- 24 and 25% in FY 2025-26 as computed below as expansion increase while projecting expenses for the First Control Period

<u>GGIAL's response</u>

The expansion factor for both capacity and area should be considered for the basis of projection wherever applicable. Capacity should also be an expansion factor to be considered in some cases.

Considering MOPA to be a newly developed Greenfield airport, technological advancements would not have much impact on the area expansion. This is because technological advancements have already been taken into consideration for development. <u>So, the terminal area expansion should not be factored in by 67%. Instead, for initial phase expansions, the expansion factor should be in proportion to the area increased for the phase</u>.

6.2 Basis of Allocation into Aero and Non-aero

The O&M cost has been classified into aeronautical, non-aeronautical and common expense. The common expenses have been allocated into aero/non-aero based on one of the following criteria:

Criteria	GGIAL's submission	AERA's consideration
Gross Block Ratio	• 97.56% • Based on Gross Block Assets capitalized for Phase-1	As per Clause 8.2.5, Authority notes that GIAL, Mopa, Goa has calculated the Gross Block ratio based on the classification of Gross Block of Assets capitalized for Phase I. Furthermore, the Authority observes that GIAL, Mopa, Goa has maintained the same Gross Block ratio throughout the entirety of the First Control Period, without revising it despite the capitalization of assets taking place each year during this period. The Authority, based on the proposed capital expenditure in Table 64 & Table 68, proposes the Gross Block ratio for the First Control Period as 95.30%
Terminal Building Ratio	• 91.03% • Based on usage of area towards aero/non-aero activities • Considered 6,075 m^2 area as non-aero area out of 67,726 m^2	As per Clause 5.4.6 of the CP, The Authority has obtained the area statement of the Terminal building and notes that GGIAL, Mopa, Goa has considered 58,440.95 sqm as aeronautical out of total area of 67,726.02 due to which Terminal Building Ratio (TBLR) adopted by GGIAL, Mopa, Goa is 91.03%:8.97%. The Authority examined the Terminal Area ratio submitted by GGIAL, Mopa, Goa and analyzed that the non-aeronautical area allocation considered by GGIAL, Mopa, Goa for computation of Terminal Area Ratio is low when compared to other PPP airports. Further, it was observed that the area allocation towards non-aeronautical activities at the other PPP airports such as DIAL, MIAL, BIAL and HIAL are much higher than 10%. Even the IMG norms on passenger terminals recommend the non-aeronautical area allocation to be between 8-12% for any airport, while for bigger airports, i.e., with passenger traffic exceeding 10 million, commercial area could be up to 20% of the overall area. Considering that Manohar International Airport, Mopa, Goa is a newly established greenfield airport situated in a prominent tourist destination, the Authority believes that it will attract a substantial amount of traffic. The Authority encourages GGIAL, Mopa, Goa to allocate a larger portion of the terminal building for non-aeronautical activities which includes a wide range of amenities and services that cater to the needs and preferences of tourists visiting the region, together with ensuring meeting of all

Criteria	GGIAL's submission	AERA's consideration
		Aeronautical requirements. For the first control period, the Authority proposes a revised TBLR of 90%:10% for the First Control Period. This will be reviewed in the next Control Period

GGIAL's response

A. Gross Block Ratio:

The capitalization that has been done for Phase 1 is the actual capitalization, whereas the capitalization of assets in the subsequent years are estimated numbers. Hence, we request AERA to consider the actual capitalization numbers for Phase 1 as the basis for Gross Block Ratio.

B. Terminal Building Ratio:

The aeronautical/non-aeronautical areas used to calculate Terminal Building ratio are actual areas which are part of the Master Plan and have been approved by the Govt. of Goa. Also, the comparison of the Terminal Building Ratio with other PPP airports like DIAL, MIAL, BIAL and HIAL is not prudent as these airports are stable airports which are into their 3rd Control Period with higher traffic numbers, whereas MOPA is a newly developed Greenfield airport which is into its 1st Control Period.

Hence in this case, there is a need to first establish GGIAL as a world-class airport which can attract maximum passengers to the airport. Once this is established, more passengers will use the GGIAL, which in turn will attract more non-aeronautical activities at the airport. Taking all this into consideration, GGIAL has carefully analyzed the terminal building distribution and has come up with the most optimum ratio of 91.03%:8.97%. The ratio submitted is based on the actual terminal building allocation based on the master plan and hence, should be considered basis actual only.

6.3 Manpower Expenses

Particulars	GGIAL's submission	AERA's consideration
Basis	• Determined weighted Average cost per person per annum (which included salaries, wages, bonus, PF, and gratuity) as ₹14.16 Lakhs	As per Clause 8.2.7, The Authority notes that GIAL, Mopa, Goa, in response to the query, has provided the actual head count of employees working at Manohar International Airport, Mopa, Goa for the month of March 2023 departmentwise. Upon reviewing, the Authority notes that using the actual head count figures will offer an accurate representation of the current number of employees and facilitate assessment of manpower expenses. Therefore, the Authority proposes to adopt the actual head count data from March 2023 as the base for assessing the Employee Head

Particulars	GGIAL's submission	AERA's consideration
	considering FY2023 as base year. • Initial manpower cost = ₹14.16 Lakhs x Headcount. • increased by Inflation (5%) + Real growth (7%) + capacity expansion (10% for Phase-2 and 22% for Phase-3). Headcount proposed = 376	Count of the First Control Period for Manohar International Airport, Mopa, Goa. As per Clause 8.2.17, Further, the Authority observes that GIAL, Mopa, Goa has factored in, the capacity expansion of 10% for Phase II in FY 2023-24 and 22% for Phase III in FY 2025-26 and an inflation increase of 5% Y-o-Y starting from FY 2023-24 onwards into the calculation of employee cost. The Authority after analysing the same, proposes the following adjustments: • To not consider the inflationary increase, as 6% growth rate has already been proposed. To consider area expansion of Phase II and Phase III, by 7% in FY 2023-24 and 22% in FY 2025-26 respectively (refer para 8.2.14 and Table 91) as the expansion of the facility comes with the challenge of accommodating the corresponding increase in operations requiring additional manpower

GGIAL's response

The increase for Phase-3 has been inadvertently considered by AERA as 22%, whereas the actual increase for Phase-3 to be considered is 25%. This is as per Para 8.2.14 and Table 91 of the CP, as calculated by the Authority. We request the Authority to please use the correct factor as per their own calculation.

We have submitted to AERA the actual no. of employees vide our mail dated 7th July 2023 specifying actual no of employees as on Mar-23 & July-23 as 328 and 353 respectively. However, while allowing manpower expenses, the Authority has considered only 328 employees and has ignored the fact that our headcount has increased to 353 as on July-23 itself. It is requested to kindly consider actual no. of employees as on Jul-23 for computing Manpower expenses.

The Manpower expense rate should be increased by Inflation also. The combined growth rate should include Real growth and Inflation. GGIAL is a new airport, which needs to build its manpower to run the airport operations. GGIAL needs to hire all people from outside who get on-boarded at minimum 25% salary hikes. Moreover, suitable personnel available for the aviation sector are very limited and it is very difficult to get the skilled workforce for airside and terminal operations and safety activities. So, a decent compensation is imperative to obtain and retain competent employees.

If inflation is not considered in manpower expense, this affects the hikes in salaries of employees. This is a hypothetical situation and does not reflect the actual on-ground situation as hikes are a part and parcel of salary component. Hence we request AERA to consider both the real growth as well as inflation in manpower expenses.

We have observed growth rate of ~14% to ~16% in Consultation papers in case of ISPs. Some of the orders are presented below:

MABPL's Cargo Handling Business at KIA, Bangalore

"

As regard to the normal Y-o-Y increase in payroll costs is concerned, the Authority has considered 10% annual escalations as proposed by the ISP. However, the Authority has considered 4% Y-o-Y increase on account of projected increase in the Cargo volumes as against the 6% increase on Y-o-Y basis proposed by the ISP. In this regard, the Authority is of the view that payroll costs will not increase in the same proportion as the projected Y-o-Y % increase in Cargo volumes, particularly considering that there are many categories of employees, like top management, employees providing support

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services viz. HR, Finance, Security Jobs etc., whose numbers don't increase with the projected increase in the cargo volumes. Accordingly, the Authority has considered overall 14% Y-o-Y increase in the payroll costs for the First Control Period from FY 2024-25 onward.

Based on the above analysis, the payroll costs (excluding HQ cost allocation) proposed to be considered by the Authority for the ISP in respect of the First Control Period, is given below:

Table 27: Payroll Costs proposed to be considered by the Authority for the First Control Period.

(₹ in crores)

Particulars	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Payroll Cost	46.09	61.47	70.08	79.89	91.07	**348.60**

"

WFSBPL Cargo Handling Business at KIA, Bangalore

"

The justifications submitted by WFSBPL for upliftment of 25% in payroll costs for each category of employees, over and above the category-wise average salary calculations, are not convincing and obscure; as the baseline salary for each category of employees had already been worked out by the ISP considering all the relevant factors, moreover baseline salary is further subject to annual increments & increase in minimum wages etc.

In addition, as per the ISP, the majority of cargo employees falls under the unskilled labour category whose wages are governed under the minimum wages, notified by Government Authorities from time to time, and annual increase in minimum wages is generally lower than the YoY increase considered by the ISP for these employees.

Besides above, it is also observed that the ISP linked historical WPI-Manufacturing with increase in minimum wages and has worked out projected inflation in payroll expenses @ 14.2%, based on ratio of historical increase in minimum wages with historical increase in WPI manufacturing (FY 12 to FY 22). It is not appropriate to compare and link increase in price of commodities (WPI manufacturing) with increase in price of services (minimum wages).

In view of the above, the Authority proposed to rationalize the payroll expenses projected by the WFSBPL, by excluding upliftment of 25% in salaries for all employees, considered by the ISP for the first Tariff Year. Accordingly, payroll expenses for the ISP have been worked out at ₹ 32.13 crores (annualized) by the Authority, as against Rs. 40.12 crores proposed by the ISP for the FY 2023-24.

However, as regard to Y-o-Y increase in payroll costs considered by the WFSBPL, the Authority considered the projected increase in cargo volumes, increase in minimum wages and annual salary increments and also taking into account the projected Y-o-Y increase in the revenues which is in line with the projected Y-o-Y increase in payroll costs, proposes to consider Y-o-Y increase in payroll expenses as proposed by the ISP.

The Authority solicits specific comments of Stakeholders on the payroll costs projected by the ISP for the First Control Period. "

Hence we request AERA to consider an inflation in addition to the real increase for the manpower expenses as request by GGIAL.

6.4 Cost Recovery Charges in respect of staff posted at Manohar International Airport (MOPA)

The Custom's department has posted staff at the Manohar International Airport, wherein the cost has to be reimbursed by GGIAL for such deployment. Accordingly, the Custom's department has sanctioned Twenty Eight (28) temporary posts on cost recovery basis for Manohar International Airport, Mopa as per CRB ORDER NO. 54/2022 (Creation of posts) issued vide F. No. EMC/Exp M/CRB/CRP/10/2022-EMS-Oo Pr ADG-EMC-DGHRD.

As per the conditions enumerated in the above letter, the posts would be filled only after depositing entire costs of the posts which is 1.85 times of the monthly average salary of the posts plus D.A, H.R.A. etc. by the custodian, in advance.

Further, GGIAL is advised vide letter dated 19-06-2023 to deposit the cost recovery charges amounting to Rs. 1.37 Cr for the current quarter immediately as per the calculation sheet enclosed for deployment of staff at Manohar International Airport, Mopa. The copy of the stated letter is attached herewith as Annexure - 3. The calculation sheet is attached as Annexure - 4. In this regard we have already paid Rs. 1.37 Cr. vide DD dated Jun 28, 2023.

While filing our MYTP we have not captured above mentioned expenses as we the received notification post filing of our MYTP. The estimated cost per annum is Rs. 5.48 Cr without inflation. Hence, the Authority is requested to consider the above mentioned expenses while issuing the CP-1 order.

6.5 Admin and General Expenses

Shown below are the considerations for Admin and General Expenses by the Authority against the submission of GGIAL.

S. No.	Particulars	GGIAL's submission	AERA's consideration
1	Bank Charges	• Annual fee of ₹0.60 Cr + other Bank fee of ₹0.40 Cr for FY 2024 • Increased by inflation of 5%	As per Table 94, Proposes to consider the estimation base provided by GIAL, Mopa, Goa for FY 2023-24 after excluding Rs.0.40 crores which has been estimated by GIAL, Mopa, Goa as other bank fees relating to the term loan. This exclusion is proposed because costs related to the term loan should be considered as part of the Regulated Asset Base (RAB) and not categorized as Operations & Maintenance (O&M) expenses. To account for inflation, an annual increase of 4%

S. No.	Particulars	GGIAL's submission	AERA's consideration
			(WPI) is applied for the remaining years of the First Control Period.
2	Consultancy & Legal	• Cost based on expectations. • Increased by Inflation	As per Table 94, Proposes to consider the estimation base provided by GIAL, Mopa, Goa for FY 2023-24 after excluding Rs.0.40 crores which has been estimated by GIAL, Mopa, Goa as other bank fees relating to the term loan. This exclusion is proposed because costs related to the term loan should be considered as part of the Regulated Asset Base (RAB) and not categorized as Operations & Maintenance (O&M) expenses. To account for inflation, an annual increase of 4% (WPI) is applied for the remaining years of the First Control Period.
3	Advertisement	• Cost based on expectations. • Increased by Inflation	As per Table 94, Being a new airport, the Authority notes the need for Advertisement costs in the initial years. Accordingly, Rs. 8.50 Crores has been considered for FY 2023-24 together with an inflationary increase for the next year. However, Authority notes that, after the initial period of two years, Manohar International Airport, Mopa, Goa would have had sufficient traction and hence the cost of Advertising has been rationalized by 50% from the next year and estimated with the inflationary increase. The Authority urges GIAL, Mopa, Goa to ensure efficient and optimal spend of the same which will be reviewed in the next control period

GGIAL's response

A. Bank charges:

GGIAL has proposed the bank charges including performance bank guarantee and the other charges related to term loans. The Authority has not allowed the other bank fee relating to the term loans in operational expenses and proposed to consider in the RAB. It seems that the same is not added to the

RAB as well. We request the Authority to either consider as a part of the Regulated Asset Base (RAB) or operational expenses.

B. Consultancy and Legal

GGIAL's response to individual items where cost items have not been accepted by AERA are as below:

#	Item & Amount not considered	AERA reasoning	GGIAL Response
1	Pax Exp	Authority understands the importance of establishing a brand presence and enhancing the image of the Airport. The Authority notes that however, the costs needs to be spent efficiently. The Authority proposes to rationalize the cost estimates submitted by 50% for these initiatives	Goa is the first of its own kind in the country with dual airport within a distance of ~60 Kms, which effectively will lead to competitive environment. Hence, it is of paramount importance for us to hear our passengers voices along with brand presence and creating positive image of our Airport among our customers including passengers. This head of expense includes presence in digital media with active interaction with all our stakeholders specially passengers, so that we can hear their voices and improve on our performances. Such expenses cannot one-time expense but an ongoing expense as in a competitive environment we need to improve upon regularly and gauge the competition. Digital media are one of the important means of obtaining passenger feedback on services provided in real time and taking immediate corrective action on ground. These media also help in responding back to customer with action taken on their feedback thereby providing them enhanced experience and satisfaction. Soliciting feedback from passengers in all forms and means and action upon them expeditiously is also a service quality requirement as per the Concession Agreement.

#	Item & Amount not considered	AERA reasoning	GGIAL Response
			The above expenses also include the signages, hoarding, way finding costs. Currently our airport has only one access road and with operationalization of NH 166S (Expressway connecting NH 66 to Mopa Airport), we will have to maintain signages/hoardings/way finding on both the access roads. The same will not only require a one-time expense but will have to maintained / replaced on need basis. Also considering extreme weather in Goa and the upcoming expressway which is an elevated road, the cost of maintenance of such signages/branding will have to be accounted.
2	IT Related Expenses	Regarding IT-related expenses, the Authority notes that GIAL, Mopa, Goa has already considered the costs associated with implementing efficient and secure IT infrastructure, as well as the SAP Licensee fee, under IT related expenditure and Enterprise IT category respectively. While there are bound to be costs relating to Solar Panel, CCTV etc. the Authority proposes to rationalize these by 50% from the estimates provided as other costs are	IT costs considered are only for operational phases. SAP license fees and cost towards other licenses form the major component and are basis the manpower projections and taking into account the actual cost per license including the AMC. Manohar International Airport is a digital Airport and aims to become a paperless organization in due course of time, which is not possible unless we digitize everything, which will require a robust IT infrastructure setup. The same will also help us in becoming Green Airport as per compliance to Hon'ble SCI directions.

#	Item & Amount not considered	AERA reasoning	GGIAL Response
		considered by the Authority.	
3	Human Resource	During the initial stages of a new airport, it is common to outsource certain manpower requirements to achieve flexibility and benefit from specialized expertise across various functions. However, the Authority notes that GIAL has already appointed employees to provide similar services for which outsourcing manpower costs are proposed. In light of this, the Authority proposes to rationalize the estimated outsourcing manpower cost submitted by GIAL, Mopa, Goa to 50%	These costs are basis the actuals. Although GGIAL has hired professional basis their expertise. However, being a Greenfield Airport at Mopa Plateau in a competitive environment, we would request Authority to reconsider this costs. GGIAL will try to rationalize this costs once we stablilize the operations with minimum 2 monsoon seasons.
5	Planning & Others	The Authority proposes not to consider the cost estimate submitted by GIAL, Mopa, Goa for Professional and Planning consultancy charges as the costs of	The costs pertaining to Planning is for operations phase. With an objective to become fully digitized Airport, MIA have already implemented Aconex (by Oracle) for correspondence and Documentation Management System. PO issued to Oracle for the same.

#	Item & Amount not considered	AERA reasoning	GGIAL Response
		planning are already part of the Capital costs.	Also to make the system more efficient GGIAL intends to create an ecosystem to generate Auto MIS for ready reference of Key Management, which will include creating a data lake, integration with Power BI, etc.

C. Advertisement

Considering first Dual Airport in the country within a distance of ~60 Kms, and with expansion program of Dabolim, the advertisement expense is likely to continue. At this stage of the airport it is imperative for GGIAL to promote shifting of airlines to the airport where such expenses are much required. Also the Advertisement expenditure during initial two years will be higher. Hence would request Authority to reconsider their decision to reduce the said expense.

GGIAL is in its 1st Control Period and given the element of competition against Dabolim airport which is already in its 3rd Control Period, GGIAL needs to carry out advertisement initiatives to improve its footfall continuously. This will give the airport greater traction, and this is particularly important in case of a greenfield airport. The Authority has reduced the expenditure from the third year onwards by 50%. However, the competitive environment for GGIAL will continue throughout the control period wherein it is most important to attract traffic to our airport and hence such expenses would be necessary. Hence we request the Authority to please accept the advertisement expenses as proposed by GGIAL for the first control period.

6.6 Operating Expenses

S. No.	Particulars	GGIAL's submission	AERA's consideration
1	R & M Cost	• Submitted ₹292 Cr (aero) • Initial cost decided based on Contract agreement.	The Authority notes that GIAL has entered into a engineering and maintenance contract with a related party through a tendering process. The Authority has sought confirmation from GIAL that due process as mentioned in para 2.5.7 has been followed as per appropriate governance practices and that Probity audit reports have been submitted to GoG and approved by GoG. GIAL, Mopa, Goa has confirmed the same. The Authority analysed the percentage of R&M expenses in relation to the net block of assets for each tariff year, as submitted by GIAL, Mopa, Goa. The Authority observed

			that GIAL, Mopa, Goa's estimated R&M costs for the First Control Period fall in the range of 1.13% to 2.30% of the net block of assets. The Authority is of the view that Manohar International Airport, Mopa, Goa is a newly constructed infrastructure with several advantages, including guarantees, warranties, and a two-year defect liability period. However, certain operational and maintenance related expenses would be incurred to ensure smooth running of operation. Taking into account the benefits provided by guarantees, warranties, and the two-year defect liability period, the Authority proposes a revised approach for considering the Repair and Maintenance (R&M) expenses for the initial two years. Specifically, the proposed amounts for FY 2023-24 and FY 2024-25 are considered at Rs. 15 crores and Rs. 20 crores respectively. Thereafter, the R&M expenses will be considered at 70% of the expenses submitted by GIAL, Mopa, Goa for the subsequent years, noting that the values of Repair and Maintenance costs proposed by GIAL, Mopa, Goa as high and that it may take another couple of years in the control period for the operations at the airport to stabilize. By adopting this approach, the Authority aims to strike a fair balance between recognizing the advantages of the initial warranty and defect liability period while still accounting for the ongoing operational and maintenance requirements of the airport in the years to come. These will be reviewed at the time of true up to evaluate the reasonableness and optimum level of R&M costs, once the operations at the airport stabilize.
2	IT Related Cost	• Submitted ₹0.35 Cr (aero) • Outsourced to specialized service provider. • GGIAL will provide support	As per Clause 8.2.39, the Authority notes that GIAL, Mopa, Goa's estimation of the IT-related cost for subsistence level support and the revenue share calculation are reasonable

		till the airport reaches 6.6 Mn traffic for any FY. Thereafter, service provider will be on Rev share of 3.25% of Gross Revenue. • Reimbursement = (WACC x CAPEX) + Depreciation + 120% of OPEX	
3	Housekeeping Expense	• Submitted ₹78 Cr (aero) • Cost based on contract agreement • Increased by Area increase	As per Clause 8.2.40 and 8.2.41, GIAL, Mopa, Goa has awarded the contract of the housekeeping to various vendors and considered the contract value as the base for estimating the housekeeping expense for FY 2023-24 and thereafter considered expansion growth and inflationary increase. The Authority as part of its analysis had obtained the housekeeping contract from GIAL, Mopa, Goa vide email dated 29th December 2022. The Authority, upon reviewing the contract, proposes to consider the actual cost mentioned in the price schedule of the contract as the housekeeping expenses for FY 2023-24. Further, the Authority proposes to consider 25% (refer Table 91) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period.
4	Misc. Expense	• Submitted ₹203 Cr (aero) • EHS, Trolley Management, lease rental equipment, Airside O&M,	**OTHER TOPS** As per Table 100, GIAL, Mopa, Goa has awarded the contract for Other Tops services (includes services like solid waste management, medical, passenger guidance staff and porters etc). The Authority upon reviewing the contract, proposes to consider the actual cost mentioned in the price schedule of the contract for FY

		UDF collection charges, etc. • Cost based on contract agreement	2023-24. Further, the Authority proposes to consider 25% (refer Table 91) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period. Further, the Authority vide email dated 21st August 2023 asked GIAL, Mopa, Goa about recovery of porter charges from the passengers, based on the cost included in TOPS. In response, GIAL vide email dated 23rd August 2023, clarified that that no such revenue accrues to GIAL from other TOPS services.

GGIAL's response

A. R&M Costs:

Obligations under the Defect Liability Period (DLP) are discrete and independent to the services required to be performed for regular Engineering and Maintenance (E&M) activities of the Airport. While the DLP obligations are to be undertaken by the respective project contractors / OEM for limited period (2 Years after completion of construction works), the E&M services are to be performed on a day to day basis by separate agency (ies) post operationalization. Given below are the scope of services under DLP and E&M obligations, clearly distinguishing the nature of these activities.

1) DLP obligations

Defect liability period shall cover activities to carry out rectification of defects, if any, observed during DLP period of two years. *"Defect(s)" means any imperfection or deficiency in doing, manufacturing or workmanship which results in any of the Permanent Works, being not in conformity with Prudent Industry Practices, the specifications and standards and terms of the respective construction contracts.*

2) Engineering and Maintenance obligations

GGIAL has appointed M/s GADL (Contractor) to carry out regular Engineering & Maintenance activities (Services) for regular operation of the Airport, under a comprehensive services agreement.

As defined in the above agreement, the *"Services" shall include the services related to Engineering & Maintenance of Airport Facilities. Contractor shall be fully responsible for engineering & maintenance services as required for operating the Airport in most efficient, safe & environment friendly manner, fully complying with all Statutory requirements and applicable law.* The objective is to have Comprehensive Maintenance of all the Airport Facilities to be operated and maintained based on International standards and practices to ensure serviceability above 97%. The Contractor shall also abide by the Civil Aviation Requirements (CAR) and Aerodrome Design Manual (ADM) provisions for Serviceability of Airfield assets. Services includes material, manpower, spares, consumable, tools and machineries and any other systems and/or services that are required for the comprehensive

Maintenance of the Airport Facilities to achieve serviceability above 97%. Hence the two cannot be considered as an overlap.

GGIAL has informed the Authority that the contract for the R&M services has been awarded through competitive bidding and the contract has already been submitted for reference along with the process for selection. The cost as proposed by the GGIAL is in line with the contract entered and submitted to the Authority.

The Authority is correct to point out that GGIAL is a new airport in its 1st Control Period. That is the reason why GGIAL had proposed R&M costs in the range of 1.13% to 2.30% of the net block. The Authority in its recent orders has allowed various airport operators including Ahmedabad, Lucknow, Mangalore and Srinagar R&M costs upto 6% of the net block. <u>Given that the airport has been built recently, GGIAL is requesting for significantly lower R&M costs (around 3.70% to 4.83% lower) than other airports. Any further reduction on the already reduced value that GGIAL has proposed will result in under-estimation of the R&M costs</u>. Hence we request the Authority to kindly accept the R&M Cost that GGIAL has proposed.

B. Payment to IT Operator due to non-collection of CUTE charges (WAISL)

While filing MYTP we have considered recovery of CUTE charges w.e.f. 1st April 2023. However, since the actual CUTE charges recovery has not yet started, the Authority is requested to consider incremental amount payable to the IT operator under "Minimum support to IT Company" based on CUTE charges that are allowed by the Authority to be recovered by the Airport Operator.

C. Housekeeping Expenses:

GIAL, Mopa, Goa has awarded the contract of the housekeeping to various vendors and considered the contract value as the base for estimating the housekeeping expense for FY 2023-24 and thereafter considered expansion growth and inflationary increase. The Authority as part of its analysis had obtained the housekeeping contract from GIAL, Mopa, Goa vide email dated 29th December 2022. The Authority, upon reviewing the contract, proposes to consider the actual cost mentioned in the price schedule of the contract as the housekeeping expenses for FY 2023-24.

Further, the Authority proposes to consider 25% (refer Table 91) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period.

<u>While considering the actual mentioned in price schedule of contract for FY 2023-24, the Authority considered Rs. 10.77 Cr. However, actual amount in price schedule of contract comes to Rs. 12.42 Cr. Authority is requested to consider same while allowing Housekeeping Expenses</u>.

D. Miscellaneous Expense

Other TOPS:- GIAL, Mopa, Goa has awarded the contract for Other Tops services (includes services like solid waste management, medical, passenger guidance staff and porters etc). The Authority upon reviewing the contract, proposes to consider the actual cost mentioned in the price schedule of the contract for FY 2023-24. Further, the Authority proposes to consider 25% (refer Table 91) increase due to area expansion in FY 2025-26 and the inflation rate of 4% Y-o-Y for escalating the costs for the remaining period of the First Control Period.

While considering the actual mentioned in price schedule of contract for FY 2023-24, the Authority considered Rs. 4.55 Cr. However, actual amount in price schedule of contract comes to Rs. 5.75 Cr. Authority is requested to consider same while allowing Other TOPS.

6.7 Airport Operator Fee

The Authority has not considered Airport Operator Fee to GGIAL.

GGIAL's response

During the stage of competitive bidding, for satisfying the Technical qualification criteria, the Bidding entity either uses the experience of having ownership of similar sized Airports or it ties up with specialized Airport Operators providing O&M services. For e.g. During bidding for Goa Project, GMR Airports Limited qualified basis its ownership in Delhi and Hyderabad Airports.

Post winning, the bidding entity incorporates the SPV that takes up the role of developing & operating the Airport asset. For e.g. GAL incorporated GGIAL for developing and operating the Goa Airport.

While SPV employs the requisite skilled and experienced staff to undertake the work of development & operation of the Airport, there are various aspects associated with the same that require specialized knowledge and expertise in the field.

The Parent company or Holding company owing to its experience of developing and operating several airports has developed the requisite skill set and knowhow of various streams like technical, commercial, regulatory, financing, quality, passenger experience etc. over a period of several years.

The services that will be provided by the Parent Company or Holding Company are as below:

1) Strategic guidance and support to GGIAL in preparation of master plan and oversight support to GGIAL for O&M in various critical airport related functions like aero operations, cargo operations, terminal retail, car parking, slot management etc.
2) Assisting GGIAL in preparation of management systems and plans and institutionalizing the system for continuous review of each major aspect of airport operations
3) Providing guidance and assistance in revenue generating areas like airline marketing, regulatory, non-aero strategy development and deployment, airport land development strategy development and deployment
4) Assisting GGIAL in implementing various systems pertaining to revenue management, contract management,
5) Providing strategic guidance and support in raising finances, passenger experience, Security, marketing & branding support, Environment management, Insurance, taxation etc.

These are critical services for operating the airport. For providing these services, the Parent Company which acts as the O&M Operator needs to be reimbursed, generally in the form of a % of Gross Revenue.

This fee is primarily to compensate for the efforts of providing the services and technical knowhow and also incentivizes the O&M Operator to work together with the SPV staff in bringing the best practices at the airport and enhance the passenger experience and revenues.

In view of the above, we request AERA to accept the Airport Operator Fee as proposed by GGIAL.

7 Non-aeronautical revenue for the First Control Period

7.1 Direct Concession

7.1.1 In-flight kitchen

Authority's consideration

As per Clauses 9.2.4 to 9.2.7, The Authority has reviewed the assumptions made by GIAL, Mopa, Goa for calculating the gross revenue and has noted that the estimated ATV and percentage of passengers opting for the same, as indicated by GIAL, Mopa, Goa are not available as a benchmark from other airports. Therefore, the Authority proposes to forecast the in-flight revenues based on the benchmark of the airports compared in terms of the regional area (i.e. Airports located specifically at Southern Areas) and for which data is available. Accordingly, the main regional airports where the inflight revenues are generated are HIAL and Chennai.

The revenues per passenger proposed by AERA for other airports comparable to Manohar International Airport, Mopa, Goa, has been presented in Table 106.

The Authority estimates the revenues for Manohar International Airport, Mopa, Goa, considering the average revenue per passenger of the two comparable airports as mentioned above of Rs. 5.23 per passenger applied on the passenger traffic proposed by the Authority in Table 31 for the first year of the control period, i.e., FY 2023-24. Further, considering that Manohar International Airport, Mopa, Goa is a new greenfield airport which commenced its commercial operations on 5th January 2023 and has to compete with another airport in close vicinity, the Authority proposes to moderate the estimated per passenger revenue by 30% from the average revenue per pax from the table above in order to provide a more realistic and reliable projection for the first year of the control period at Manohar International Airport, Mopa, Goa.

For the subsequent years, the Authority proposes to consider an inflation growth of 4% year-on-year (based on WPI as per Table 79) and passenger traffic growth as stated in Table 31 from FY 2024-25 for the remaining years.

GGIAL's response

The calculation for in-flight kitchen revenue is erroneous for HIAL as provided by AERA, given that the in-flight kitchen revenue for FY24 is Rs. 13.58 Cr., not Rs. 15.42 Cr. as provided by AERA (Rs. 15.42 Cr. includes lease rentals). The relevant extract is presented below:

“

Order No: 12/2021-22 for the Third Control Period RGIA, Hyderabad (HIAL)

on the aforementioned analysis, the non-aero revenues as decided by the Authority are summarised in the below table:

Table 152: Non-Aeronautical revenues decided to be considered by the Authority for the Third Control Period

Particulars (In Rs. Crores)	2022	2023	2024	2025	2026	Aggregate for the Third Control Period
In-Flight Kitchen						
Revenue Share (i)	6.88	11.96	13.58	15.47	18.64	66.53
Lease Rentals (ii)	1.67	1.75	1.84	1.93	2.03	9.21
IFK Revenues (a) = (i) + (ii)	**8.55**	**13.71**	**15.42**	**17.40**	**20.66**	**75.74**
Duty Free						
Revenue Share (In Rs. Crores) (i)	10.00	43.56	63.81	71.87	80.36	269.60
Rental (In Rs. Crores) (ii)	2.09	2.19	2.30	2.41	2.54	11.53
Duty Free Revenues (b) = (i)+ (ii)	**12.08**	**45.75**	**66.11**	**74.29**	**82.89**	**281.13**

“

In view of the above, it is requested that the in-flight kitchen revenue for HIAL may be corrected by AERA.

7.2 Retail Concession

7.2.1 Lounge, Duty Free, Car Parking and Advertisements

Authority’s consideration

The Authority has used the below considerations to calculate revenue for the services as per Clause 9.2.14 to 9.2.16

The Authority proposes using the average Non-Aeronautical Revenue per passenger from similar services at the other comparable airports in the region i.e. HIAL, Dabolim and Chennai. These comparable airports have been identified as suitable benchmarks for projecting revenues from F&B, Retail, Lounge, Duty Free, Car parking, and advertisements at Manohar International Airport, Mopa, Goa for the FY 2023-24

Lounge Income:

The Authority notes that the airport lounge will be mostly used by specific groups of passengers, such as business class flyers, frequent flyers, premium card holders or those who purchase access on a pay-per-use basis and that business class passengers make up about 10% to 12% of all airline passengers. Considering the possible differing profile of passengers in Manohar International Airport, Mopa, Goa, the

Authority proposes to rationalize the Lounge revenue per passenger by 30% from the average estimated above.

Duty Free:

Average RPP of duty free is calculated by dividing the revenues by international passengers. Duty Free Revenue Per Pax of Dabolim Airport amounts to Rs. 371.11 per pax. However, for the calculation of Average Revenue Per Pax for Manohar International Airport, Mopa, Goa, this value has been excluded as it appears inconsistent when compared to other major airports.

Car Parking:

Furthermore, Dabolim Goa Airport faces operational challenges in generating Parking revenue. In light of these factors, the Authority proposes using two times the revenue per passenger at Dabolim Airport Furthermore, Dabolim Goa Airport faces operational challenges in generating Parking revenue. In light of these factors, the Authority proposes using two times the revenue per passenger at Dabolim Airport.

Advertisements:

The Authority notes from the concession agreement between GIAL, Mopa, Goa and the state government that the government is responsible for constructing the approach road connecting the airport to the highway. As a result, GIAL, Mopa, Goa has fewer sites available for advertisements. In light of this, the Authority proposes to rationalize the revenue per passenger from advertisements by 30%.

GGIAL's response

A. **Lounge income:** Lounge business is expected to be lower in Goa v/s the benchmarked airports because of 3 main reasons;

1) Low international traffic and budget conscious profile of international travelers.
2) In case of domestic traffic – majority lounge users are credit/debit card beneficiaries at the benchmarked airports. However, in case of Goa, passengers with access to Credit/debit cards offering free airport lounge benefit constitute only part of the total domestic traffic, therefore the ability of the lounge business to generate higher IPP gets limited.
3) Lounges are generally used by corporates/ business class travelling alone, whereas in Goa, passengers travel in groups and not necessarily every member of the group has the card with airport lounge access feature, so lounge penetration is limited in Goa v/s the benchmarked airports.

Hence we request AERA to consider the lounge income as requested by GGIAL.

B. **Duty Free IPP:** Goa is a different market than any other benchmarked airport. Firstly, in terms of international traffic, Goa is a tourist market. Majority foreign tourists arriving in Goa travel on charter flights. Charter flights generally carry group tourists who are budget conscious. Secondly, unlike majority of international airports in India, Goa does not have significant share of Indians travelling which is the main reason for a weak duty free IPP. Indians coming back from overseas buy at arrivals at other airports which in-turn improves the SPP and as a result IPP also improves. However in case of Goa overseas Indian segment is very small primarily due to the small population of the catchment area and due to the fact that the international air connectivity of Goa is limited. Hence the IPP would be further lower. Hence we believe that the submission made by GGIAL is valid in terms of the SPP and the IPP.

C. **Lower Car Park IPP:**

   a. Due to resistance from car owners, we have kept very low parking rates to encourage them to use the parking facility in Mopa Airport.

   b. Being a tourist destination, major business in GT & CP is managed by taxi unions which are un-regulated, and tariffs are controlled and dictated by unions etc. Hence airport charges for pickups from MOPA Airport are not comparable with other airports.

   c. No major organized players like Ola and Uber are operating in Goa due to local political sensitivities as such imposing aggressive airport pickup fee is not viable.

   d. Self-drive is an important business piece in Goa and constitutes of large share of the airport pickup. This is also unorganized, and pickups usually happen through unauthorized non-commercial vehicles which do not pay any charge to the Airport.

   Hence, to compare the best comparator would be Dabolim which faces the same challenge as MOPA airport. There is no reason to consider a RPP of 2 times that of Dabolim Airport. Given GGIAL is a new airport, at best it can strive to achieve the same RPP as Dabolim Airport. In view of the same, we request AERA to please consider the same RPP as that of Dabolim Airport.

D. **Advertisement IPP:** Goa is not a major consumer market like benchmarked airports, with a very limited client/ agency base. Therefore, the advertisement budget allocation by brands for Goa market is not significant because of the small size consumer base, limited overall traffic and very insignificant business travelers' vs benchmarked airports. Secondly, outdoor media sites are limited in quantity because the advertising rights on the main access road are limited since it does not belong to the Airport. Smaller market size and limited outdoor options limit the ability of the Advertising concessionaire to generate the higher IPP. The IPP is comparable to Dabolim which works in the similar environment hence can only be benchmarked to MoPA at the best.

7.3 Land and space

Authority's consideration

Revenue collected from aeronautical service providers, such as CGF and Airlines, should be classified as Aeronautical revenues.

GGIAL's response

Lease of land does not in any way constitute any kind of aeronautical service.

As per the Concession Agreement signed for MOPA, GOA, “Aeronautical Services” has the meaning as set forth in the AERA Act in relation to the services to be provided at the Airport. Article 2, Chapter 1 of the AERA Act lists down the aeronautical services which includes services provided for:

1) Navigation, surveillance and supportive communication
2) Landing, housing and parking
3) Ground safety services
4) Ground handling services
5) Cargo facility
6) Supplying fuel
7) For a stakeholder at the airport, for which the charges, in opinion of the Central Government, may be determined by Authority.

As evident, lease of land does not constitute any of these above services. Hence, land and space for CGF and Airlines should not be considered aeronautical in nature.

8 Taxation for the First Control Period

8.1 Consideration of only aeronautical revenue and expenses in calculation of aeronautical PBT

Authority's consideration

As per Clause 10.2.1 to 10.2.3, The Authority notes that GIAL, Mopa, Goa has considered 30% Non-aeronautical Revenue in the estimation of Aeronautical Profit Before Tax (PBT), which was then used in the computation of aeronautical taxes. The fact that a part of Non-aeronautical Revenue is used for cross subsidization as per the Hybrid Till mechanism does not change the nature of such revenue to Aeronautical. Further, the cross subsidization as per the Hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize GIAL, Mopa, Goa to make effective investments in Non-aeronautical income generating sources.

Therefore, the Authority is of the view that:

- 30% Non-Aeronautical Revenue should not be treated as a subsidy for GIAL, Mopa, Goa as GIAL, Mopa, Goa has already earned it from non-aeronautical services and is meant as a cross subsidy to the airport user.
- The consideration of 30% Non-Aeronautical Revenue as part of revenue from aeronautical services would result in an unfair enrichment to GIAL, Mopa, Goa, effectively reducing the cross-subsidy benefit to the airport user from the present 30% non-aeronautical income.

Therefore, the Authority proposes to consider only aeronautical revenue and expenses in the calculation of aeronautical PBT.

GGIAL's response

The Authority while calculating the taxation for the GGIAL has considered aero revenues, however, the cross-subsidy equivalent to 30% has not been considered as income in the calculations. The formula of tariff determination clearly demonstrate that the Target Revenue is determined based on aeronautical building block post cross subsidy of 30% revenue from non-aeronautical revenues. This means that part of the aeronautical revenue has been recovered from 30% of non-aeronautical revenues. Therefore, once part of the aeronautical revenue has been recovered from 30% of revenue from non-aeronautical revenues, the effect of S Factor should also be given in 'T' i.e. corporate tax pertaining to Aeronautical Services.

In case of DIAL TDSAT order dated 21.07.2023, TDSAT has allowed inclusion of 30% of non-aero revenue for aero tax calculation. The relevant extracts are as below:

"Once the amount of "S-factor" which is 30% of the gross revenue generated from Revenue Share Asset becomes part and parcel of the target revenue, it also having a color of aeronautical revenue and, therefore, tax-T ought to be calculated even upon amount equal to "S" factor."

"……target revenue as per the aforesaid formula is determined, based on aeronautical building block post cross subsidy of 30% revenue from Revenue Share Assets and, therefore, out of total target revenue, 30% has been recovered from the revenue generated by JVC from Revenue Share Assets. In view of this formula of Target Revenue, it is abundantly clear that in a recovery of Target Revenue for aeronautical services, "S-factor" is one of the mechanism of calculation in the formula of TR thus, the amount of "S-factor" partakes the character of aeronautical revenue and, therefore, once the part of aeronautical revenue has been recovered from 30% of revenue from Revenue Share Assets, the effect of "S-factor" should also be given in "T" (i.e. corporate tax pertaining to aeronautical services)."

"AERA's contention that including S- Factor in calculation of Tax will result in an artificial tax benefit and overstate aeronautical tax is also misconceived and misleading. S factor has been considered in aeronautical Profit & Loss to arrive at Aeronautical Profit Before Tax (PBT) and the allocation of actual tax paid by DIAL is in the ratio of Aeronautical and Non-Aeronautical PBT and thus will not result in creation of artificial tax. Further, inclusion of S Factor in Tax and consequent consideration of S Factor as aeronautical revenue will provide true aeronautical profit and accurate base to calculate 'T'."

The relevant extracts are as below:

"

b. Looking to the formula of target revenue $TR_i = RB_i \times WACC_i + OM_i + D_i + T_i - S_i$, it is to be kept in mind that by addition of various components as stated hereinabove in the formula what is arrived at is the target revenue for aeronautical services.

c. Once the amount of "S-factor" which is 30% of the gross revenue generated from Revenue Share Asset becomes part and parcel of the target revenue, it also having a color of aeronautical revenue and, therefore, tax-T ought to be calculated even upon amount equal to "S" factor.

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137. We do not agree with the aforesaid reasons by AERA mainly for the reason that because the target revenue as per the aforesaid formula is determined, based on aeronautical building block post cross subsidy of 30% revenue from Revenue Share Assets and, therefore, out of total

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target revenue, 30% has been recovered from the revenue generated by JVC from Revenue Share Assets. In view of this formula of Target Revenue, it is abundantly clear that in a recovery of Target Revenue for aeronautical services, **"S-factor"** is one of the mechanism of calculation in the formula of TR thus, the amount of **"S-factor"** partakes the character of aeronautical revenue and, therefore, once the part of aeronautical revenue has been recovered from 30% of revenue from Revenue Share Assets, the effect of "S-factor" should also be given in "T" (i.e. corporate tax pertaining to aeronautical services).

143. We therefore quash and set aside the decision of AERA which is 2nd and 3rd Tariff Order which are impugned orders in these AERA Appeals to the extent that "S-factor" is excluded as a part of aeronautical revenue base while determining aeronautical taxes (i.e. T). We hereby hold that "S"-factor is a part of aeronautical revenue base while determining aeronautical taxes (i.e. T).

"

The tariff determination formula for the GGIAL under the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tarifffor Airport Operators) Guidelines, 2011 is similar to that of DIAL for the purposes of cross subsidy. Hence, in view of the above and the TDSAT judgment mentioned we request AERA to consider 30% cross subsidy as part income for aeronautical tax calculations.

9 Quality of Services for the First Control Period

9.1 Authority's proposals regarding Quality of Service for the First Control Period

Authority's consideration

As per Clause 11.3.2, Authority has mentioned that "In addition to meeting these standards, GIAL, Mopa, Goa is expected to meet and maintain the service quality provided at Dabolim Airport, which is operated by the Airports Authority of India (AAI)."

GGIAL's response

We request the Authority to remove this additional requirement, which may not necessarily be in sync with the performance standards outlined in the Concession Agreement that GGIAL has agreed to adhere to throughout the Control Period.

10 Tariff Card

The Authority has revised ad-hoc tariff for Manohar International Airport, Mopa, Goa pending finalization of the Multi Year Tariff Order vide order bearing no. 19/2022-23 dated 11th Sep'2023 where in landing charges have been increased by ~50% from the existing rates by the authority. In this regard Authority we requested to retain the Landing charges as proposed by GGIAL for the following reason: -

1. This is the first time in our country that 2 airports are operating in close vicinity (<60Kms by road) and the Airlines/passengers have an option to choose. In a duopoly the airlines will compare rates of both options.
2. Goa has a potential to expand the overall market size with 2nd airport (an unconstrained airport). This market expansion needs a supportive pricing strategy (lower rates with growth in volume). We must stimulate traffic/ demand, or else both airports will become unviable.
3. LCC's and Charters contribute to majority of Goa's in-bound traffic (Domestic & International). Airlines/ Charters are extremely cost conscious. Landing charges impact their P&L directly. Hence the airport must be competitive.
4. To build traffic into a greenfield airport especially in a dual airport scenario, airlines must take a medium-term view on setting up infrastructure/ resources at the new airport. Hence, on airline demand, GGIAL had committed landing charges to Airlines for FY'24 and FY'25 for airlines to plan the launch of new airport operations.
5. As airport operator is taking the risk of making the investment and running the business, it should get the liberty to decide the pricing based on market dynamics with in the available ARR as decided by AERA. The Authority should give flexibility to the airport operator, especially in a challenging situation, first-of-its-kind, greenfield cum dual airport scenario.
6. The pricing approach used by GIAL was a well thought out strategy after studying pricing structures at various multi-airport operations globally. Eg. Peak hours (0700-1300) pricing was at 30% premium vs Evening Hours (1300 – 0000); Summer Season (off peak) for Goa was 50% lower than Winter Season (which sees high demand); Variable Tariff plan to reward more volume; Landing charges were kept competitive for airlines etc.
7. If the Authority insists on GGIAL charging higher landing charges as proposed by AERA, GGIAL becomes very expensive compared to Dabolim Airport and Airlines will resist to launch operations at GGIAL. We are already facing this issue with current airlines in the pipeline to launch operations. This will favour our competition and have a huge negative impact on GIAL business.

Hence, we request the Authority to retain the landing charges as requested by the GGIAL.

11 Correction

The name of the entity providing “Ground Handling Services” at MOPA, Goa is “Celebi Airport Services (India) Private Limited.” The name mentioned in the Consultation Paper “Celebi Delhi Cargo Terminal Management India Private Limited” is incorrect. Further, this party is not a “related party” of GGIAL. Hence we request that this party may be removed from the Table No. 5 in Section 2.5.7 during final order.

12 Annexure - 1: Auditor Certificate for CWIP

BRAHMAYYA & CO.,
CHARTERED ACCOUNTANTS

PHONE: +080-22274551
FAX : +91-80-22212437
EMAIL : srinivas@brahmayya.in
KHIVRAJ MANSION
10/2, KASTURBA ROAD
BENGALURU – 560 001

Independent Auditor's Certificate on movement in Capital Work-in-progress (CWIP)

To
The Chief Financial Officer
GMR Goa International Airport Limited
Administrative Block, Mopa International Airport,
Dadachiwadi Road, Nagzar, Taluka Pernem,
Mopa, Goa- 403512

Dear Sir,

1. This certificate is issued in accordance with the terms of our engagement letter dated June 14, 2023, with M/s GMR Goa International Airport Limited.

2. We, M/s Brahmayya & Co., Chartered Accountants, the Statutory Auditor of M/s GMR Goa International Airport Limited ('the Company'), having its registered office at Administrative Block, Mopa International Airport, Dadachiwadi Road, Nagzar, Taluka Pernem, Mopa, Goa- 403512 have examined the books of account, Audited Financial Statements for the period from October 14, 2016 to March 31, 2023 which are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013 ('the Act') and other relevant documents with respect to the certification of movement in Capital Work-in-progress (CWIP) from October 14, 2016 to March 31, 2023.

Management's responsibility:

3. The preparation of the accompanying Statement (Annexure – I) is the responsibility of the management of the company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation, presentation and calculation of movement in Capital Work-in-progress (CWIP) and applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances.

BRAHMAYYA & CO. Chartered Accountants BENGALURU

Auditor's Responsibility:

4. Our responsibility is to express reasonable assurance in the form of an opinion based on our examination books of accounts, Audited Financial Statements for the period from October 14, 2016 to March 31, 2023 prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013 ('the Act') and other relevant documents with respect to the movement in Capital Work-in-progress (CWIP) from October 14, 2016 to March 31, 2023 as mentioned in Annexure-I.

5. We have audited the financial statements of the Company for the year ended March 31, 2021; March 31, 2022 and March 31, 2023, on which we have issued unmodified opinion vide our reports dated April 22, 2021; May 05, 2022 and May 22, 2023 respectively. Financial Statements from the October 14, 2016 to March 31, 2020 were audited by an audit firm other than us on which unmodified opinions were provided by them vide reports dated May 11, 2017 for the year ended March 31, 2017; May 03, 2018 for the year ended March 31, 2018; April 25, 2019 for the year ended March 31, 2019 and June 18, 2020 for the year ended March 31, 2020. Audit of these Financial Statements were conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of Material Misstatement.

6. We conducted our examination of the Statement in Annexure - I in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on the examination of books of accounts, Audited Financial Statements for the period from October 14, 2016 to March 31, 2023 and other relevant documents with respect to the certification of movement of CWIP, we are of the opinion that the amount presented in the Annexure-I are in accordance with the Audited Financial Statements and other records maintained by the company.

BRAHMAYYA & CO. Chartered Accountants BENGALURU

Restriction on Use

9. This certificate is issued at the request of the Company pursuant to the requirements of AERA. This Certificate should not be used for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For Brahmayya & Co.,
Chartered Accountants
ICAI Firm's Registration No.000515S

G. Srinivas
Partner
Membership No. 086761
UDIN No. 23086761BGWJJN3356

Place: New Delhi
Date: June 26, 2023

BRAHMAYYA & CO.
Chartered Accountants
BENGALURU

GMR Goa International Airport Limited **Annexure – I**

CWIP Movement for FY 2016-17 (October 14, 2016 to March 31, 2017) **INR in Crores**

Particulars	Opening CWIP	Spent during the year	Capitalised during the year	Total CWIP
Hard Cost & Soft Cost	-	11.90	0.23	11.67
PMC	-	0.71	-	0.71
Interest cost	-	-	-	-
Total	**-**	**12.61**	**0.23**	**12.38**

CWIP Movement for FY 2017-18 **INR in Crores**

Particulars	Opening CWIP	Spent during the year	Capitalised during the year	Total CWIP
Hard Cost & Soft Cost	11.67	15.79	3.30	24.16
PMC	0.71	0.31	-	1.02
Interest cost	-	1.63	-	1.63
Total	**12.38**	**17.73**	**3.30**	**26.81**

Interest for the FY 2017-18 presented above includes adjustment on account of Ind AS adjustment amounting to INR 0.39 Crores.

CWIP Movement for FY 2018-19 **INR in Crores**

Particulars	Opening CWIP	Spent during the year	Capitalised during the year	Total CWIP
Hard Cost & Soft Cost	24.16	124.15	2.33	145.98
PMC	1.02	8.32	-	9.34
Interest cost	1.63	9.27	-	10.90
Total	**26.81**	**141.73**	**2.33**	**166.21**

Interest for the FY 2018-19 presented above includes adjustment on account of Ind AS adjustment amounting to INR 1.18 Crores and cumulatively till FY 2018-19 amounting to INR 1.57 Crores.

CWIP Movement for FY 2019-20 **INR in Crores**

Particulars	Opening CWIP	Spent during the year	Capitalised during the year	Total CWIP
Hard Cost & Soft Cost	145.98	139.39	0.18	285.18
PMC	9.34	12.83	-	22.17
Interest cost	10.90	15.41	-	26.31
Total	**166.21**	**167.63**	**0.18**	**333.66**

Interest for the FY 2019-20 presented above includes adjustment on account of Ind AS adjustment amounting to INR 1.18 Crores and cumulatively till FY 2019-20 amounting to INR 2.75 Crores.

BRAHMAYYA & CO. Chartered Accountants BENGALURU

CWIP Movement for FY 2020-21 **INR in Crores**

Particulars	Opening CWIP	Spent during the year	Capitalised during the year	Total CWIP
Hard Cost & Soft Cost	285.18	281.58	0.74	566.03
PMC	22.17	15.25	-	37.42
Interest cost	26.31	18.75	-	45.06
Total	**333.66**	**315.59**	**0.74**	**648.51**

Interest for the FY 2020-21 presented above includes adjustment on account of Ind AS adjustment amounting to INR 1.32 Crores and cumulatively till FY 2020-21 amounting to INR 4.06 Crores.

CWIP Movement for FY 2021-22 **INR in Crores**

Particulars	Opening CWIP	Spent during the year	Capitalised during the year	Total CWIP
Hard Cost & Soft Cost	566.03	792.59	0.59	1,358.03
PMC	37.42	16.07	-	53.50
Interest cost	45.06	63.91	-	108.97
Total	**648.51**	**872.58**	**0.59**	**1,520.50**

Interest for the FY 2021-22 presented above includes adjustment on account of Ind AS adjustment amounting to INR 0.69 Crores and cumulatively till FY 2021-22 amounting to INR 4.76 Crores.

CWIP Movement for FY 2022-23 **INR in Crores**

Particulars	Opening CWIP	Spent during the year	Capitalised during the year	Total CWIP
Hard Cost & Soft Cost	1,358.03	1,255.76	2,472.98	140.80
PMC	53.50	17.09	64.26	6.33
Interest cost	108.97	110.04	197.60	21.42
Total	**1,520.50**	**1,382.89**	**2,734.84**	**168.55**

Interest for the FY 2022-23 presented above includes adjustment on account of Ind AS adjustment amounting to INR 11.17 Crores and cumulatively till FY 2022-23 amounting to INR 15.93 Crores.

BRAHMAYYA & CO. Chartered Accountants BENGALURU

13 Annexure - 2: MCLR rates for Axis Bank

AXIS BANK

15th September 2023

Marginal Cost of Funds based Lending Rate (MCLR)

MCLRs with effect from 18th September 2023:

Tenor	MCLR %
Overnight	8.95%
One month	8.95%
Three months	9.05%
Six months	9.10%
One year	9.15%
Two years	9.25%
Three years	9.30%

These rates will be valid till the next review.

Base Rate: 10.15% (w.e.f. 20th June 2023)

14 Annexure- 3: Letter for payment of cost recovery charges from custom department

I/(22)/OTH/4500/2022-CBLS-O/o Commr-Cus-Goa

I/1249814/2023

भारत सरकार/ GOVERNMENT OF INDIA
वित्त मंत्रालय/ MINISTRY OF FINANCE
राजस्व विभाग /DEPARTMENT OF REVENUE
सीमा शुल्क आयुक्त का कार्यालय /OFFICE OF THE COMMISSIONER OF CUSTOMS
सीमा शुल्क भवन, मार्मागोआ, गोवा – ४०३८०३ /CUSTOM HOUSE, MARMAGOA , GOA – 403803.

दूरभाष क्रमांक-०८३२-२५२०६१५, फैक्स-०८३२-२५२०७४४ / Telephone No. 0832-2521080, Fax-0832-2520744

To

M/s GMR Goa International Airports Limited (M/s GGIAL),
Administrative Block,
Manohar International Airport,
Taluka- Pernem, Mopa,
North Goa-403512.

Gentlemen,

Sub: Payment of Cost Recovery Charges for Manohar International Airport, Mopa – reg.

Please refer to CRB ORDER NO. 54/2022 (Creation of posts) issued vide F.No. EMC/ExpM/CRB/CRP/10/2022-EMS-Oo Pr ADG-EMC-DGHRD wherein Twenty Eight (28) temporary posts on cost recovery basis have been sanctioned for Manohar International Airport, Mopa.

As per the conditions enumerated in the above letter, the posts would be filled only after depositing entire costs of the posts which is 1.85 times of the monthly average salary of the posts plus D.A, H.R.A. etc. by the custodian, in advance..

Hence you are advised to deposit the cost recovery charges for the current quarter immediately as per the calculation sheet enclosed for deployment of staff at Manohar International Airport, Mopa.

Yours faithfully,

Signed by Rebba Pragada Srinivasa Rao
Date: 19-06-2023 15:59:14
Reason: Approved
(R. SRINIVASA RAO)
Assistant Commissioner of Customs

Copy to:

1. Assistant Commissioner (Manohar International Airport, Mopa)
2. Assistant Commissioner (Establishment).

15 Annexure-4: Calculation Sheet for cost recovery charges from custom department

भारत सरकार/ GOVERNMENT OF INDIA
वित्त मंत्रालय/ MINISTRY OF FINANCE
राजस्व विभाग /DEPARTMENT OF REVENUE
सीमा शुल्क आयुक्त का कार्यालय /OFFICE OF THE COMMISSIONER OF CUSTOMS
सीमा शुल्क भवन, मार्मागोवा, गोवा – ४०३८०३
/CUSTOM HOUSE, MARMAGOA , GOA – 403803.
दूरभाष क्रमांक-०८३२-२५२१०८०, फैक्स-०८३२-२५२०७४४ /
Telephone No. 0832-2521080, Fax 0832-2520744

Customs Act 60

To
The Superintendent of Customs
CCSP Cell,
Custom House, Goa.

Subject : Calculation sheet for Cost Recovery charges in respect of staff posted at New Goa International Airport (MOPA) for the current quarter.

Please see the office note received from CCSP cell dated 21.12.2022 regarding the above mentioned subject. Accordingly, the calculation sheet for Cost Recovery charges in respect of staff posted at New Goa International Airport (MOPA) for the current quarter of the 28 sanctioned posts are as follows :

Designation	Basic Pay	Basic TA	DA on TA	Total (2+3)	HRA on Basic Pay(18%)	D.A. on B.P. (42%)	Total (2+5+6+7)	Grand total for total number of posts	Amount Payable 1.85 times (Monthly)
1	2	3	4	5	6	7	8	9	10
Superintendent/ Appraisers	70000	1800	756	2556	12600	29,400	1,14,556	114556*8 = 9,16,448	16,95,428
Examiner/ Inspectors	50500	1800	756	2556	9090	21,210	83,356	83356*16 = 13,33,696	24,67,337
Havaldar	32000	1800	756	2556	5760	13,440	53,756	53756*4 = 2,15,024	3,97,794
								Total (Monthly)	45,60,559
								Quarterly total	₹ 1,36,81,677.00

The monthly amount of the cost recovery charges mentioned above are tentative as the name of the 28 officers who will be posted at MOPA airport are not given.

(K.S. Sujatha) 1/6/23
ACAO
Custom House Goa

सहायक मुख्य लेखा अधिकारी
Asstt.Chief Account Officer
सीमा शुल्क भवन, मर्मागोवा
Customs House,Marmagoa