Kempegowda
INTERNATIONAL
AIRPORT
BENGALURU

13th July 2026

Ref: BIAL/AERA/ 2026-27/04

The Chairman,
Airports Economic Regulatory Authority of India (AERA),
3rd Floor, Udaan Bhawan
Safdarjung Airport
NEW DELHI – 110 003

Respected Sir,

Sub: Response to Consultation Paper No 01/2026-27 dated 12th June 2026 for 4th control period

Dear Sir,

At the outset, we wish to express our sincere gratitude to the Authority for finalising the Consultation Paper for Kempegowda International Airport, Bengaluru (KIAB) in a timebound manner.

As a part of the stakeholder consultation process for the referenced Consultation Paper, please find enclosed BIAL's responses for your kind consideration.

It is requested that the Authority may arrive at the final Aggregate Revenue Requirement for the 4th control period only after taking into consideration our responses to the Consultation Paper. Further, BIAL seeks that the Authority consult with BIAL at the time of finalization of the final Tariff Rate card for the 4th control period.

Thanking You.

Yours faithfully,
For **Bangalore International Airport Limited**

Bhaskar Anand Rao
Chief Financial Officer

Encl: Response Document to CP01 & Annexures

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BANGALORE INTERNATIONAL AIRPORT LIMITED

Response to Airports Economic Regulatory Authority of India's (AERA) Consultation Paper No. 01/2026-27 dated 12th June 2026 for Determination of Aeronautical Tariff for Kempegowda International Airport, Bengaluru (BLR) for the Fourth Control Period (01.04.2026 - 31.03.2031)

Contents

General Legal Principles

This document has been prepared/compiled by Bangalore International Airport Limited ('**BIAL**') in response to Airports Economic Regulatory Authority of India's ('**AERA**' or '**the Authority**') Consultation Paper No. 01/ 2026-27 on Determination of tariffs for Aeronautical Services in respect of Kempegowda International Airport Bengaluru ('**KIAB**' or '**KIA**'), for the Fourth Control Period (01.04.2026 to 31.03.2031) dated 12.06.2026 ('**the Consultation Paper**' or '**CP**').

The primary purpose of this document is to submit BIAL's views/objections/concerns/issues on the treatment of / proposals of the Authority in the Consultation Paper on the proposals submitted by BIAL in its MYTP for the Fourth Control Period. BIAL has primarily focused to emphasize the project proposals, business requirements i.e., the upgradation and expansion of KIAB and its facilities in a phased manner, while ensuring the operation and maintenance of KIAB in a safe and secure manner, and to provide the required levels of service to its users, and to enable the Authority to understand the considered views/business imperatives in the opinion of BIAL, primarily derived from the provisions of the Concession Agreement and related project agreements, and also on the basis of various studies carried out and being submitted in accordance with regulations framed / published by AERA for the purposes of obtaining the approval for Regulated Charges from the Authority, proposed to be imposed by the airport operator (i.e., BIAL) at KIAB.

One of the key principles that BIAL along with other airports have been consistently representing before the Authority and in judicial forums is that while at pre-legislative stage, the Airports Authority of India (AAI) with the approval of the Central Government fixed the aeronautical charges for airports under its control and prescribed the performance standards for all other airports, while monitoring the same, which resulted in conflict of interest and also often led to complaints of mismatch between the aeronautical charges levied by the AAI and the quality of services rendered at the airports. It is in this context that under the Airports Infrastructure Policy of 1997, greenfield airports at Bengaluru (BLR) and Hyderabad (HYD) were set up under the PPP model, primarily with the intent to improve the quality, efficiency and increasing the competition in the sector. This was the thought of the Government of India ("GoI") as the trends at the time when AERA was set up indicated that there will be continuously growing competition and a level playing field amongst different categories of airports in future. GoI expressly, pursuant to various committees setup to study the requirement of an independent regulator, decided to setup an independent economic regulator namely AERA so as to create "a level playing field" and foster healthy competition amongst all major airports, in order to encourage investment in airport facilities and to regulate tariffs for aeronautical services and to monitor performance standards at the airports. It is in this context, under Section 13 of the AERA Act, a grandfathering provision was incorporated under Section 13(vi) of the AERA Act which stipulates that the Authority shall take into consideration, inter alia, " the concessions offered by the Central Government in any agreement or memorandum of understanding or otherwise" while determining the tariff for the aeronautical services with an enabling proviso that "different tariff structures may be determined for different airports having regard to all or any of the above concessions specified at subclauses (i) to (vii) of Section 13.

While BIAL has preferred an appeal before the Hon'ble TDSAT and Hon'ble Supreme Court of India on certain facts relating to the first, second and third Control Period in various appeals, the Hon'ble Supreme Court of India in the decision of DIAL vs AERA (Civil Appeal No.8378 of 2018) categorically and specifically held that "...the principle that legislative intent must prevail over any prior agreement would not really apply in the present scenario as the legislative intent itself incorporates and requires the prior agreements to be taken into consideration albeit along with certain other parameters/requirements." BIAL would like to respectfully bring it to the kind attention and notice of the Authority that the Hon'ble TDSAT and Hon'ble Supreme Court of India have, over a period of time, passed various precedent setting judgements in respect of matters governing tariff principles for airports on several issues including principles, philosophies generally in relation to concession agreements and specific to certain major airports.

BIAL believes that due and appropriate consideration by the Authority, at the time of tariff determination, be given towards the concessions granted by the Government of India as part of its policy framework, and that the pre-legislative contracts be honoured with due consideration of giving differential treatments to those airport operators/ investors who have taken the pioneering decision of participating in the GoI's initiative of privatization of airports in an unexplored greenfield proposal, which was the first of its kind in a country like India that led to the transformation of the airport sector resulting in significant volume of capital deployment by the private sector in subsequent airport concessions, benefitting the Government in terms of financial rewards.

BIAL respectfully submits that views, business imperatives, requirements submitted herein are solely for the purposes of the Authority's consideration of BIAL's views for the intended purposes of seeking approval of tariff determination on Regulated Charges and is not to be referred to and/or relied upon by any person/party. The submissions of BIAL may not be reproduced or disseminated in whole or in part by any person, unless clarification is obtained from or specifically confirmed by BIAL in writing, other than the Authority.

The responses, comments, and submissions made by BIAL herein are solely in the context of, and limited to, the present Consultation Paper, and are without prejudice to, and notwithstanding, the rights, entitlements, and remedies available to BIAL under its Concession Agreement (including all amendments, supplements, and related agreements thereto), applicable law, and equity.

These submissions are further made without prejudice to, and notwithstanding, the contentions and submissions made by BIAL in any pending, ongoing, or previous litigation or other proceedings before any court, tribunal, or authority (including, without limitation, proceedings before the Hon'ble Telecom Disputes Settlement and Appellate Tribunal (TDSAT) and the Hon'ble Supreme Court of India),.

Nothing contained in this response shall be construed, deemed, or interpreted as a waiver, abandonment, relinquishment, or acquiescence of any of the aforesaid rights, positions, or contentions, whether express or implied, nor shall it operate as an estoppel against BIAL in any proceedings whatsoever. Participation in this consultation process shall not be deemed to be an admission of, or consent to, the assumptions, methodology or approach as proposed by the Authority in the Consultation Paper, and all rights to challenge the same are expressly reserved.

We request that the annexures to our response to the Consultation Paper may contain sensitive information and the Authority is requested to maintain the confidential nature of the information and not publish or reproduce these in the final tariff order (at the time of publication).

The response set out below shall not be construed as an acceptance by BIAL of the various assumptions undertaken by the Authority in the Consultation Paper.

1. Introduction

Airports Economic Regulatory Authority of India ('AERA' or 'the Authority') has released Consultation Paper No. 01/2026-27 on Aeronautical services in respect of Kempegowda International Airport Bengaluru ('KIAB' or 'KIA') for Fourth Control Period (01.04.2026 to 31.03.2031), on 12.06.2026.

A stakeholder consultation meeting was convened by the Authority on 29th June 2026 to elicit the views of all the stakeholders on the Consultation Paper. Further, the Authority solicited written, evidence-based feedback, comments and suggestions from stakeholders including BIAL on the proposals contained in the Consultation Paper.

We thank the Authority for the timely review and issue of Consultation Paper.

We hereby present our observations, views, suggestions and requests in respect of determination of Aeronautical Tariffs for KIAB for the Fourth Control Period.

References to similar issues made together

Certain matters of principle have been analyzed by the Authority both in the True up of Third Control Period and also in Fourth Control period estimates. BIAL requests that these submissions be considered as applicable for all control periods, where relevant, including from Pre-Control Period.

2. True-Up for the Second Control Period

Authority's proposal

- *To retain the over recoveries as determined in the Tariff Order of the Third Control Period as per Table 8.*

Authority's Analysis

AERA has, in Chapter 2, proposed to continue the True up till Second Control period (SCP) as per the decision taken at the time of Third Control Period (TCP) Order. Accordingly, Table 8 of the Consultation Paper details the True up value proposed to be carried forward to the TCP.

BIAL's Submission

In Table 8 of the Consultation Paper, AERA has proposed Tax of Rs. (2.59 Cr) for FY 21. Tax reimbursement as per tariff mechanism, reflects the Tax payments by the Airport Operator. The tax can at the least be zero and not negative. AERA has, in Table 44 of TCP Order, inadvertently considered a MAT refund of Rs. 2.59 Cr. which is incorrect. Hence, BIAL requests AERA to consider tax cost for reimbursement as zero and not as a negative of Rs. 2.59 Cr for FY 21, for true up of Second Control Period.

4.2.2 Disallowance of Capital Expenditure towards Phase 1 of Eastern Connectivity Tunnel (ECT)

Authority's Analysis

- *In light of above, Authority has taken the cognizance of Second Control Period Tariff order where the total capital expenditure of Rs. 1,976 Crores (hard cost) had been approved towards the New South Airfield Development Works, of which Rs. 1,521.28 Crores had been capitalised in the true-up of the Second Control Period, after reducing Rs. 260.45 Crores on account of reclassification of certain assets towards T2 Apron Phase II and Eastern Connectivity Tunnel.*

BIAL's Submission

Phase I of ECT ought to be considered as a part of RAB because in line with clause 9.2.12 of SCP Tariff Order, Phase I of ECT has been capitalized in March 2021, upon the same being put to use. So long as an asset is being utilized for aeronautical services, the same ought to be made part of the RAB because none of AERA's guiding principles state that inclusion of a project in RAB is dependent on the way the project was originally envisaged to be utilized.

3. True Up for the Third Control Period

Regarding Regulatory Asset Base (RAB)

3.1. Aeronautical Asset Allocation

<u>Authority's Analysis</u>

- *The Authority has examined the allocation ratios submitted by BIAL between aeronautical and nonaeronautical assets. The Authority is of the view that the allocation ratios approved in the Third Control Period Tariff Order, which were determined after due deliberation and considering the principle of consistency, should continue to apply for the true-up of the Third Control Period.*

<u>BIAL's Submission</u>

AERA has, in Section 3.4 of the Consultation Paper, detailed the additions to RAB for Third Control Period and stated its proposal on the RAB addition and the average RAB to be considered for True up of the Third Control Period. Para 3.4.1 and 3.4.2 detail the list of projects and Paras 3.4.3 – 3.4.5 list the basis of allocation and the Aeronautical RAB (including Table 16 and Table 17).

BIAL respectfully submits the following with respect to the allocation ratios adopted by AERA.

a) AERA has, in Table 16 and Table 17 indicated that BIAL has submitted Allocation ratio of Terminal 2 – Phase 1 as 87.66%, Forecourts Roadways project as 85.73% etc. These are not the project wise allocation ratios submitted by BIAL for true up of RAB additions. These were the estimated allocation ratios submitted at an overall level when the projects were proposed to be executed, at the time of Third Control Period MYTP submissions in June 2020. Now, when these Projects have been fully executed and assets at a line item level have been capitalized in Fixed Asset Register(FAR), the allocation of assets, at an individual line item level, as submitted by BIAL, should be considered and evaluated.

b) While AERA has, in Para 3.4.4 has correctly noted the basis of asset allocation adopted by BIAL, it is imperative to note that the same is not considered by AERA. It is incorrect to state in Table 16 that the allocation ratios detailed therein have been submitted by BIAL while para 3.4.4 states as follows:

> 3.4.4 BIAL has submitted the following regarding its basis of allocation of assets between aeronautical and non-aeronautical:
>
> - Allocation ratios for Opening RAB have been considered based on principles applied in the Second Control Period and the certificates submitted.
> - Assets capitalized over FY22 to FY 26 have been reviewed based on its Fixed Asset Register and were classified as Aeronautical, Non-Aeronautical and Common assets.
> - Common Assets capitalized relating to Terminal 2 - Phase 1 have been segregated between Aeronautical and Non-Aeronautical based on BIAL's calculation of the Terminal 2 - Phase 1 area ratio of 87.66%. BIAL has also submitted an Area Statement of Terminal 2.
> - Other Common assets capitalized in the Third Control Period, till commissioning of Terminal 2, have been considered by BIAL based on Terminal-1 ratio (85.34%) and assets commissioned post Terminal 2 have been segregated between Aeronautical and Non-Aeronautical applying the overall Terminal Building ratio of 87.1%.
> - For its MMTH Phase – I, BIAL has adopted an allocation ratio of 34.49% based on its own determination of attributable aeronautical usage in the MMTH – Phase I facility.

c) Accordingly, pure Aeronautical, Non-Aeronautical assets are first identified and only for common Assets common asset allocation ratios have been used,

d) BIAL has carried out an extensive activity of identifying FAR line-item level allocation and this, together with the relevant Gross Block Certification by a Charted Accountant (CA) (Annexure 5 in the MYTP) was submitted in the MYTP for AERA's consideration and review.

Details of actual allocation ratio derived from the summarizing the Aero assets values from FAR line items for PAL-1 programs, together with the allocation ratio assumed by AERA, is as given below:

Program	**Allocation ratio submitted by BIAL in MYTP (derived from FAR)**	**Allocation ratio considered by AERA (Table 33 of CP No. 01/2026-27)**
Terminal 2 - Phase I	91.84%	87.66%
Forecourt, roadways & landside development - Phase 1b (except MMTH)	98.14%	85.73%
MMTH – Phase- I	34.50%	31.53%
Aircraft Maintenance & Airport Maintenance Facilities	90.34%	85.73%
Utilities	100.00%	85.73%
T2 Apron - Phase II	100.00%	99.20%
Airport Rescue and Fire Fighting Building	100.00%	100.00%
South Runway - Phase II	100.00%	100.00%
Existing Runways / Taxiway Improvements	100.00%	100.00%
Sustaining capex including other Capex	91.72%	86.64%

BIAL had also submitted Gross Block Ratios across the years based on the FAR for the Third Control Period (certified by CA) as given below:

Particulars	**21-22**	**22-23**	**23-24**	**24-25**
Gross Block Ratio certified	92.43%	92.88%	90.55%	90.04%

e) From the review of the Consultation Paper, BIAL notes that for the purposes of True up of allocation ratio, AERA has not reviewed the FAR submitted by BIAL but has instead adopted the overall allocation ratio used at the time of issuance of TCP order when the assets were in the implementation stage. This is not in line with AERA's decision as detailed in para 5.6.6 of TCP Order (reference below)

> 5.6.6 To true-up the total asset addition, asset allocation and the aeronautical asset addition for the Third Control Period based on the actual asset addition undertaken in the next control period and subject to its reasonableness.

f) As a matter of fact, BIAL submits to the Authority that for the true up of SCP, AERA had actually carried out a line item level FAR review and decided certain reclassification, in its Third Control Period Order. Refer below extracts:

Table 15: Aeronautical asset addition proposed by the Authority from FY17 to FY21 based on the asset allocation study

Particulars (In INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Total investments in fixed assets during Second Control Period as per BIAL (A)	225.7	170.3	160.99	2,122.41	690.90	3370.30
Aeronautical asset addition to RAB as per BIAL* (B)	**213.92**	**135.99**	**132.02**	**2,087.23**	**576.21**	**3145.37**
Adjustments to aeronautical asset addition to RAB by the Authority						
Adj - Exclusion of written off amount in FY20 as per IGAAP audited accounts (disposal of assets not accounted by BIAL) (C)				-38.93		-38.93
Adj – Exclusion of Financing Allowance over capitalized amount by the Authority as per para 3.3.40 (D)				-41.07		-41.07
Proposed adjustment to RAB due to change in segregation logic as per asset allocation study, for reasons below (E):	-3.85	-0.92	-0.71	-13.4		-18.88
Electrical and Power House Equipment (E.1)	-3.19	-0.60	-0.70	-0.20		-4.69
BIAL App (E.2)	-0.27	-0.32	0	0		-0.59
Landscape in real estate area (E.3)	-0.14	0	0	0		-0.14
Car park related asset (E.4)	-0.17	0	0	0		-0.17
Water harvesting assets (E.5)	-0.08	0	-0.01	-13.2		-13.29

A sample screenshot of Asset Line items reviewed by AERA (refer 2.1.2 d of below image) as part of allocation study in Third Control Period, together with the scope of work is as given below (**Reference**: Consultation Paper for Third Control Period)

d. Review asset category-wise classification done by BIAL into aero, non-aero and common assets.
e. Review fixed asset register including the description of the assets of BIAL from FY17 to FY20 for its usage, classification methodology, location and type of revenue generated from the asset.
f. Check consistency between the fixed asset register and the financial statements of BIAL from FY17 to FY20.
g. Seek clarification and additional details from BIAL to assess asset allocation, as required. These clarifications and details are related to methodology adopted, usage of assets, location of assets, etc.
h. Prepare the general principles for the asset allocation into aeronautical, non-aeronautical and common assets to ensure consistent treatment for all the assets.
i. Undertake asset wise analysis and classification into aeronautical, non-aeronautical and common assets using the general principles.
j. Revise Gross Block from FY17 to FY21 for BIAL based on the revised asset allocation.

Table 20: Reclassification of BIAL App (Thoughtworks project)

S no.	Asset*	Asset code	Capitalization date	Aero gross block as per BIAL (FY20)	Allocation ratio for FY20 %	Revised aero gross block (FY20)	Impact (INR cr.)
				A	B	C=A*B	D=A-C
1	BIAL App - Thought Works Project Phase 2	370000206	1-Apr-17	2.24	85.73%	1.92	0.32
2	BIAL App - Thought Works Project	370000196	15-Sep-16	1.79	85.73%	1.54	0.26

Fixed Asset Register with line-item level classification has been submitted to AERA as part of MYTP for Fourth Control Period and in response to queries.

BIAL requests that a similar asset allocation review based on FAR needs to be carried out for truing up of the allocation ratios for TCP.

3.2. Disallowance / Non-Consideration of Capital Expenditure (Table 32)

The Authority has proposed a Capital Expenditure of Rs. 8,193.23 Crores for the true up of the Third Control Period as against the submitted Capital Expenditure of Rs. 8,524.81 Crores for the Third Control Period Order, by BIAL resulting in a net variance of Rs. (331.58) Crores. (Table 32 of Consultation Paper)

3.2.1 Terminal 2 – Phase I, disallowance of Rs. 50 Cr PMC

Authority's Analysis

- *The Authority further, in the Third Control Period Tariff Order, had disallowed Rs. 50 Cr. against Project Management Cost on account of the extended period of construction till FY22 with a considered view that the scope of work of PMC consultant for the Terminal 2 has remained the same despite the increase in the time period for execution of the project. The Authority agrees with the view taken in the Third Control Period Tariff Order regarding disallowance of Rs. 50 Cr. against PMC Charges and proposes to deduct it from the capital cost proposed for Terminal 2 – Phase 1 in the true-up of the Third Control Period.*

BIAL's Submission

Background

BIAL had undertaken an integrated large-scale Airside and Terminal development program with associated road and other infrastructure facilities (PAL 1 Expansion) comprising of more than 80 sub-projects. Based on a competitive tendering process, BIAL had selected and entered into a PMC contract with M/s Turner for providing PMC services for the PAL 1 Expansion program.

The PMC contracted scope of services includes pre-construction support, construction management and project closeout, handover and operationalization primarily for NSPR & Terminal-2 projects and support for landside projects.

In the 2nd Control period Tariff order, the Authority, decided to fix a target date for completion of the Terminal 2 Phase 1 Project as 31st March 2021.

Pursuant to issuance of 2nd control period Tariff Order, the Authority has also clarified vide its letter dated 13.09.2018 that, *"in case there is delay in completion of project beyond March 2021, due to any reason beyond the control of BIAL or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the 3rd control period in respect of IDC and PMC."* This clarification is specific and is intended only for time related delay in Project completion and not for any scope related changes. BIAL's submission is also for additional costs due to time delay and not for any scope changes.

Due to Covid-19 pandemic from Jan'2020, the project completion timeline got extended to 31st Dec 2022 (as acknowledged in Authority's decision in para 5.5.8 of TCP Order). This necessitated the extension of duration of services by the PMC to support project completion, which has a direct impact on the PMC cost. The number of man-months required to complete the scope of services consequently got extended till 31st December 2022. This change in the completion date is equivalent to a Force Majeure event which has affected both parties – BIAL & PMC agency.

As per the terms of the contract, the Force Majeure clause includes rulings of Governmental authorities as one of the events that qualifies for extension of time. Lockdown restrictions were issued vide various circulars of Government of India and Government of Karnataka. BIAL could not entirely de-mobilise the PMC as work was underway nevertheless (in line with Government circulars which permitted project implementation wherein in-situ labour camps were available) and had to be completed.

On its part, BIAL had taken the following steps to reduce the PMC costs, namely:

- Changed deployment plan, etc., to optimize the use of PMC.
- Renegotiated the contract to obtain discounts from the PMC in the form of agreeing to a lump sum value for a ceiling limit of the deployment.
- Negotiated with the PMC to reduce costs by removal of escalation clause in the contract. As per the PMC contract, the consultant is entitled for 8% YoY escalation price for the deployed resources. The contract was also renegotiated to defer the YoY escalation cost
- The deployment of the PMC staff had been restructured for 28 staff members based on the specific skill set required for the Project and demobilization of other resources in advance. There were 7 expats deployed on the project which was reduced to 3 by demobilizing 4 of these staff prematurely.

Having specifically clarified that the IDC and PMC cost would be considered if it is justified, the Authority has proposed not to allow the additional PMC cost for the additional time period required to complete the project. This is despite the Authority acknowledging the fact that the Covid-19 pandemic has created genuine issues for completion of the project by March 2021.

While AERA had allowed the deferment of date of commissioning of the Project, it has not considered the associated costs towards PMC. BIAL wishes to submit that given the circumstances, it was not possible to let go of the PMC abruptly and put the entire T2 and associated projects at risk as the pace of works was reduced but not halted.

We request AERA to consider the additional PMC Costs that were incurred due to Covid 19 which was beyond BIAL's control, which is fully in line with the clarification letter issued by AERA on 13.09.2018 and not disallow Rs. 50 Cr. from the actual incurred cost.

Further, AERA has, in its letter dated 11th November 2021, clarified that soft cost will be trued up based on actuals.

3.2.2 Disallowance of Covid Cost 13.78 Crores

Authority's Analysis

- *The Authority observes that L&T has raised two claims for increase in expenses due to delay during the covid period. The Authority is of the view that the amount of Rs 13.78 Crores should have been borne by L&T as it is part of the day to day operation and this should not be passed on to the passengers. Accordingly, the Authority proposes to disallow the amount of Rs. 13.78 Crores from the cost of Terminal 2 – Phase I.*

BIAL's Submissions

Nation-wide lockdown was enforced by Government of India in March 2020. To ensure the seamless continuity of the project post lifting of lockdown provisions, L&T had proactively supported BIAL by maintaining a ready workforce and subcontractor availability.

These measures were essential to safeguard worker health and maintain project continuity, particularly during Bengaluru's severe second wave, when the city faced one of the highest Covid caseloads in India. The key actions undertaken by L&T for safeguarding of its workers (as already mentioned in our MYTP submission) are mentioned below:

1) Since most of the workforce migrated back to their native towns due to fear and uncertainties during the pandemic, the contractor arranged transportation for laborers from Bihar, Orissa, Bengal and UP along with additional compensation, to bring them back to the Project Site.
2) Setup quarantine areas, social distancing protocols, hand hygiene stations,
3) Purchase and distribution of personal protective equipment (PPE) & masks
4) Invested in advanced equipment, such as Facial Recognition Systems (FRS) for attendance and forehead thermal temperature checking devices
5) Regular awareness camps were conducted to educate workers on health and safety measures, symptoms of the virus, and best practices for preventing its spread
6) Conducted Covid-19 tests for over 3000 newly inducted workers to detect and isolate positive cases
7) Organize vaccination camp where over 11,000 doses of vaccines were administered

The Authority will appreciate that the Covid 19 situation was an abnormal event that no one in the world had anticipated and planned for. The steps taken by L&T & associated expenditure was exceptional in nature, was neither foreseeable nor contemplated in the original contract, and therefore could not reasonably have been absorbed by the contractor as part of normal operating costs

The summary of contractor's claims towards labour welfare costs incurred during Covid-19 and the amount negotiated by BIAL towards the same are as presented in the table below:

Sl. No.	Description	Amount (As claimed by L&T)	Amount (As negotiated by BIAL)
1	Service bills (Facilities to the labour)	14,234,445	13,783,826
2	Labour retention	22,463,198	22,463,198
3	Staff salaries	80,944,601	80,944,601
4	Form work materials	20,626,513	20,626,513
	Total	**138,268,757**	**137,818,138**

- Without these measures, it would not have been possible for the resumption of the construction activities at site, post wave 1 and wave 2 of Covid 19.

- **Hence, we request the Authority to consider these labour welfare expenses of Rs 13.78 Cr. as a part of the completed cost of PAL 1 program.**

3.2.3 Disallowance of Part of MMTH – Phase 1 cost

Authority's Analysis

- *The Authority has examined the submission made by BIAL with respect to the increase in the completed cost of MMTH Phase I. The Authority, however, notes that certain additional details had been sought from BIAL through emails dated 11.11.2025, 08.05.2026 and 31.05.2026 for the purpose of assessing the reasonableness of the variance/increase in the cost so incurred. However, satisfactory responses with detailed rationales for observed variances were not provided by BIAL till date. The Authority, accordingly, proposes to allow the capital cost pertaining to MMTH Phase I, as approved by the Authority in the Third Control Period Order, subject to the adequacy and sufficiency of the additional information/justification to be furnished by BIAL in this regard. This is mainly in view of a lower overall developed area but at a higher cost incurred for the overall MMTH Phase I facility.*

BIAL's Submission

AERA has, in Table 24 of the Consultation Paper, proposed to allow Rs. 537.34 Cr towards MMTH as against the capitalized cost of Rs. 781.70 Cr. submitted by BIAL. AERA has also stated that certain additional details were sought on 11th November 2025, 8th May 2026 and 31st May 2026 for which satisfactory responses were not submitted by BIAL.

BIAL clarifies as follows:

In BIAL's MYTP Submission to AERA for Third Control Period, Forecourts, Roadways and landside development is tracked as one comprehensive program and MMTH is also a part of the same. BIAL's submission in Third Control Period MYTP has accordingly considered a total cost of Rs. 1875 Cr. for this program. BIAL has submitted the completed cost also as one overall Program level in its MYTP for the Fourth Control Period.

AERA, as part of its evaluation in Third Control Period, had segregated this into two sub-categories as MMTH and Other Forecourt development and bifurcated the cost estimates into two components in Table 79 and Table 99 of the Third Control Period Order. An overview of PAL-1 Completed cost was provided to AERA consultants on 2nd June 2026 which also included a break-down of the MMTH cost and its reconciliation.

In view of AERA's analysis of this program as two different segments, BIAL has redrawn the tables in Third Control period order so as to make a meaningful and relevant comparison of the estimates and actual values as below.

Table 79 of Third Control Period Order had detailed the hard cost break-down of the two projects as follows:

(Rs. in Crores)

Particulars	As per BIAL	Proposed Capex
Forecourt program (Except MMTH)	1250.45	1250.45
MMTH	535.94	462.51
TOTAL	**1786.40**	**1712.96**

- *Out of the total of 1712.96 Cr., Table 98 of Third Control Period Order considered a value of Rs. 1703.96 Cr. after adjusting Rs. 9 cr. capitalized in FY 21*
- *Rs. 73.44 Cr. was adjusted towards Metro Enabling works and Baggage Sorting area as these were proposed to be capitalized once the Metro was put to use (para 5.2.29 of TCP Order) which is the reason for difference between Rs. 535.94 Cr and Rs. 462.51 Cr.*

Table 99 of the Third Control Period Order has considered total cost including Soft cost, IDC etc. as follows. A comparison of the same is as given below:

(Rs. in Crores)

Particulars	Proposed Hard Cost (Table 98) (A)	Total Cost (Incl. Soft cost, IDC etc.) (B)	% of B to A
Forecourt program (Except MMTH)	1250.45	1495.65	119.60%
MMTH	453.51 #	537.34	118.48%
TOTAL	**1703.96**	**2032.99**	

 # after adjusting Rs. 9 cr. capitalised in FY 20-21

BIAL had, as part of the TCP MYTP evaluation provided break-up of the various cost elements of the overall program. Please refer to the correspondence enclosed which was submitted during review of Third Control Period (Enclosed as Annexure 1) where in the total hard cost of MMTH Program (including Baggage sorting, Metro Interfacing etc.) is Rs. 681 Cr. of which, MMTH line-item hard cost alone is Rs. 527 Crores. Hence, in order to present a correct comparison of the 2 sub-elements, it is required to reallocate amount from Forecourt Program to MMTH.

Based on the above, the re-drawn Table 98 and Table 99 of the Third Control Period (to include the costs relating to Metro enabling/ Baggage Sorting works in MMTH cost line item) is as follows:

(Rs. in Crores)

Particulars	Hard Cost (Table 98 of TCP Order)	Reallocation of adjustment for Metro enabling, Baggage sorting etc. #	Reworked Hard cost	Loading for Soft cost and IDC	Total Cost (Redrawn Table 99)
Forecourt program (Except MMTH)	1250.45	-154.14	1096.31	215	1311
MMTH	453.51	154.14	607.65*	114	722
TOTAL	**1703.96**	**0**	**1703.96**	**329**	**2032**

Amount as per Table 99 (Rs. 2033 Cr) matches with the redrawn Table 99 as above
**Rs. 608 crore plus estimated disallowance of Rs. 73 Crore (as considered by AERA in Table 79 of TCP Order) totals to Rs. 681 crore which is explained above.*

Baggage Storage and Tunnel	*24*
Elevated pedestrian system	*14*
Landscape, hardscape and other costs	*45*
Circulation Road works	*18*
Metro Interfacing works	*53*
Sub Total	***154#***

Actual PAL 1 cost Submitted (as part of MYTP submission and response to queries)

(Rs. in Crores)

Particulars	Hard Cost submitted	Other Costs submitted	Total Actual capitalization
Forecourt program (Except MMTH)	1157.44	269.22	1426.66
MMTH	622.99	159.69	779.68
TOTAL	**1780.43**	**425.91**	**2206.34**

From the above actual cost incurred for Baggage Sort and Metro Interface (which was disallowed by AERA) has been adjusted to make the actual amount comparable with the approved estimate.

(Rs. in Crores)

Particulars	Actual	Baggage Sort and Metro interface adjusted (incl. its soft cost and IDC)	Comparable cost	Redrawn (Table 99)	Difference	% Diff.
Forecourt program (Except MMTH)	1427		1427	1311	115	8.8%
MMTH	778	-48.90 #	731	722	9	1.2%
TOTAL	**2206**	**-49**	**2157**	**2033**	**124**	

 # As against 73.44 Cr. Hard cost, actual hard cost incurred is only Rs. 40 Cr. Including Soft cost and IDC, this works out to Rs. 48.90 Cr.

Key Reasons for differences

As submitted in response to queries on 11th May 2026 and 2nd June 2026, the difference in the Hard Cost for MMTH project is only 2% (Rs. 539 Cr. vis a vis Rs. 527 Cr.) which is due to the detailed design and related changes during work execution vis-a-vis the concept based cost estimate submitted by BIAL earlier.

Other key reasons for variance in cost in Forecourt Project are due to increase in Interest During Construction on account of the following two factors:

- While in Third Control Period, a constant Interest rate of 7.85% had been considered by AERA, the actual interest rates have varied between 8% in FY 23, 8.85% in FY 24 and 9.34% in FY 25, for the PAL-1 loan. This actual interest rate has also been considered by Authority in FRoR computation.
- Changes in draw-down pattern of the overall loan and resultant IDC based on actual Capitalization schedule.

Considering that the differences in these projects are marginal and well justified, BIAL requests the Authority to consider the actual costs incurred as part of RAB.

AERA has also stated that queries sent on certain dates have not been responded to. With respect to this, BIAL clarifies as follows

Query Sent on	Clarification
11th November 2025	Response submitted on 18th November 2025 including clarification to MECON on Terminal Sizing.
8th May 2026	Response submitted on 11th May 2026
31st May 2026	This query requires response on variance in costs categorized as Rate variance, Quantity variance etc. BIAL respectfully submits that the projects awarded by BIAL to contractors are not on an Item Rate / BOQ contract basis but on a lumpsum basis, wherein the contractor is required to construct and deliver the project as per design specifications, within the timelines. Accordingly, there is nothing additional for us to submit as detailed cost and quantity variance is not applicable. Further, as clarified above, the variance is insignificant and largely contributed by Interest cost etc. as elaborated above. The query relating to confirmation on adjustment of Credit Notes from RAB, Certificate on Credit Notes adjusted in RAB is included in Annexure 2.

MMTH Area details

AERA has noted in the Consultation Paper that there is a lower developed area of MMTH vis-a-vis the Third CP MYTP submission. The change is largely in Level 1 wherein landscaping development was originally proposed by BIAL during Third Control period MYTP submission. This was proposed for passenger circulation and convenience. There has been a change in development plan and the said area is now being developed for providing Non-Aeronautical works. These are to be developed by concessionaires and has accordingly been considered as Non-Aeronautical in BIAL submission of area assessment for the Fourth Control Period.

BIAL would like to appraise the Authority that Level 01 has been constructed to an extent of 5,763.35 m², comprising essential functional and enabling components such as staircases, lifts, escalators, metro connection interfaces, open terrace areas and related access provisions. The area of 33,704 m² submitted earlier included not only the presently developed built-up area but also passenger circulation zones and landscaped areas that were planned as part of the overall phased development of the MMTH. As mentioned above, the balance area in level have been reconfigured into Non-Aeronautical based on operational requirements and demand. The necessary infrastructure for this reconfiguration is a part of the overall MMTH structure. This includes columns, beams and structural provisions designed to cater to the load requirements; electrical infrastructure including transformer capacity, tap-off points, cabling routes and distribution provisions; plumbing and drainage provisions including drains, pumping arrangements and irrigation-related infrastructure for the proposed landscape areas; and firefighting provisions such as main lines, tap-off points, capacity allowances and load requirements. These works form part of the permanent infrastructure of Level 01.

In view of the above, BIAL submits that a direct correlation purely on the basis of developed floor area may not reflect the actual scope executed or the costs incurred for the MMTH Phase I project. In infrastructure projects of this nature, which contains a combination of Aero, Non-Aero and Common areas, certain high-value items such as structural works, MEPF and ICT backbone systems, utility mainlines, safety systems, service capacities, interfaces with metro and passenger movement systems are required to be executed irrespective of the nature of service which the Airport Operator desires to perform. These provisions ensure seamless integration, maintain safety and code compliance and preserve the functionality of the overall MMTH master plan. Therefore, the variance in area should be viewed in the context of such implementation rather than on pure mathematical area basis. Accordingly, BIAL requests the Authority to take into consideration that it is a reconfiguration of Level 01 area and not an under-development vis a vis the area mentioned in the Third Control Period Order. In other words, the specific area committed has been developed, but as Non-Aeronautical and also been submitted as such, by BIAL.

Reduction in landscaping activity does not result in a proportionate reduction in the building construction cost and hence there is no relation to building cost and this change in development plan.

BIAL requests AERA to consider the actual constructed area and cost as part of RAB as per the justifications provided above.

3.2.4 Disallowance of 1.98 Crs in Aircraft and Airport Maintenance Facilities and Rs. 21.46 Crs in South Runway Phase II

Authority‘s Analysis

- *Aircraft & Airport Maintenance - The Authority further notes that BIAL has incurred an expense of Rs. 5.34 Crore. on account of PMC, Design Pre-Operative and Contingency Expenses, which is ~12.70% of the hard costs as against the Authority approved PMC, Design Pre-Operative and Contingency Expenses of 8% of the approved hard costs…. the Authority approves PMC, Design, Pre-Operative and Contingency Expenses as 3.36 Cr. thereby reducing it by Rs. 1.98 Cr.*

- South Runway - *The Authority notes that BIAL has not provided detailed rationale for incurrence of high PMC, Design Pre-Operative and Contingency Expenses and is of the considered view that the PMC, Design Pre Operative and Contingency Expenses should be restricted to 8% of the hard costs as suggested by the Independent Consultant (RITES). Accordingly, the Authority approves PMC, Design Pre-Operative and Contingency Expenses as Rs. 34.59 Crores thereby reducing it by Rs. 21.46 Crores.*

BIAL's Submission

BIAL has submitted an independent report prepared by M/s EIL as Annexure 1 to the MYTP Submission. Key conclusions of the EIL report are as under:

- In page 49 of the report, EIL has clearly established the fact that the benchmark airports that RITES had used for comparison in 2nd control period when it recommended 5% as Design & PMC Costs are nowhere near the overall project cost, complexities and the challenges which were faced during the BIAL expansion project.
- In page 84, under the section titled "**Independent estimation of costs for Design and PMC services",** EIL has brought the fact that
  - As per the prescribed norms laid down by the Council of Architecture and also as per Appendix 16/ Para 12.11 of CPWD Works Manual 2014, Design Engineering Fees for Building and Infrastructure projects is @ 5% of the base cost. Project Management Consultant Fees is also given as @ 5% of the base cost.
  - In view of above 2 given references, the total Design Engineering & Project Management Consultancy Fees works ranges between 8% to 10%. The same is as per the provisions of CPWD works manual-2014 and Council of Architecture guidelines.
  - One of the critical parameters to be considered for comparison is the stage of design from which the airport operator hands it over to the EPC Contractor to take forward the construction.
    - Among the 3 major airports -Delhi, Mumbai and Bangalore, BIAL alone has done Detailed Design prior to award of EPC contracts and involved the International Consultant right until the end of Construction period including the fact that all the deliverables which were developed by the local architects/ consultants were also reviewed and approved by the international consultant before the same were issued for execution at the site.
      - This resulted in very marginal increase in the completed cost of Terminal and NSPR (without factoring the impact of Covid 19 and additional scope requirements) for BIAL while the same could have been higher vis-a-vis the approved costs if the design handover to contractor had happened at Concept / Schematic design stage and not at detailed design stage (as done by BIAL)
    - Cost savings through detailed design adoption:
      - Rs 70 crs with respect to the design of New South Parallel Runway (NSPR), taxiway, pavement, drainage works, terminal apron and associated infrastructure facilities
      - Rs 700 crs in actual price discovery thru tender process vis-à-vis MYTP submissions of 2nd Control period
- Regarding pre-operative expenses:
  - AERA had noted in para 3.3.70 of 3rd Control Period Tariff Order the need to have an own Project Management team when large capital expenditure projects are being executed.
  - It is pertinent to refer to Table 24 & Table 25 of MYTP submissions, wherein BIAL has clearly brought out the comparison in pre-operative expenses across various major airports – Delhi, Mumbai & MOPA Goa. Recent approvals given by AERA for Noida and Navi Mumbai also have pre-operative costs as a percentage of Hard Cost, higher than BIAL (Noida is ~9% and Navi Mumbai is ~8%).

In light of the above, BIAL requests the Authority to consider the actual capitalized Design, PMC & Pre-operative costs for the 2 referred projects and not use the 8% limit which was never prescribed by AERA in the previous tariff orders.

AERA vide letter dated 11th November 2021, has also confirmed that it will true up the Design, PMC and Pre-Operative Expenses based on actuals subject to evaluation of reasonableness. BIAL has ensured that all costs incurred are well justified, contracted based on the robust procurement policy and approved post a thorough verification process. Accordingly, BIAL requests the Authority to consider the actual costs incurred for inclusion in RAB.

3.2.5 PAL – 2 Projects not included

Authority's Analysis

- *3.4.103 - The Aeronautical capex proposed by the Authority for true-up of the Third Control Period as above is Rs. 6,942.51 Crs, the variance of Rs. (610.07) Crs. (i.e., a reduction of approximately 8.08%) from the Rs. 7,552.58 Crores approved by the Authority in the Tariff Order of the Third Control Period is primarily on account of rationalization of project costs, projects dropped/deferred by BIAL, lower actual capitalization and application of allocation ratio.*

BIAL's Submissions

BIAL has, as part of its MYTP submission provided details of total capital expenditure addition in RAB in Table 34 of the MYTP submission with Aeronautical asset values included in Average RAB computation in Table 39. These submissions considered the estimated capitalization values for FY 26.

Based on the actual capitalization done in FY 25-26, the updated values were submitted as part of the updated model submission in May 2026.

Additions to Capital Expenditure in Third Control Period included 3 broad components:

a) PAL 1 asset capitalization
b) Sustaining Capital Expenditure
c) Other Capital Expenditure including PAL 2 relating to T1 Upgrade, T2 Enhancement etc.

AERA has, considered the submissions relating to a) and b) above as part of the true up analysis. Sub category c) has not been included in the Consultation Paper. We request AERA to consider the items in sub-category c) also as part of the Capital Expenditure incurred and accordingly include the same for the purpose of True up of RAB. A summary table containing the total values of Capital Expenditure incurred is given below:

S. No.	Particulars	Total for TCP (Rs. in Crores)
a)	PAL-1 Capital Expenditure (As detailed in Table 15)	7,979.36
b)	Sustaining Capital Expenditure (As detailed in Table 15)	545.45
c)	Other Capital Expenditure (PAL 2 etc.)	192.99
	TOTAL	**8,717.80**

Break-up of Other Capital Expenditure (Rs. Cr.)

Particulars	Hard Cost	Soft Cost	Total
T1 Upgradation works	145.87	2.44	148.31
T2 Enhancement	28.09	0.61	28.70

Particulars	Hard Cost	Soft Cost	Total
MMTH Enhancement	15.58	0.40	15.98
Total	**189.54**	**3.45**	**192.99**

Extract of Fixed Asset Register, highlighting the above Capital Expenditure, is submitted as Annexure 3 . We request AERA to consider these assets as part of RAB for the purpose of True up. Relevant values may be appropriate adjusted in PAL-2 cost to be capitalized in Fourth Control Period. Refer Para 5.1.1

3.3.6 Non consideration of Financing allowance for asset addition in TCP and non-consideration of depreciation on Financing allowance.

Authority's Analysis

- *Para 3.4.113: Not to consider financing allowance on depreciation, as submitted by BIAL, consistent with its position adopted in the Third Control Period Tariff Order.*

No analysis has been included by Authority on the Financing allowance estimates submitted by BIAL for additions to RAB in Third Control Period. (Refer MYTP Table 39).

BIAL's Submission relating to Financing Allowance

AERA had allowed financing allowance for approved projects in SCP Tariff Order [Decision 6.a(i) read with Table 27 of SCP Tariff Order; and Para 3.3.78 of TCP Tariff Order]. Based on the said decision by AERA in SCP Tariff Order, BIAL had made equity investments to the tune of Rs.2,425 Crs as of 31.03.2021 for the said projects.

Admittedly, due to delays caused by Covid-19, some of the said projects that were to be completed by 31.03.2021 have been completed by 31.12.2022. For such deferred projects which were in construction during TCP, AERA has withdrawn financing allowance. Since AERA had approved the investments and financing allowance for the projects in SCP, BIAL has a vested right to receive financing allowance for the said projects till the date of completion of the project, irrespective of which control period the same got completed in. Therefore, withdrawal of financing allowance for work in progress projects takes away a vested right which is impermissible and barred by the principles of promissory estoppel and legitimate expectations.

In paragraphs 5.5.19 to 5.5.20 of the TCP Tariff Order, AERA acknowledges that financing allowance is a measure of recompense for equity invested during construction phase. The amount of equity/internal accruals which are shareholder's funds invested by BIAL based on the above promise made for SCP approved projects, cannot go unrewarded. The Learned TDSAT in the DIAL TDSAT Judgment-I **[@Para 105/Pg114]** has held that "*Conceptually, the cost of investment can never be zero since that would imply an infinite return {by general definition, return on investment = (gains from investment – cost of investment)/cost of investment)}. Thus it is obvious that if this fund has been used as an investment, there is a cost attached to it which cannot be obviated by saying that it is a zero cost debt.*"

Hence, we request AERA to honour its commitments made in the SCP Tariff order and provide Financing allowance for Projects deferred from 2nd control period to 3rd control period on account of Covid 19. BIAL has submitted certificate for computation of Financing allowance for FY 22, FY 23, FY 24 and FY 25 as Annexure 9 to MYTP.

Further, in line with the terms of the Concession Agreement and AERA Guidelines,
based on actual Asset Capitalization in FY 26 for T1 Upgrade project BIAL submits an amount of Rs. 12.46 Crs as below which is requested to be included in addition to RAB.

(Rs. in Crores)

Particulars	22-23	23-24	24-25	25-26
Opening WIP: WIPAt-1	-	7.23	24.47	241.33
Capital Expenditure	6.95	15.94	205.08	243.51
Financing allowance	**0.28**	**1.31**	**11.79**	**26.23**
Capital receipts	-	-	-	-
Commissioned Assets	-	-	-	148.31
Commissioned Asset (FA)	**-**	**-**	**-**	**12.46**
Closing WIP: WIPAt	**7.23**	**24.47**	**241.33**	**350.31**
WIP without FA	6.95	22.88	227.96	323.17
FA Carried forward	0.28	1.59	13.37	27.15
Commissioned cost without IDC/FA				148.31
Interest capitalised				-
Total capitalised in books				**148.31**
Capitalisation incl. FA				160.77
Financing allowance				**12.46**

BIAL's Submission relating to depreciation on Financing allowance capitalization approved by AERA

AERA has, in Para 3.4.113 of the CP has proposed not to provide Depreciation on Financing allowance. . BIAL submits that depreciation on AERA approved Financing allowance capitalized till 31st March 2021 needs to be provided for. This was originally considered in TCP Order Table 31 for True up of Depreciation for Second Control Period and also in estimating Depreciation for Third Control Period in Table 101 of the Third Control period Order.

BIAL requests the Authority to compute and provide for depreciation on Financing allowance, at the time of issuance of the order, for the Third and Fourth Control Period.

3.3 Useful life and depreciation computation

Authority's Analysis

- *The Authority notes that the matters raised by BIAL pertain to the basic principles and methodology adopted at the time of tariff determination for the Third Control Period, which were duly considered and concluded by the Authority in the Tariff Order …*

BIAL's Submission

BIAL does not have the copy of detailed computations made by AERA to arrive at depreciation values as listed in Table 31 and 101 of the Third Control Period Order.

The Consultation Paper for 4th control period also does not contain the detailed computations relating to Depreciation. Hence, BIAL has, based on its understanding of the changes to the asset useful lives as understood from the TCP Order, computed the Opening RAB and depreciation as per AERA determined useful lives (based on value of asset capitalization and Asset allocation as per AERA) "to be" for Third Control Period. This is tabulated as below:

(Rs. in Crores)

Particulars	21-22	22-23	23-24	24-25	25-26
Depreciation (excluding depreciation on Financing Allowance capitalized)	287.22	388.59	675.52	671.17	681.62

Detailed working sheet for the same is included in Annexure 4. CA Certificate on depreciation computation is attached as Annexure 5. **BIAL requests AERA to consider the depreciation computation as submitted above for the purpose of true up of Third Control Period**.

3.4 Operating Expenses

3.4.1 Personnel Expenses

Authority's Analysis

- *Para 3.6.35 - This, in the Authority's view, indicates that the employee cost levels claimed by BIAL are not supported by commensurate efficiency and are therefore not fully justified for the True up purposes.*
- *The Authority also notes that a significant portion of the manpower additions during the Third Control Period pertains to newly recruited employees, who would ordinarily be expected to have a lower cost base as compared to the existing employee pool. However, such effect is not adequately reflected in the employee cost per head submitted by BIAL. On the contrary, the cost per employee claimed by BIAL exceeds the levels approved by the Authority in the Tariff Order for the Third Control Period. Accordingly, while the Authority considers the manpower count submitted by BIAL to be reasonable having regard to the scale-up in infrastructure and operations, the cost per employee is proposed to be restricted to the levels approved by the Authority in the Tariff Order for the Third Control Period, as set out in Table 138, i.e. in the range of Rs. 0.17 Crores to Rs. 0.21 Crores during FY 2021-22 to FY 2025-26.*

BIAL's Submission

We request the Authority that the conclusion that employee costs are "not supported by commensurate efficiency" should be reconsidered after taking into account (i) the variance in operating model of airports and (ii) benchmarking assessment that BIAL has submitted (as reproduced below) and (iii) Bengaluru's unique labour market dynamics.

Operating Model – Standalone vs Group Entities

- BIAL is a **standalone, single-location entity**, which implies that all leadership positions and support functions (HR, Finance, Legal, Compliance, ESG, ICT, taxation, corporate communication) are housed in the airport SPV. This results in **100% corporate and leadership costs being absorbed within BIAL**, significantly impacting the per-employee cost
- In contrast, Indian airports operated by **large Infrastructure conglomerates** benefit from **shared services and centralized leadership**, thereby distributing overhead costs across multiple entities. These large infrastructure groups tend to consolidate key functions such as "**corporate finance, legal, central procurement, green initiative, ESG, information technology, taxation, management assurance, internal audit, shared service for financial transactions, human resource management, Chairman office, Group CFO office, Corporate Communication and Branding"** at a Central Holding company level. They adopt a methodology where the corporate cost is spread across multiple airports. This model leads to a situation wherein the personnel cost for an airport operator is split into 2 categories:
    - Key leadership positions (which tend to be high-cost resources) & support departments which are on the rolls of Central corporate entity
    - Salary costs of key operations positions continue to reside in the airport SPV

- Further, the way of reporting salary costs may vary across organizations. While BIAL's salary costs include staff welfare, recruitment costs, training and learning costs, the same may be reported differently for other airports.
- The table below provides a comparison of the extent of adjustment that may be needed when comparing per employee cost for different airports. As shown below, such adjustment can vary from 38% to 52%.

Base Year used – FY25	DIAL	MIAL	HIAL	Remarks
Personnel cost	367.4 cr	162.49 cr	183.93 cr	Source: Audited accounts of DIAL, MIAL and HIAL
Source	Source: DIAL Annual report FY25, Page 5	Source: MIAL audited accounts; Note 28	Source: HIAL 4CP consultation paper, Page 88	
Other costs that are akin to personnel costs				
Corporate Cost allocation	113.54 cr	78.44 cr	61.78 cr	Source: Tariff orders for DIAL and MIAL; Consultation paper for HIAL
Recruitment costs			6.01 cr	Source: HIAL consultation paper
Professional and consultancy services	25.19 cr (Table 251 of DIAL's Consultation paper)		23.33 cr	In the case of DIAL, the 25.19 cr pertains to "Retainer consultants hired for business continuity" and "Many outsourced staff are deployed by DIAL in various functions, which include Operations, P&E, HR, P&C, F&A, legal, SPG etc". In the case of HIAL, the breakup is not available. However submissions in the CP suggests that professional charges include retainer fee paid to various personnel, placement fee for recruitments and training fee paid to consultants. Hence we have assumed 50% of these costs
Technical Services with Related parties/ parent Co			5.4 cr	Fee paid to GADL for general capex monitoring
Any other cost				
Sub Total of Corporate Cost allocation & Other Personnel Costs	138.73	78.44	96.52	
Adjustment Factor to be applied	37.8%	48%	52.5%	

Concept of Operator Fee: It may be noted that in addition to the above corporate costs which are akin to personnel cost, other expenses incurred by peer airports, **such as airport operator fee** (which ultimately pertains to the cost of operational and technical expertise) should also be adjusted when making a comparison.

For a like-to-like comparison of per employee cost, we request the Authority to make relevant adjustments. BIAL understands that any comparison with corporate cost requires some degree of adjustment to employee numbers also. We are attaching herewith a comparison for a major airport group wherein the corporate costs are allocated across multiple airports.

- For enabling comparison, we have added personnel costs for the Airport SPVs as well as other costs such as recruitment costs, professional charges, Corporate Cost allocation to the airport SPVs & technical services fee/ operator fee paid to related parties.
- Added the total employee base of all the airport SPVs and the Parent company
- Arrived at an average salary cost for the airport vertical as a whole
- It is worth highlighting that for the comparison, the corporate (parent co.) has other businesses and hence the usage of all the employees of the parent company in this methodology anyway suppresses the per employee cost for the Group of Airports (as it inflates the denominator).

The adjusted comparison suggests that for FY 25, the personnel cost per employee for the "Group of airports" is in line with the salary cost for FY 25 for BIAL. **Detailed assessment is provided in Annexure 6.**

Other potential adjustments & differences in Operating model

Beyond Corporate cost, how certain departments are structured may impact both revenue and employee costs. E.g., Some major airports have outsourced ICT function as a result of which both aeronautical revenues (emanating from CUTE, CUSS and ICT services offered to aero concessionaires) is reported net of expenses. In the case of BIAL however, both the employee count and the salary cost are housed within BIAL. We request that this should be kept in perspective when comparing salary costs for BIAL with other airports.

FY26	MIAL	BIAL	HIAL	Source
Passengers handled	55.29	44.47	30.48	AAI Data (March publication; Annex 3)
CUTE revenues in Rs Cr	11.93	107	3.89	
Source	*Table 343; MIAL tariff order*	*FY26 audited accounts submitted*	*Table 143 ; HIAL CP*	

As can be seen above, the aeronautical CUTE revenue that BIAL generated is significantly higher and correspondingly, BIAL has incurred proportionate costs towards ICT personnel. The insourcing model BIAL has adopted is observed to be effective vis a vis the typical outsourcing models as the revenue is counted towards aeronautical revenue reducing passenger charges.

Further , a comparison of CGF revenues of FY26 would show that BIAL had reported a revenue of 415 crs from CGF and CUTE services whereas for HIAL, the revenue in the same year was 223 crs. When compared to a per pax basis, the revenue generated by BIAL was Rs 94/pax while for HIAL it was Rs 73/pax. To generate higher revenues from aero concessionaires, BIAL has had to engage industry experts as employees in each of these domains that have worked with concessionaires to develop the market and achieve an optimal commercial outcome.

Bengaluru's Labour Market is Structurally Different

BIAL operates in Bengaluru, India's foremost technology and innovation hub and one of the world's most competitive labour markets. The city hosts over 1,100 Global Capability Centres (GCCs)—the highest concentration globally—along with thousands of multinational corporations, technology companies, startups, aerospace firms and biotechnology organisations. These industries compete for the same pool of highly skilled professionals required by BIAL across engineering, digital technology, finance, procurement, commercial, sustainability, human resources and other specialised functions.

This sustained demand for talent has resulted in higher market compensation levels and increased employee expectations. Key data points that describe the competitive environment:

- 67,000 Companies including Fortune 500 Companies: The Unicorn Capital of India, home to 53 of the country’s 118 unicorns. Abundant alternatives within the city itself — making airport-based roles inherently harder to fill. A meaningful salary premium is not optional; it is the market price to win talent away from established city-based tech employers.
- Largest Aerospace Hub: Boeing, Rolls-Royce, Safran, TASL, Collins etc
- Largest Biotech Hub: Biocon, AstraZeneca, Syngene etc
- Young Working Population (Age group of 25-45 yrs.): 25% of India’s tech talent is in BLR
- Startup Ecosystem: 14,000+ Startup’s in Bangalore

In parallel, Bengaluru's relatively high cost of living, driven by rapid urbanisation, rising housing costs and inflationary pressures, further reinforces the need for market-aligned remuneration. These are structural characteristics of the Bengaluru labour market and are external factors over which BIAL has limited influence.

Accordingly, employee costs at BIAL should be assessed in the context of prevailing labour market conditions.

One time Impact of implementation of New Labour Codes

The Code on Social Security, 2020 has been notified and made effective from 21 November 2025, thereby replacing the erstwhile Payment of Gratuity Act, 1972. The Code on Social Security, 2020 has updated the definition of the gratuity salary to “Wages” as defined in the Code on Wages, 2019 and has changed the vesting period for fixed-term contract employees wherever applicable. This change has resulted in an increase in the liability of the Company and has resulted in a past service cost for the company. The impact of this change in law is Rs 46 Cr. approx. and the same has been considered in FY26 financials. This is a one off event brought about by the implementation of a new law.

Note 44 to IGAAP audited Financial Statements for FY 25-26 submitted to the Authority refers to the same as follows:

"On November 21, 2025, the Central Government issued four separate notifications in the Official Gazette announcing implementation of four Labour Codes, viz., the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020. These four codes replace and consolidate 29 existing labour laws. Following the implementation of the four labour codes, the Central Government has pre-published the draft rules on December 31, 2025 under the respective Labour Codes, followed by the final Central Rules under all four labour codes on May 08, 2026.

The Company has determined that these changes result in an increase in gratuity obligation of ₹ 45.96 crores. Considering the materiality and regulatory-driven, non-recurring nature of this change, the Company has presented increase in obligation as an expense under the head "Exceptional Items" in the standalone Ind AS statement of profit and loss for the year ended March 31, 2026."

Cost per Employee comparison (AERA TCP Order vs Actuals)

In TCP order (para 7.5.7), AERA has adopted FY20 cost per employee and projected FY 22 figures using 8-year CAGR of 5.80% and Rs 16.90 Lakhs has been shown as the cost per employee for FY 22. However, one critical fact has been ignored by AERA. FY2021 was the Covid 19 year and BIAL had not considered any salary increments for this year and this was stated in its 3rd CP MYTP document. This was a critical measure that had to be taken considering the prevailing situation. Once Covid 19 risk had reduced, there was a need to adjust the salary in FY 22. Unfortunately, AERA has not considered this aspect. Hence, when FY 22 number was projected by AERA, it had multiplied FY 20 cost per employee by 5.80% for 1 year only instead of 2 years (FY 21 & FY 22). This had resulted in under estimation of the starting year (FY 22) cost per employee for TCP. If the same is corrected, then then the variance is marginal.

Details	Unit	FY22	FY23	FY24	FY25	FY26
Cost / employee as decided by AERA in TCP Order (A)	Rs. Lakhs	16.90	17.87	18.91	20.01	21.17
Cost/employee as per AERA (Reworked) (B)	Rs. Lakhs	17.88	18.91	20.01	21.17	22.40
Actual Cost/employee as per BIAL (C)	Rs. Lakhs	18.80	20.08	19.97	22.03	23.06
% Variance in Cost per Employee (C-B)/B		5%	6%	0%	4%	3%

Personnel cost	Unit	FY22	FY23	FY24	FY25	FY26
Actual Manpower in TCP by BIAL	Nos	1,108	1,271	1,585	1745	1758
Actual Manpower cost incurred by BIAL	Rs Crores	208.28	255.24	316.6	384.3	405.46*
Cost/employee as per BIAL	Rs Lakhs	18.80	20.08	19.97	22.03	23.06

** After removing Rs. 46 Cr. of One time cost*

Considering the above justifications, BIAL requests the Authority to consider the actual Personnel Costs incurred by BIAL in Third Control Period and true-up the same.

3.4.2 NASFT Related expenditure

<u>Authority's Analysis</u>

- *3.6.47 - The Authority notes that BIAL has incurred an amount of Rs. 15.74 Crores towards NASFT (National Aviation Security Fee Trust) during the Third Control Period. The Authority is of the view that expenses / payments relating to NASFT are in the nature of a security levy / statutory security-related mechanism, which is governed separately and is not an Operating & Maintenance expense directly incurred by the airport operator for provision of aeronautical services. Further, such costs are generally recoverable / adjustable through the separate security fee framework and allowing the same as part of Aeronautical O&M expenses may result in double recovery from airport users. Accordingly, the Authority has excluded Rs. 15.74 Crores incurred towards NASFT in the true-up of the Third Control Period.*

<u>BIAL's Submission</u>

The Authority, in para 3.6.47, proposes to disallow Rs 15.74 Crs incurred towards NASFT in the O&M costs true up for TCP. The reasoning provided by the Authority to the disallowance are:

- Expenses / Payments relating to NASFT are in the nature of a security levy / statutory security-related mechanism, which is governed separately and is not an Operating & Maintenance expense
- Further, such costs are generally recoverable / adjustable through the separate security fee framework and allowing the same as part of Aeronautical O&M expenses may result in double recovery.
- The breakup of 15.74 crores is as follows:

<table>
<tr><th>FY</th><th>Amount</th><th>Remarks</th></tr>
<tr><td>21-22</td><td>3.68</td><td rowspan="2">These costs were originally booked as NASFT related recoverable amounts and not in the P&L of BIAL.
<u>FY 22</u>
Of the total value of Rs. 3.68 Cr., an amount of ₹3.31 crore pertains to the Comprehensive Maintenance Contract (CMC) charges for X-ray machines, which has been disallowed by NASFT.
The remaining ₹0.36 crore pertains to ICT expenses.
<u>FY 23</u>
The CMC charges for X-ray machines have been disallowed by NASFT.
These disallowances were because the assets were owned by BIAL.
Post the rejection by NASFT, these costs have been transferred to BIAL P&L.</td></tr>
<tr><td>22-23</td><td>8.18</td></tr>
<tr><td>23-24</td><td>2.09</td><td>The amount of ₹1.76 crore pertains to rental charges for the Creche and Camp Office, along with the HRA claimed for GOs. The balance amount pertains to other security-related expenses.</td></tr>
<tr><td>24-25</td><td>1.76</td><td>O&M costs related to Barracks has been disallowed under NASFT. Accordingly, the expenses have been reclassified and charged to BIAL under the respective cost heads.</td></tr>
<tr><td>Total</td><td>15.71</td><td></td></tr>
</table>

- Of the amount of Rs 15.74 Crs, Rs 12.86 cr pertains to O&M expenses (towards CMC of X ray machines).
- BIAL confirm that there is no double recovery from passengers.
- The Authority, in the case of MIAL's 4th control period tariff order, in para 4.9.44 read with 4.9.46 has approved the NASFT disallowed expenses as a part of R&M costs of MIAL.
- In light of the details submitted above, BIAL requests the Authority to include this disallowed expense in the O&M costs of BIAL for true up of 3rd control period.

3.4.3 Utility Expenses

Authority's Analysis

- *The Authority has adjusted 100% of Utility charges recovery of Rs. 118.02 Crores (which consists of recovery from both aeronautical and non-aeronautical concessionaires) against the Total Utilities costs. The Authority is of the view that the Utility charges recover is not revenue for the Airport Operator. Accordingly, consistent with the approach adopted in Tariff Determination process across all airports, the Authority has adjusted the revenues against Operating Expenses (Opex), rather than classifying it separately as nonaeronautical revenue for the purpose of true up of the Third Control Period.*

BIAL's Submission

As per Para 3.9.16 of TCP Order

- *In the Second Control Period order, the Authority had decided to consider revenue from aeronautical concessionaires as recoveries and reduced the same from utility cost (operating expenditure) and consider net costs of utilities as aeronautical. Accordingly, only the utility charges recoveries from non-aeronautical concessionaires was considered as non-aeronautical revenues.*
- The same approach was followed in TCP also. Accordingly, the Authority had decided to consider Rs 16.53 Cr. (Table 169 of TCP Order) of utility charges recoveries from non-aeronautical concessionaires as non-aeronautical revenues for the Third Control Period. The Learned TDSAT judgement dated 16th December 2020 had also upheld the above approach of the Authority.
- Based on the above, BIAL has entered into contracts with various concessionaires wherein the utility revenues recovery is clearly spelt out in the contract between BIAL and the concessionaire. There is a separate invoice generated for this revenue recovery. Therefore, there is a distinct characterization of this revenue head and AERA cannot ignore this revenue line item.
- However, in the true up of the TCP, AERA has adopted a different methodology wherein the utility charges recovered from non-aeronautical concessionaires are also 100% adjusted against the gross Utilities costs.

In the true up stage, AERA is requested to adhere to the methodology adopted at the time of issuance of TCP order. A change at the true up stage may amount to a retrospective change. BIAL requests that AERA align to its already established principle and position as decided in Third Control period Order which was also upheld by TDSAT and adjust only revenues earlier from Aeronautical Service Providers against Utility cost.

BIAL has segregated the Utility recovery based on the nature of user and has accordingly tabulated the revenues as below. Detailed workings are enclosed as Annexure 7.

(Rs. in Crores)

Particulars	21-22	22-23	23-24	24-25	25-26	Total
Aero Utility Recovery	6.30	8.50	11.65	12.85	13.86	**53.16**
Non-Aero Utility Recovery	6.30	9.15	13.23	19.16	17.03	**64.87**
Total Utility Recovery	**12.60**	**17.65**	**24.88**	**32.00**	**30.89**	**118.02**

Hence, we request AERA to maintain the decision taken in the TCP Order and apply the same for the purposes of True up.

3.4.4 Marketing & Advertising Expense

Authority's Analysis

- *The Authority proposes to allow Marketing & advertising expenses of Rs. 89.58 Crores for the Third Control Period, after excluding bad debts of Rs. 1.44 Crores from the amount of Rs. 91.02 Crores submitted by BIAL.*
- *BLR Pulse expenses shall be allocated separately based on the MCDA approach, with 35.87% to Aeronautical and 64.13% to Non-Aeronautical.*

BIAL's Submission

BLR Pulse

AERA has assessed the Aeronautical allocation ratio for BLR Pulse based on a Multi Criteria Decision analysis approach as detailed in Table 81 of the Consultation Paper and arrived at an Aeronautical Ratio of 35.87%. BIAL's submission relating to the same are as follows:

Review of the classification methodology (Table 81 of the Consultation Paper) suggests an inconsistency exists in the level of granularity applied to Aeronautical versus Non-Aeronautical services. Under Non-Aeronautical Services, each distinct function has been disaggregated into its own separate row e.g., retail & dining (F&B, concessionaire services and duty-free shopping), transport services (cabs and other aggregator/booking services), flight booking services, transit hotel booking services, and lounge access services have each been assigned an independent line item and corresponding score.

In contrast, under Aeronautical Services, multiple distinct and functionally unrelated services have been clubbed together within a single row — for instance, flight information, tracking, alerts, web check-in and boarding pass services are merged into one line item, while queue management, terminal wayfinding, Wi-Fi, special assistance, PRM information, baggage-related services, and even CSR/sustainability and language support features are similarly consolidated into just two or three broad categories.

This inconsistent granularity is having a direct bearing on the Total Score outcome as it suppresses the Total Aeronautical Score (A). It is therefore requested that the methodology be re-examined to ensure a consistent application across both categories.

Further, Revenue Generating capability has been identified as one of the parameters for scoring. It is imperative to note that the main objective of the BLR PULSE application is to provide information and support to the Passengers. All the basic passenger support activities such as Flight Information, Flight Tracking, Terminal Map etc. do not contribute to adding any specific revenue. *In the current regulatory framework, it is not possible to generate any Aeronautical Revenues, outside of the approved tariff framework which broadly covers Landing, Parking, Housing charges from Airlines and UDF from passengers*. BIAL's Concessions Agreement (Schedule 6) also reflects the same. Hence using Revenue as a parameter for scoring is incorrect and not comparable.

A reworked scoring considering Passenger Experience parameter in lieu of Revenue Generation is given below. BIAL requests AERA to consider the revised Multi Criteria Decision analysis as below and consider the Aeronautical Ratio accordingly as 60.66% as per Table below:

S. No.	Aeronautical Services	Necessity	Channel Usefulness	Passenger Experience	Total
1	Flight Information, Tracking Alerts & Check-in / Boarding Related Services	5	4	5	**14**
2	Wi-Fi-Services	4	3	5	**12**
3	Passenger Facilitation & Information	5	4	5	**14**
4	Transfers & Self-Baggage Drop Information	5	5	5	**15**

S. No.	Aeronautical Services	Necessity	Channel Usefulness	Passenger Experience	Total
5	Lounge Access via Credit Cards	5	2	3	**10**
6	Kannada Language Option	5	5	4	**14**
7	Other Aeronautical Services (Airport Engagement, CSR, Cultural Information, NPS, etc)	4	5	3	**12**
	Total	**33**	**28**	**30**	**91**

S. No.	Non-Aeronautical Services	Necessity	Channel Usefulness	Passenger Experience	Total
1	F&B	5	5	4	**9**
2	Flight Booking	4	3	2	**5**
3	Airport Cabs	2	2	4	**10**
4	Transit Hotel Booking	4	3	3	**9**
5	Airport Lounge Booking Services	3	3	3	**7**
6	Duty-Free Shopping	3	3	3	**10**
	Total	**21**	**19**	**19**	**59**
				Total Score	**150**
				Aeronautical Allocation (%)	**60.66%**

BIAL requests AERA to adopt the revised Aeronautical allocation ratio for BLR Pulse related marketing & advertising spend.

3.4.5 Expenditure spend towards CSR activities

Authority's Analysis

- *The Authority proposes not considering CSR expenses as part of aeronautical operating expenses for the Third Control Period.*

BIAL's Submission

CSR Disallowance in Second Control Period was one of the matters appealed by BIAL in Learned TDSAT. The Learned TDSAT had ordered in favour of BIAL in this matter and the Authority had also given effect to the same at the time of issuance of Order for Third Control Period. Hence, BIAL requests the Authority not to change this position and accordingly consider CSR Expenditure as part of O&M cost.

3.7.39 Based on the above, the aeronautical operating expenditure decided by the Authority for the true-up of Second Control Period is given below:

Table 40: Aeronautical operating expenditure decided by the Authority for true-up of Second Control Period

Operating expenses adjustments	FY 2017	FY 2018	FY 2019	FY 2020	FY2021	Total
Personnel expenses	107.37	110.43	137.41	174.29	157.35	686.84
O&M	83.03	98.97	96.93	117.09	123.78	519.80
Lease Rent	13.01	13.42	13.83	14.24	18.72	73.22
Utilities	36.45	41.92	34.86	34.22	25.20	172.66
Insurance	1.57	2.22	1.94	3.25	5.66	14.64
Rates & taxes (other than IT)	7.48	5.62	8.02	7.63	7.17	35.91
Marketing & Advertising	7.90	9.02	14.91	19.62	6.27	57.73
CSR	2.14	4.23	6.99	6.85	5.10	25.30
General admin costs	23.40	27.34	17.28	19.90	13.32	101.24
Total operating expenses - Aero	**282.35**	**313.15**	**332.18**	**397.08**	**362.57**	**1687.33**
Concession fee	39.67	44.65	38.14	32.88	13.99	169.32
Waiver and bad debts	0.00	0.00	0.00	0.00	0.00	0.00
Total operating expenditure - Aero	**322.02**	**357.80**	**370.32**	**429.96**	**376.56**	**1856.66**

3.4.6 Operating Expenses Allocation ratio

Authority's Analysis

AERA has, in Table 80 and Table 83 of the Consultation Paper, detailed the approach and resultant Allocation ratios for identifying Aeronautical Operating Expenditure for the Third Control period.

BIAL's Submission

BIAL has computed the Aeronautical allocation ratio based on the approach adopted by the Authority in recent Tariff Orders and hence requests AERA to consider the same accordingly. BIAL's submission on certain key allocation ratios are as below.

Nature of Expenses	AERA analysis	BIAL submission
Operation & Maintenance Expenditure	*Certain expenses pertaining to the Guest Lite Contract for guest management and the provision of support and assistance at VVIP reserved lounges, including porter services for delegates and dignitaries, booked under Terminal Operations; as well as the AMC for landscaping, spares and consumables for landscaping, and the Parking Management Contract, booked under Landside Operations, have been classified as Non-Aeronautical expenses.*	All the highlighted Expense contracts relate to Airport Operations. These are not separate Revenue Generating Activities. These costs are incurred towards passenger movement management, maintenance of Airport including Terminal, Ensuring availability of proper facilities in VIP Lounges as mandated in Concession Agreement. A detailed note on these costs are as given below Extract of applicable circulars for VVIP Lounge is enclosed as Annexure 8
Marketing and Advertising Expenditure	*3.6.15 - For common Marketing and Advertising expenses, the Authority proposes to consider an allocation of 50% to Aeronautical services and 50% to Non-Aeronautical services.*	Considering allocation of 50:50 for these costs for BIAL is not backed by data. Further, Social media spends is one of the key line item which has been considered at 50%. This is incorrect due to the following reasons: A significant portion of the expenditure was incurred towards addressing COVID-19-related passenger communication by disseminating travel advisories, government notifications, safety protocols, quarantine guidelines, operational updates and other critical travel information through digital channels. These platforms served as the primary mode of communication for passengers during and immediately after the pandemic, enabling the Airport Operator to provide timely and reliable information.

Nature of Expenses	AERA analysis	BIAL submission
		Further, the expenditure has been incurred to support and promote various Government of India and airport operational initiatives intended to enhance passenger facilitation and operational efficiency, including DigiYatra, Self Baggage Drop, the Fast Track Immigration – Trusted Traveller Programme (FTI-TTP), and the seamless transition of passengers and airlines from Terminal 1 to Terminal 2. These activities are not in the nature of commercial brand promotion or the promotion of non-aeronautical businesses or revenue-generating commercial activities within the airport. Instead, they constitute operational passenger communication initiatives that facilitate the efficient use of aeronautical infrastructure, enhance passenger safety and convenience, and support the delivery of aeronautical services. Accordingly, the expenditure is intrinsically related to aeronautical operations and should be allocated entirely to the aeronautical segment. BIAL requests the Authority to reconsider its proposed allocation and classify the entire expenditure pertaining to Social Media incurred during the Third Control Period as aeronautical for the purpose of determination of the Aeronautical Operating Expenditure.
General Administration Cost		We request AERA to apply Gross Block Ratio as applied in recent Tariff Orders/ Consultation Papers.

<u>Note on specific aspects relating to O&M contracts as detailed in Authority's analysis above</u>

Landscaping

Contracts issued for landscaping relate to Landscaping on the approach roads to the passenger Terminals and in and around the Terminal area. Such landscaping helps contribute to the sustainability aspect by reducing dust, glare, and noise pollution.

Further, AERA in its Third Control Tariff order, had carried out a review of asset and expenses allocation Study as part of the Tariff determination process. In the said allocation report, Landscaping works have been clearly identified as Aeronautical. Extract is given below *(Refer Pages 262 – 264 of the Consultation Paper of Third Control Period)*

S. no.	Asset Category#	Asset Sub-category/ Description	Type* (BIAL)	Type* (Revised)	Impact on reclassified assets on Aero Gross Block of FY20 (INR cr.)
4	Buildings - Landscaping	Horticulture within the Terminal	A	A	-0.14
		Horticulture at boulevard and central area	A	A	
		Horticulture at VVIP building	A	A	
		Horticulture at airport hotel	A	N	
		Landscaping for roads	A	A	

Study on allocation of assets between aeronautical and non-aeronautical assets for BIAL

Hence, these costs are not to be considered as Non-Aeronautical expense, as this is integral to core airport operations and directly as road (landside) landscaping forms part of essential infrastructure.

Without prejudice to the above, in the Consultation Paper for GHIAL, Landscaping is considered as Common Asset (Refer Table 221). It is only therefore logical that if the asset is treated in a certain manner, the operating cost should also get the same allocation treatment

Traffic Management

The O&M contracts for Traffic Management cover Terminals, circulation roads and related areas

Scope of Work in Terminal 1 & Terminal 2

- Traffic Management
- Accident / Incident Management
- Pedestrian crossing
- Tow vehicle operations
- VVIP and VIP movement handling
- Clearance of illegal parking vehicles and penalization
- Police co-ordination to handle Motor Vehicle Act violations

These Contracts are for managing passenger convenience, removal blockages in and around Terminals / approach roads to Terminals due to wrong or illegal parking (using Tow Vehicles) and not relating to Car Park Revenues. **Hence, BIAL requests these expenses to be treated as aeronautical in nature.**

Guest Relation contracts – Guest Lite and Porter Service Contracts

These contracts are primarily for the purpose of Guest Services at the VVIP/ Ceremonial Lounges. BIAL is mandated to provide VVIP/Ceremonial Lounges services as per AVSEC circular No 9/2021m, MoCA circular dated 5th Feb 2010 and 24th January 2023. Relevant circulars are enclosed as Annexure 8.

Guest Lite Contract and Porter Service Contract

Scope of work for the Contract is as follows:

1. Welcome greetings to guests during arrival and giving a fond farewell to guest while departing
2. Handling guest complaints and concerns in an efficient and timely manner.
3. Overseeing VIP guests, arrivals and departures

4.	Provide detailed information about the flight movements, weather updates, Outlets, PTB Layout, Emergency contact numbers.
5.	The employees should maintain the rules and regulations enforced by various Govt agency like DGCA, BCAS AAI

Since BIAL is mandated to provide this service, the same be treated as an aeronautical expense.

3.5 Aeronautical Taxes

Authority's Analysis

- *The Authority, in line with its decision for other airports, proposes to not consider 30% of non aeronautical revenues while computing aeronautical taxation for the true-up of the Second Control Period.*

BIAL's Submission

BIAL had submitted the estimated Tax reimbursement for Third Control Period based on Aeronautical Revenues, 30% Non-Aeronautical Cross subsidization and after adjusting the Aeronautical Expenses, depreciation etc. AERA has recomputed the Tax reimbursement in Table 90 of the Consultation Paper. BIAL requests the Authority to review the following submissions with respect to computation of Aeronautical Tax for Third Control period.

1. Inclusion of 30% Non-Aero Revenues for computing Aeronautical Profit – BIAL had, as detailed in its submission for Third Control Period and Fourth Control Period MYTP, considered 30% of the Non-Aero Revenues that are used to subsidize the Aeronautical charges, as part of revenues to consider the PBT for computing Taxes. BIAL requests the Authority to consider 30% of Non-Aero Revenues as part of Aeronautical P&L to compute Taxation.
2. Interest Expenses for the purpose of computing Aeronautical Profit – BIAL had computed the Interest Expenses for computing Aeronautical Profit based on the gearing rate applied by Authority for computing FRoR at 48%. This is aligned with the basis adopted by AERA in computing Income Tax in other airports such as MIAL and Navi Mumbai. Extract of MIAL Order for 4th Control period wherein the Interest cost has been computed as 48% of the RAB is as given below. However, AERA has adopted a D:E basis of 70% for computing Interest Cost. BIAL requests AERA to consider 48% as gearing ratio on RAB to compute the Interest cost for computing Aeronautical P&L.

   Extract from MIAL Order

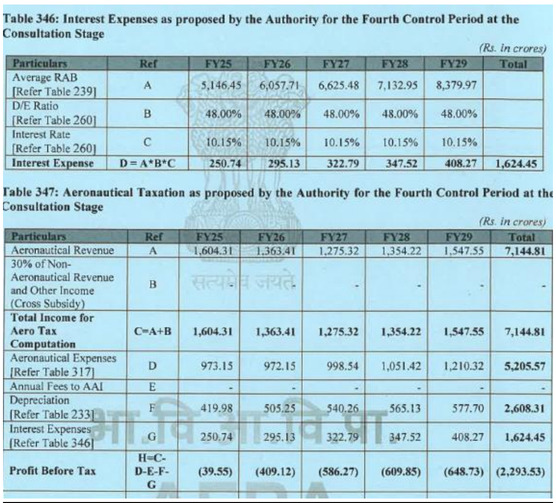


Table 346: Interest Expenses as proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in crores)

Particulars	Ref	FY25	FY26	FY27	FY28	FY29	Total
Average RAB [Refer Table 239]	A	5,146.45	6,057.71	6,625.48	7,132.95	8,379.97	
D/E Ratio [Refer Table 260]	B	48.00%	48.00%	48.00%	48.00%	48.00%	
Interest Rate [Refer Table 260]	C	10.15%	10.15%	10.15%	10.15%	10.15%	
Interest Expense	**D = A*B*C**	**250.74**	**295.13**	**322.79**	**347.52**	**408.27**	**1,624.45**

Table 347: Aeronautical Taxation as proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in crores)

Particulars	Ref	FY25	FY26	FY27	FY28	FY29	Total
Aeronautical Revenue	A	1,604.31	1,363.41	1,275.32	1,354.22	1,547.55	**7,144.81**
30% of Non-Aeronautical Revenue and Other Income (Cross Subsidy)	B	-	-	-	-	-	-
Total Income for Aero Tax Computation	**C=A+B**	**1,604.31**	**1,363.41**	**1,275.32**	**1,354.22**	**1,547.55**	**7,144.81**
Aeronautical Expenses [Refer Table 317]	D	973.15	972.15	998.54	1,051.42	1,210.32	**5,205.57**
Annual Fees to AAI	E	-	-	-	-	-	-
Depreciation [Refer Table 233]	F	419.98	505.25	540.26	565.13	577.70	**2,608.31**
Interest Expenses [Refer Table 346]	G	250.74	295.13	322.79	347.52	408.27	**1,624.45**
Profit Before Tax	**H=C-D-E-F-G**	**(39.55)**	**(409.12)**	**(586.27)**	**(609.85)**	**(648.73)**	**(2,293.53)**

Extract from NMIAL Tariff Order issued in 2026-27 is as below:

10.1.2 While calculating tax, NMIAL had considered the following:

- 30% of non-aeronautical income which was reduced while calculating the ARR and corresponding aeronautical revenues streams, are added back to reflect the comprehensive aeronautical revenues for the airport.
- Aeronautical O&M expenses
- Premium (revenue share) as mentioned in clause 26.2.4 of the CA is not considered as expenditure.
- Depreciation had been considered based on regulatory books of accounts.
- Interest cost had been considered based on regulatory books of accounts (i.e. RAB * Avg. cost of debt * 48% gearing ratio)

10.2 Authority's examination regarding aeronautical taxation for the First Control Period at Consultation Stage

10.2.1 The Authority noted that NMIAL had considered 30% NAR 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 NAR is used for cross subsidisation as per the hybrid till mechanism does not change the nature of such revenue to aeronautical. Further, the cross subsidisation as per the hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize NMIAL to make effective investments in non-aeronautical income generating sources.

10.2.2 Authority also noted that for the purpose of tax calculation, NMIAL had considered interest cost in proportion of notional gearing ratio.

3. Computation of Tax Reimbursement – BIAL understands from Table 90 of the Consultation Paper that AERA has computed Tax at MAT rate on the profit after adjusting for c/f losses. BIAL submits as follows:
   - Income Tax is paid under Minimum Alternate Tax for the years in Third Control Period till 31st March 2026. MAT is paid on the book profits for the company as a whole.
   - In FY 24 to FY 26, BIAL has paid MAT on the book profits without any carry forward loss adjustment for the company has a whole, without any carry forward loss adjustment. Hence, MAT has to be considered and reimbursed for Aeronautical Profits as well.

Based on the above, Income Tax re-computed considering the change in Interest value and MAT payment made by the Company is as given below:

Taxation of Third Control period reworked for Interest expenses and MAT payment						
Particulars	**2022**	**2023**	**2024**	**2025**	**2026**	**Total**
Aero Revenues	**536.50**	**1140.46**	**1786.29**	**2419.88**	**2715.37**	**8598.50**
O&M Expenses	-395.13	-564.63	-748.23	-893.81	-1019.06	-3620.86
Aero Depreciation	-283.98	-418.01	-558.22	-566.10	-575.3	-2401.61
Aero Int. Exp	-158.50	-256.65	-384.54	-406.66	-371.75	-1578.10
Sub Total of Expenses	**-837.61**	**-1239.29**	**-1690.99**	**-1866.57**	**-1966.11**	**-7600.57**
Earnings	-301.11	-98.83	95.30	553.31	749.26	997.93
Effective Tax Rate		5.86%	22.88%	24.80%	24.85%	
Aero Tax			**21.80**	**137.22**	**186.19**	

3.6 Non-Aeronautical Revenues

- *Authority proposes to consider Non-Aeronautical Revenue of Rs. 4,303.66 Crores and the derived cross subsidy of Rs. 1,291.10 Crores as per Table 94 for the True Up of the Third Control Period, as against BIAL's submission of NAR of Rs. 5,518.60 Crores.*

3.6.1 AAI Notional Lease Rentals

Authority's Analysis

- *The Authority notes that BIAL has not included notional lease rentals for space provided to AAI in its NAR submission. The Authority, consistent with the principle that such space is being utilised on a notional rental basis, proposes to include Rs. 80.14 Crores of notional lease rentals from AAI as Non-Aeronautical Revenue for the purpose of true-up of the Third Control Period.*

BIAL's Submission

Prior to the enactment of AERA Act, CNS/ATM agreement dated 06.04.2005 was executed between BIAL and AAI wherein under space was leased to AAI to provide CNS/ATM services which was and continues to be provided by AAI at KIAB. Clause 7.4 of the CNS/ATM agreement dated 06.04.2005 states *"AAI shall pay a rental fee to BIAL in consideration for providing the facility and office space and the rental rate shall be calculated on cost recovery basis …"*. As the cost recovery has been completed, there are no further lease rentals payable by AAI to BIAL.

The lease rent received by BIAL under the agreement has been factored as aeronautical revenues for ARR calculation thereby reducing tariffs and benefitting passengers for 1st and 2nd control period. Therefore, while the entirety of the benefits has already been passed on to the airport users, BIAL will recover original capital expenditure and associated returns over a longer period of 30 years. In such circumstances, to impose hypothetical/notional revenues from this facility is wholly unjustified.

With respect to additional space provided to AAI, AERA has failed to consider that Greenfield Airports Policy, 2008 issued by MoCA provides as follows:

"Air Traffic Services (ATS): Functions related to ATS are being discharged by AAI. The Applicant will have to enter into a CNS/ATM Agreement with AAI for the provision of ATS services at the proposed airport. ATS would be provided on a cost recovery basis and AAI would publish a standard agreement for this purpose. ***The Airport Company would also provide the required infrastructure to AAI free of cost for provisions of ATS****."*

When the applicable Greenfield Policy prescribes that required infrastructure should be provided to AAI free of cost; AERA cannot prescribe notional lease for the said infrastructure. BIAL is precluded by the policy from levying lease rentals which ought to be considered by AERA. Indubitably, AERA is bound by policy decisions of the Central Government. AERA has to exercise or regulate within the framework by Central Government**.** AERA is bound by the aforesaid policy decisions under Section 42(2) of the AERA Act.

Hence, we request the Authority not to consider notional lease rentals from AAI as a part of true up for TCP.

3.6.2 CGF / ICT Revenues as Non-Aeronautical

Authority's Analysis

- *The Authority proposes to treat revenue from Cargo, Ground Handling and Fuel Farm aggregating Rs. 879.54 Cr. as Aeronautical Revenue.*

- *The Authority proposes to treat ICT, including CUTE/CUSS revenue aggregating Rs. 475.00 Cr. as Aeronautical Revenue, consistent with the treatment adopted in the Third Control Period Tariff Order.*

BIAL's Submission

BIAL submits that CGF services should be treated as Non-Aeronautical in line with the decisions of the Learned Tribunal in HIAL, DIAL, and MIAL. Admittedly, BIAL and HIAL are similarly placed airports and in fact, the contractual provisions i.e., the Concession Agreement, a sovereign contract entered into by His Excellency the President of India with BIAL (entered on 05.07.2004) and HIAL (entered on 20.12.2004), are identical in all material respects.

Therefore, the terms of the Concession Agreement must be honored while determining tariff. In BIAL's case, CGF services are not regulated services under the BIAL's Concession Agreement and BIAL is free without any restriction to determine charges for CGF services. Therefore, this tariff structure in the concession agreement ought to be honored by AERA and AERA ought not to consider revenues from CGF, CUTE, CUSS, BRS, ICT, and CIC services as aeronautical services.

3.6.3 Interest Income

Authority's Analysis

- *The Authority in Table 97 and in Table 237 has considered Interest Income of Rs 676 Crs and Rs 1220 Crs to be a part of non-aeronautical revenues in respect of true up of TCP and projections for 4th CP respectively.*
- *The Authority proposes to retain Interest Income as Non-Aeronautical Revenue, consistent with Decision No. 8.6.3 of the Third Control Period Tariff Order.*

BIAL's Submission

Interest Income earned by BIAL is not relatable to and generated from provision of any services and therefore is beyond the regulatory ambit of AERA.

Once revenue from an activity, whether aeronautical or non-aeronautical, is already considered for the purposes of tariff determination, any money that accrues to BIAL post the same cannot be subject to further reckoning for tariff determination, as this would amount to double dipping, which should not to be allowed.

The Learned Tribunal has, in its following judgments, held that interest income cannot be considered by AERA for the purpose of tariff determination and therefore the said proposal of AERA should not be applied for BIAL.

- MIAL Judgment-II [Para nos. 210 to 211]
- DIAL TDSAT Judgement-II [Para nos. 88 to 90]
- HIAL Judgment [Para nos. 346 – 350, Para 358-359]

3.6.4 Real-Estate Income

Authority's Proposal

- *The Authority in Table 97 and in Table 237 has considered Commercial Land Development (Real Estate) Income of Rs 29 Cr. and Rs 135 Cr. to be a part of non-aeronautical revenues in respect of true up of TCP and projections for 4th CP respectively.*
- *The Authority proposes to retain Real Estate Revenue as Non-Aeronautical Revenue, consistent with Decision No. 8.6.2 of the Third Control Period Tariff Order.*

BIAL's Submission

Income from commercial land development, i.e. real estate development, is actually income from non-airport activities (as detailed out in Schedule 3 Part 2 of the Concession agreement) and the same should not be treated as aeronautical revenue or non-aeronautical revenue.

Non-airport activities undertaken by BIAL at the site are unrelated to the operations of the airport. These non-airport activities provided beyond the precincts of the Airport are not aeronautical nor non-aeronautical services and are beyond the jurisdiction of AERA.

We request AERA to exclude the revenues earned commercial land development activities from the non-aeronautical revenues.

3.6.5 Rent & Land Lease

Authority's Analysis

- *The Authority proposes to retain lease rentals received from aeronautical service providers of Rs. 508.27 Crores as aeronautical revenue. Hence, the Non-Aeronautical Revenue portion being Rs. 115.27 Crores, consistent with the treatment adopted in earlier control periods.*

BIAL's Submission

In AERA's analysis of Non-Aeronautical Revenues for Third Control Period, AERA had considered Lease Rentals from Aeronautical Service Providers as Aeronautical.

BIAL had, in response to query during MYTP evaluation had submitted the category wise details of Lease rentals on 7th May 2026. Further, BIAL has once again reviewed the Lease Rentals based on the nature of the user and tabulated the same. Detailed working is enclosed in Annexure 9.

Summary of Lease rentals classified as Aero and Non-Aero based on AERA's principles are detailed below:

(Rs. in Crores)

Particulars	21-22	22-23	23-24	24-25	25-26	Total
Aero Rental	41.82	44.42	101.42	121.62	127.99	**437.27**
Non-Aero Rental	23.14	25.04	27.95	52.26	66.29	**194.68**
Total Rental	**64.96**	**69.46**	**129.37**	**173.88**	**194.28**	**631.95**

In BIAL's previous submission, the rentals from cargo village had been erroneously included in cargo revenues instead of under Rent and Land Lease (Rs. 8.59 crores for FY26). The table above (submitted as response to the CP) includes the revenue from Cargo village as part of Non aero Rentals.

Revenue from Cargo village is part of Non-Aeronautical Revenues (as per earlier AERA Orders). We request the Authority to consider our revised submission as captured in table above wherein non aero rentals for 3rd CP is estimated as 194.68 crores.

Consultation Paper No. 10/ 2021-22 for the Third Control Period KIA, Bengaluru

Particular	Reference in Order	AERA's Decisions	Reference in Hon'ble TDSAT Order	Hon'ble TDSAT 's Order
Cargo Village	8.19 (FCP Order)	Revenue from cargo village assets to be treated as non–aeronautical revenues.		

3.9.5 Additionally, AERA had decided in the Second Control Period order to review and true-up the non-aeronautical revenues on actuals, at the time of determination of tariff for the next control period.

3.6.6 Double Counting of Other Income

AERA has excluded a portion of the amount reported under Interest on Others from the "Other Income" head and reclassified under Interest Income. However the Authority has excluded only ₹19.15 crore, from "Other Income" resulting in the balance amount of ₹9.85 crore continuing to remain under the "Other Income" head and being double counted.

BIAL submits that the same income should not be recognised under two different revenue heads and accordingly, the Authority is requested to remove this duplication to ensure no double counting.

3.7 Aeronautical Revenues

BIAL's submission

In BIAL's previous submission, the rentals from cargo village had been erroneously included in cargo revenues instead of under Rent and Land Lease (Rs. 8.59 crores for FY26). Accordingly, BIAL requests AERA to reduce the same from Cargo Revenue, the same has been added to the Lease rental details submitted above, in Para 3.6.5

3.8 Aggregate Revenue Requirement

Authority's Proposal

- *The Authority has considered unaudited actual figures for FY 2026, (as the audited financial statements for said fiscal year were unavailable at the time of the issuance of this Consultation Paper) for various building blocks necessary for the true-up of the Third Control Period. The Airport Operator is advised to submit the actual audited financial statement for FY 26 during the Stakeholder Consultation Process so that the Authority shall consider the audited financials.*

BIAL's Submission

Audited Financials for FY 26 is submitted by BIAL as Annexure 10.

4 Traffic for Fourth Control Period

Authority's Proposal

- *To consider Traffic projections as per Table 109 for the Fourth Control Period.*
- *To True up the traffic volume (Passenger, ATM and cargo) on the basis of actual Traffic achieved in the Fourth Control Period while determining tariff for the Fifth Control Period.*

BIAL's Submission

BIAL appreciates the rigour adopted by the Authority while reviewing and accepting the traffic projections as part of the 4th control period submission.

Post our submission in December 2025, the aviation industry has experienced an unforeseen development arising from the geopolitical conflict in the Middle East. The conflict has resulted in airspace restrictions and route diversions, higher aviation turbine fuel (ATF) prices, increased airline operating costs and flight cancellations across domestic and international sectors. These developments have materially impacted traffic growth during the initial months of FY27 (in Q1 performance, BIAL passenger traffic has been flat i.e., 0% growth while aircraft movements have been down 2%).

In response to these operating conditions, Indian carriers have announced temporary reductions in network capacity - Air India and Air India Express have announced reductions of approximately 15% in their domestic operations from June through August 2026, while IndiGo announced a reduction of approximately 7% over the same period. (Ref: Air India, IndiGo to cut domestic flight operations as ATF prices, low demand hurt: Report - The Economic Times)

The impact at KIAB is evident from the reduction in scheduled flight movements between 27 February 2026 (prior to the onset of the geopolitical conflict) and 30 June 2026, as summarized below:

Daily Flights (Arr & Dep)	As of 27th Feb 2026 (prior to start of the war)	As of 30th June 2026	Variance
Domestic flights	644	588	-9%
Air India & Air India Express	211	166	-21%
Indigo	346	333	-4%
International Flights	119	106	-11%

With reduction in operations expected to continue through till August 26, we believe that the growth for FY27 may be lower than earlier planned and will trend closer to 46.5 million passengers as against our submission of 47.9 million passengers (implying a year on year growth rate of 4.5%).

Given the unique exogenous conditions, we remain hopeful that the traffic impact will be limited to FY27 and traffic growth from FY28 will continue as per our previous submitted growth rates. This is aligned with the feedback we have received from carriers as well. Accordingly, adopting the annual passenger growth rates as previously submitted, the overall reduction in passenger traffic through the control period is expected to be around ~ 2.9%. The reduction is not expected to have any impact on the projects proposed in the capital program as by FY31 as the existing terminals (T1 and T2 Phase 1) will continue to operate at ~ 90% of installed capacity.

Previous Filing by BIAL	FY 26 A	FY27	FY28	FY29	FY30	FY31	Total for 4th CP
Pax traffic	44.45	47.9	54.4	60.3	66	72.4	301
Growth		7.8%	13.6%	10.8%	9.5%	9.7%	
5 year CAGR	**10.2%**						

Updated traffic projection	FY 26 A	FY27	FY28	FY29	FY30	FY31	Total for 4th CP
Total	44.45	46.5	52.8	58.5	64.1	70.3	292.2
Growth			13.6%	10.8%	9.5%	9.7%	
5 year CAGR	**9.60%**						

We request the Authority to consider the updated submissions while finalizing the tariff order.

Updated Submission of Traffic estimates

FY ending	UoM	2027	2028	2029	2030	2031
Total Passengers	**Mn**	**46.52**	**52.82**	**58.55**	**64.07**	**70.28**
Domestic	Mn	38.96	44.13	48.91	53.11	57.99
International	Mn	7.56	8.69	9.64	10.96	12.28
ATM	**Nos.**	**2,90,707**	**3,27,543**	**3,60,487**	**3,89,835**	**4,25,071**
Domestic	Nos.	2,45,953	2,76,992	3,04,904	3,26,518	3,55,640
International	Nos.	44,754	50,552	55,583	63,317	69,432
Cargo	**MT**	**5,64,494**	**6,06,489**	**6,52,462**	**7,02,151**	**7,56,176**
Domestic	MT	2,07,363	2,19,400	2,31,922	2,44,932	2,58,432
International	MT	3,57,131	3,87,089	4,20,540	4,57,219	4,97,744

BIAL requests AERA to consider the above as the Traffic estimate for the Fourth Control Period. Further Aeronautical and Non-Aeronautical Revenues need to be estimated considering the above traffic submission.

5 Capital Expenditure, Regulatory Asset Base and Depreciation for the Fourth Control Period

5.1 Estimate for Capital Expenditure

BIAL's Response

5.1.1 Cost estimates

BIAL has carefully reviewed the report issued by MECON and Authority's analysis as part of the Consultation Paper.
BIAL has divided its response on proposals put forth by the Authority on Capital Expenditure Program into 4 parts:

1) Specific submission relating to Terminal 2 Phase 2 – Sizing and Cost
2) Request for consideration of items pertaining to Indexation, Constraint factor, GST, Pre-Operative Expenditure, Contingency and Interest During Construction, as these apply to the overall Capital Expenditure program
3) Specific requests pertaining to projects included as part of the capital expenditure program filed with AERA.
4) Appendices relating to the above (enclosed as Annexure 11)

BIAL has included its response on costs capitalized in Third Control Period in Para 3.3.5 and requests AERA to consider the same, in considering estimate of PAL-2 for the Fourth Control Period.

1. Terminal 2 Phase 2– Sizing and Cost

BIAL's response to the proposal for T2 Phase 2 is split into 2 parts:

- Area justification for the submitted area of 271,087 sqm
- Capex : Requesting inclusion of items not included in capex assessment by MECON

1.1 Justification for Area

In the Consultation Paper 01/2026-27 for tariff determination for BIAL, the Authority has proposed (basis inputs from its technical consultant) that the appropriate sizing of Terminal 2 at a norm of ***37sqm/PHP*** *with a normative PHP of 13,500 should be 499,500 sqm and consequently Terminal 2 Phase 2 should be* ***243,855 sqm*** *in area.*
Extract of the order is reproduced below:

Table 149: Area proposed to be considered for Terminal 2 Phase 2

Particulars	Value
Integrated Terminal 2 Capacity	45 MPPA
PHP considered	13,500
Area per PHP recommended by MECON	37 sqm/PHP
Integrated Terminal 2 area considered	4,99,500 sqm
Less: Existing Terminal 2 Phase 1 area	2,55,645 sqm
Terminal 2 Phase 2 area proposed to be considered	2,43,855 sqm
Terminal 2 Phase 2 area proposed by BIAL after revision	2,71,087 sqm
Reduction in area proposed to be considered	27,232 sqm

BIAL's Response

BIAL appreciates the detailed assessment undertaken by AERA & its consultants while assessing the area for Terminal 2 Phase 2. BIAL agrees with AERA's approach that Terminal 2 should be viewed as an integrated terminal instead of evaluating Phase 2 as a separate development.

BIAL's submission for the terminal area sizing was arrived on the basis of the following:

1) Master plan Update undertaken by NACO in 2024 which considered the existing passenger traffic being handled by Terminal 2 as well as data around realized peaks (combined and segregated) as well as traffic growth projected for future years
2) Basis the sizing for Terminal 2 developed by NACO, SOM (Skidmore, Owing & Merrill) – leading terminal design agency was engaged to develop a concept plan for Terminal 2 Phase 2 (T2P2)
3) The concept has been detailed out into schematic and detailed designs by Assystem (STUP)

When the terminal sizing and the consequent schematic and detailed designs were being developed, some key factors that were kept in mind were:

a) Need to have dedicated transfer zones with growth of transfer passengers (~15% of total passenger traffic handled at Terminal 2 Phase 1 is already transfer traffic and this is expected to grow further)
b) Larger number of aerobridges on account of passenger convenience and demand from airlines (Usage of aerobridges helps reduce minimum connect time – a key factor for driving transfer passengers and consequently hub airport)
c) Adhere to policy & guidelines issued by various statutory/regulatory bodies including Ministry of Civil Aviation, Airports Economic Regulatory Authority, Bureau of Civil Aviation Security and Directorate General of Civil Aviation.

The resultant area of 271,087 sqm has therefore been arrived at after sufficient detailing and benchmarking against norms of other metro airports in India as well as IATA norms. Key factors that have influenced the proposed area are highlighted below:

A1 – Phase 1 of Terminal 2 (T2P1) is an efficiently designed terminal but falls short of the present day expectations of large terminal buildings

The design for T2 P1 was completed in 2017-18 and the terminal was constructed & operationalized in December 2022 (as against the target date of March 2021with delay on account of Covid Pandemic).

At the time when Terminal 2 was designed, transfer passenger volumes at KIAB were quite low and Indian carriers had not demonstrated any active steps towards developing hub and spoke networks at key airports. As a matter of fact, Government of India, for the first time in 2023, came up with an Aviation Hub strategy for India with the report titled "Aviation Hub Strategy – Making India a successful global aviation hub by 2047".

With the changing nature of civil aviation led by policy moves (focus on regional connectivity, UDAN scheme, focus on airport development by states) and market forces (Indian carriers placing the largest aircraft orders in the history of Indian aviation), the norm for sizing of terminals has also undergone a major shift.

Integrated passenger terminals sized for handling 20 MPPA currently are sized at about 225,000 sqm or more. Consequently, a 25 MPPA terminal today would be sized closer to 280,000 sqm**.** (0.035% of 25 Million capacity

* 32 sqm/PHP). This clearly shows that T2P1 is approximately 24,355 sqm short of what it would be, if it was built today. The reduced of T2P1 area can be attributed to the lack of transfer facilities planned in Phase 1 of the terminal as well as proportion of aerobridges in the terminal (11 Fixed link bridges and 21 aerobridges).

The terminal design for Terminal 1 Phase 1 has also been compared with the Combined Passenger Impact Ratio (CPIR) norm laid out by IATA. The CPIR metric helps check that space optimization (during development) has been achieved when international and domestic passenger peaks do not overlap.

$$CPIR = \frac{\text{Combined Peak (Domestic + International Passengers)}}{\text{Sum of Separate Peaks (Domestic Peak + International Peak)}}$$

CPIR for a terminal may range from 6% to 34%. Using the PHP data of FY26, T2P1 has a CPIR of 25% suggesting an efficient terminal & optimal space utilization.

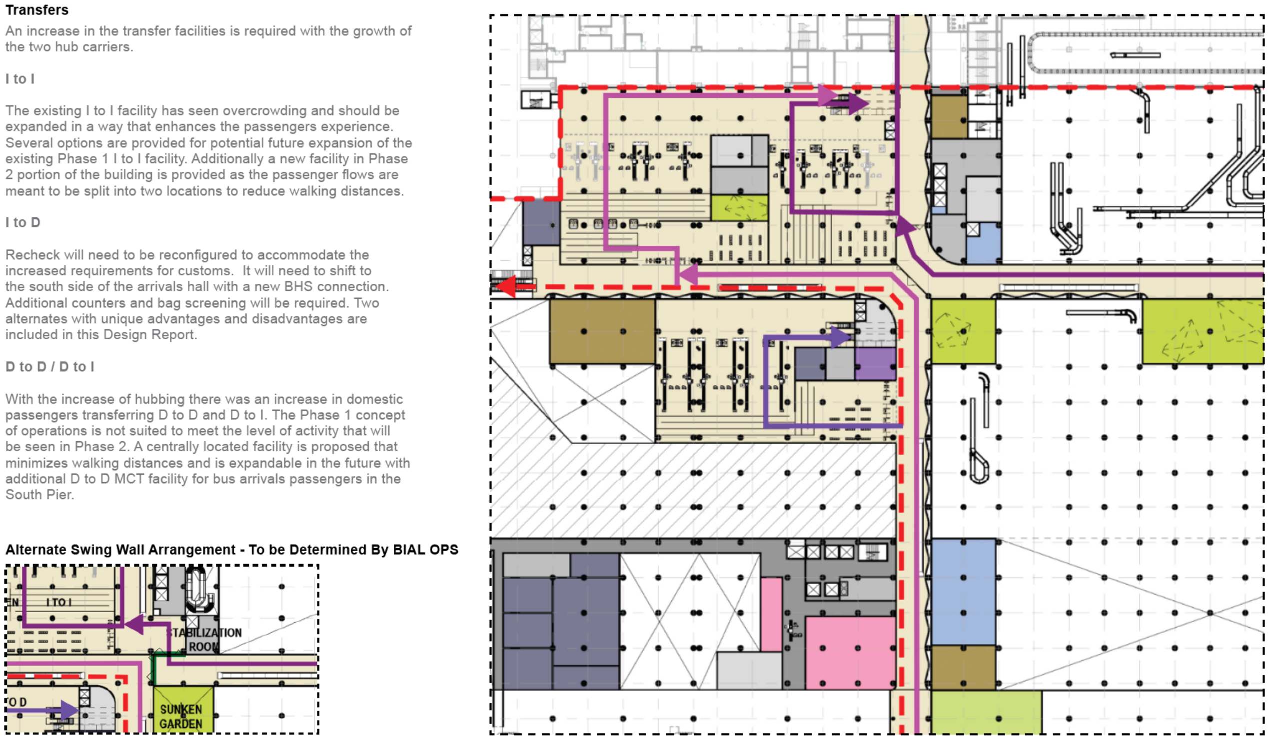
A2 – The pressing need to have specific zones for handling of transfer passenger traffic

Terminal 2 Phase 1 does not have a dedicated processing zone for Domestic to Domestic (D-D) passengers as well as International to Domestic (I-D)/ Domestic to International (D-I) passengers. Considering the above and the projected traffic for the 4th control period, there is a need to create dedicated Transfer facilities in Terminal 2 Phase 2 as per below table, to cater the Transfer passenger requirements.

The transfer zone to be created will cater to 4 distinct passenger flows:

1) Domestic to Domestic i.e., Domestic arriving passengers departing on another domestic flight
2) Domestic to International i.e., Domestic arriving passengers departing on an international flight.
3) International to Domestic i.e., International arriving passengers departing on an domestic flight.
4) International to international i.e., international arriving passengers departing on an international flight.

Schematic layout of the proposed transfer zone


Transfers

An increase in the transfer facilities is required with the growth of the two hub carriers.

I to I

The existing I to I facility has seen overcrowding and should be expanded in a way that enhances the passengers experience. Several options are provided for potential future expansion of the existing Phase 1 I to I facility. Additionally a new facility in Phase 2 portion of the building is provided as the passenger flows are meant to be split into two locations to reduce walking distances.

I to D

Recheck will need to be reconfigured to accommodate the increased requirements for customs. It will need to shift to the south side of the arrivals hall with a new BHS connection. Additional counters and bag screening will be required. Two alternates with unique advantages and disadvantages are included in this Design Report.

D to D / D to I

With the increase of hubbing there was an increase in domestic passengers transferring D to D and D to I. The Phase 1 concept of operations is not suited to meet the level of activity that will be seen in Phase 2. A centrally located facility is proposed that minimizes walking distances and is expandable in the future with additional D to D MCT facility for bus arrivals passengers in the South Pier.

Alternate Swing Wall Arrangement - To be Determined By BIAL OPS

The creation of Transfer facilities is especially important considering that KIAB envisions to be a hub airport with Air India and Indigo being the primary anchors. It is pertinent to note that Air India and BIAL have entered into an agreement to develop Bengaluru as a premier aviation hub for southern India, with an aim to boost air travel connectivity to and from India over the next few years. Air India's intention to build wide body hangars for handling A-350 aircraft gives additional comfort about the latter's intention to develop a hub for long haul routes at KIAB. A similar agreement with Indigo has also been executed with the latter building its wide body maintenance base at KIAB.

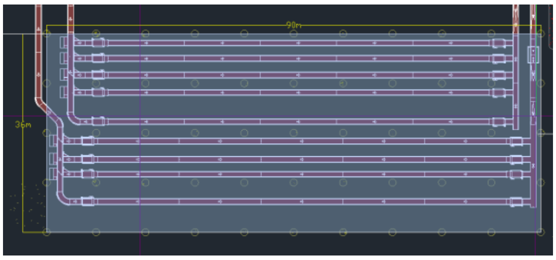
With the volume of transfer passengers set to rise, a dedicated zone has to be created as part of Terminal 2 Phase 2 which will process D-D, I-D, D-I, and I-I passengers. In addition to the creation of the transfer facilities (**11,025 sqm**), there is also a need to have walkways, vertical movements for passengers, toilet facilities and back of the house corridors for movement of airport staff, airline staff, staff of statutory bodies (e.g., CISF, Customs, Immigration), and Early Bag Storage (EBS) which results in additional built-up area requirements within the envelope of Terminal 2 Phase 2 building.

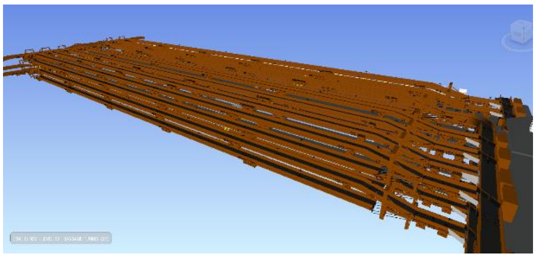
Summary:

Hub Facility	**Area in Sqm**	**Remarks**
Hub at L1	11,025	@ 6211 PHP at 1.6 sqm per Pax – IATA LOS-C table in Passport/Hold
Government Facilities associated with the HUB + Passenger Toilet Facilities	700	IATA – 3.3.3.2.2
EBS at L0	3,900	0.3 to 0.5 EBS storage slots per transfer passenger.
Total Area	**15,625**	

Schematic layout of the proposed Early baggage storage system

Early Bag store which is space with manual racks of 500 bags capacity in phase 1 is getting replaced and expanded to automated lane based Early bag store of 2000 bags capacity in the Phase 2 works.





It is worth noting that IATA ADRM 3.3.3.2.2 grants extra infrastructure for Hub/Transfer options including a special note on consideration of combined peak transfer PHP to size facilities.

Calculations for "Hub terminal" & impact on areas:

1) Transfer Facilities - Transfer PAX area per sqm = 1.8 sqm per person - same as Check-in area as per LOS-C.
2) **Landside Facilities:** About **~20% reduction** in ticketing and baggage claim floor space.
3) **Airside Facilities :** A **~20% + increase** in concourse width, gate seating, and retail to handle the extra transfer dwell load including baggage services with Early Bag Storage.
4) **Transfer Penalty: 100% new space added** for airside-to-airside security screening lanes and connection desks that a pure O&D airport does not require.

A "Hub terminal design" therefore despite factoring in the CPIR will be larger as the net-new transfer infrastructure and larger airside concourses will lead to a 5% - 10% larger size than a pure O&D airport processing at the same volume.

As per the design, the area that Terminal 2 needs for dedicated transfer passenger facilities is estimated at an incremental 15,625 sqm.

Comparison of BIAL's T2 with DIAL and MIAL's existing terminals

The Authority's consultants have compared BIAL's terminal area with DIAL's Terminal 3 and MIAL's Terminal 2. As per the extract of the report, the area norm proposed by BIAL was in between the sqm/PHP norms of these 2 terminals.

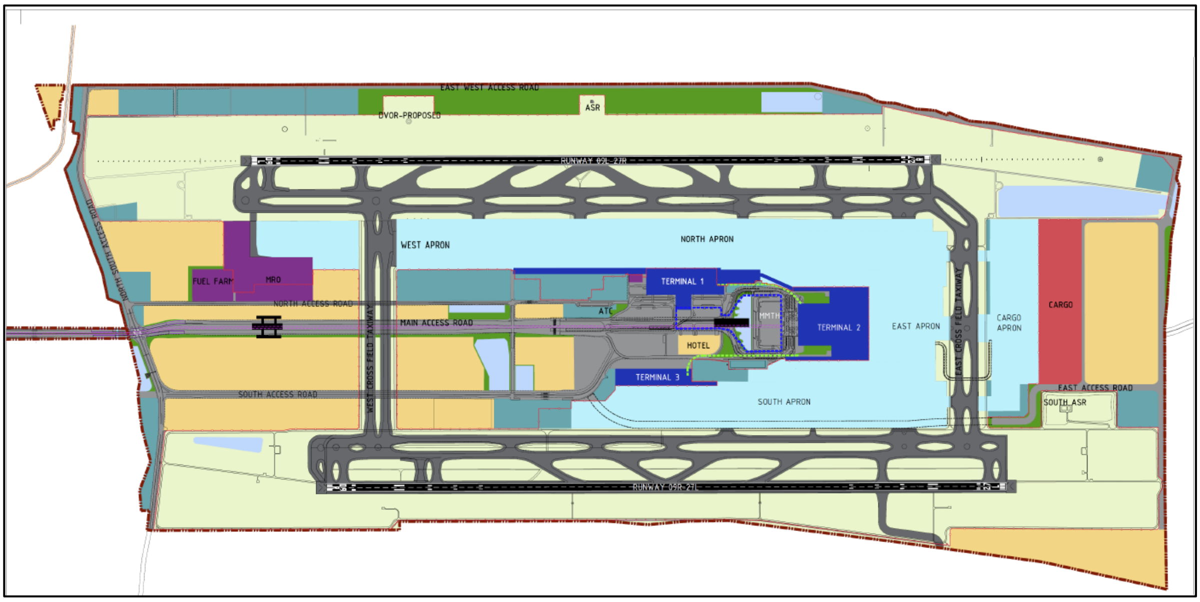
Sl. No.	Airport	Bengaluru T2	Delhi T3	Mumbai T2
A	Annual Design Capacity (MPPA)	45	45	40
B	Area of Terminal (sqm)	5,26,732	5,53,193	4,48,432
C	PHP (@ 0.03% of A)	13,500	13,500	12,000
D	AREA as per IMG & AAI (sqm) (25 X A)	3,37,500	3,37,500	3,00,000
E	Excess area(sqm)(B-D)	1,89,232	2,15,693	1,48,432
F	Excess percentage	**36%**	**39%**	**33%**
G	AREA as per IATA (sqm) (30 X A)	4,05,000	4,05,000	3,60,000
H	Excess/ Deficit area(sqm) (B-G)	1,21,732	1,48,193	88,432
I	Excess percentage	23%	27%	20%
J	Area Per passenger (sqm)	**39.02**	**40.98**	**37.37**

As can be seen BIAL's area filed on a per sqm was the median value of DIAL's Terminal 3 and MIAL's terminal 2.

This is despite the fact that both these terminals were developed at a time when transfer traffic across India was very low and hence these terminals had to be retrofit for transfer areas. Accordingly, BIAL's proposed terminal area of 39 sqm/PHP is prudent and efficient.

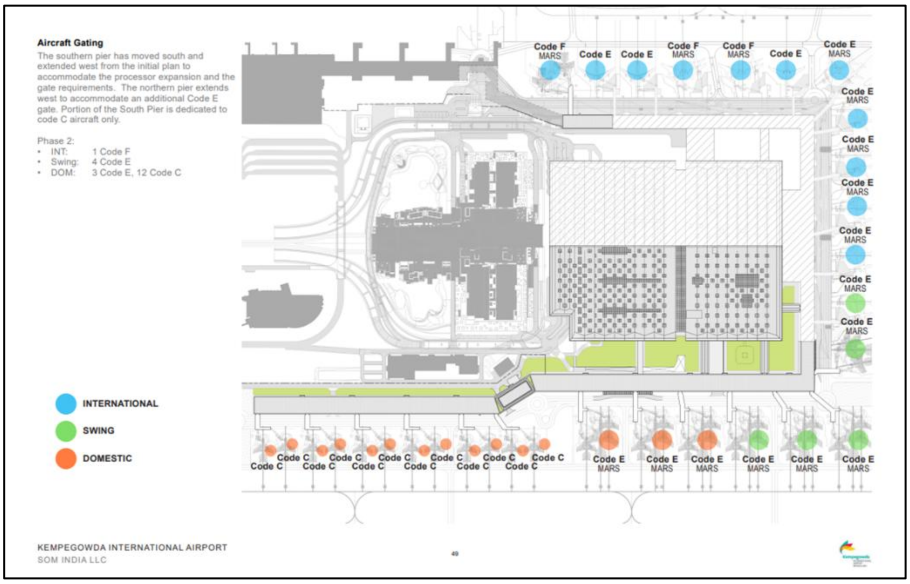
A3: Number of Passenger Boarding Bridges (PBBs)

Terminal 2 was envisaged to be built in 2 phases and the Phase 2 was intended to be a mirror image of Phase 1 as shown below:



Source: BIAL Master Plan - September 2019

When BIAL undertook the master plan update in 2024, based on feedback from carriers, the proportion of 11 fixed linked bridges and 21 aerobridges at Terminal 2 Phase 1 was found to be low. Accordingly, the length of the South Pier was increased to accommodate a higher number of passenger boarding bridges with a planning guideline that **90% of international aircraft and 80% of domestic aircraft movements can be handled by aerobridges (based on the ability to meet 90% of airline requests).**



Source: BIAL Master Plan; SOM Design concept

Passenger Boarding Bridges – Comparison of key Indian airports

Pursuant to Phase 2 expansion, BIAL's Terminal 2 (with a capacity of 45 MPPA) will have 22 MARS stands and 3 Code E Stands with a total of **50 aerobridges**. In comparison, Delhi airport's Terminal 3 for a 34 MPPA (now revised to 45 MPPA) terminal had **78 aerobridges** at the time of its commissioning in 2010. Mumbai's Terminal 2 with a capacity of 40 MPPA had **52 aerobridges** at the time of commissioning. Hence the number of aerobridges & hence pier length and area being proposed as part of Terminal 2 Phase 2 and overall Terminal 2 has already been optimized.

AERA's Consultation Paper on Performance Standards

It is pertinent to point out that in the recently published consultation paper by AERA on "**Formulation of Performance Standards of Major Airports relating to Quality, Continuity and Reliability of Service and Associated Activities",** AERA has emphasized on the need of passenger boarding bridges. The performance standard also goes on to propose tariff rebates if Airports are not able to ensure 90% as target for ***% of aircraft movements served to meet airline request***. Further, there is also a proposed rebate for "Time taken from on block to entry in the terminal building for 95% of domestic/international flights". Adhering to these norms therefore requires BIAL to invest in a larger capacity of aerobridges as 15 minutes may not be achievable for remote stands (as bussing times may be impacted by distance of aircraft stand from terminal, requirement to cross live taxiways).

O6(a)	Passenger Arrival (Domestic)	Time taken from on-block to entry in the terminal building for 95% of domestic flights	First Passenger: 95% < 15 mins	First Passenger: 95% < 15 mins	0.15%
O6(b)	Passenger Arrival (International)	Time taken from on-block to entry in the terminal building for 95% of international flights	First Passenger: 95% < 15 mins	First Passenger: 95% < 15 mins	0.15%
Airport Facilities					
O10	Availability of Passenger Boarding Bridges (Domestic / International)	% of aircraft movements served to meet airline request	90%	90%	0.15%

The creation of passenger boarding bridges / contact stands would also lead to faster aircraft turnaround time and improve safety in the apron area, resulting in improved operational efficiency on the airside. A higher number of PBBs will reduce the on ground Scope 3 emissions emanating from the vehicles used by Airlines and the ground handling agencies by reduction in bussing and also facilitate handling of transfer traffic as well as reduce minimum connect times.

As per the Arthur D Little report sponsored by Ministry of Civil Aviation, some of the key initiatives identified to be implemented by airports are as given below:

- Increase in both intra- and inter-terminal connectivity for passengers and baggage.
- Development of Baggage Handling System (BHS) capacity in line with total traffic and 10-20% storage capacity in BHS depending on the share of connecting traffic.
- ***Appropriate mix of widebody (WB) and Multiple Aircraft Ramp System (MARS)stands, with a significant share of contact stands as per hub typology.***

Therefore, the need for additional contact stands go hand in hand with BIAL's vision of KIAB as a "Hub Airport".

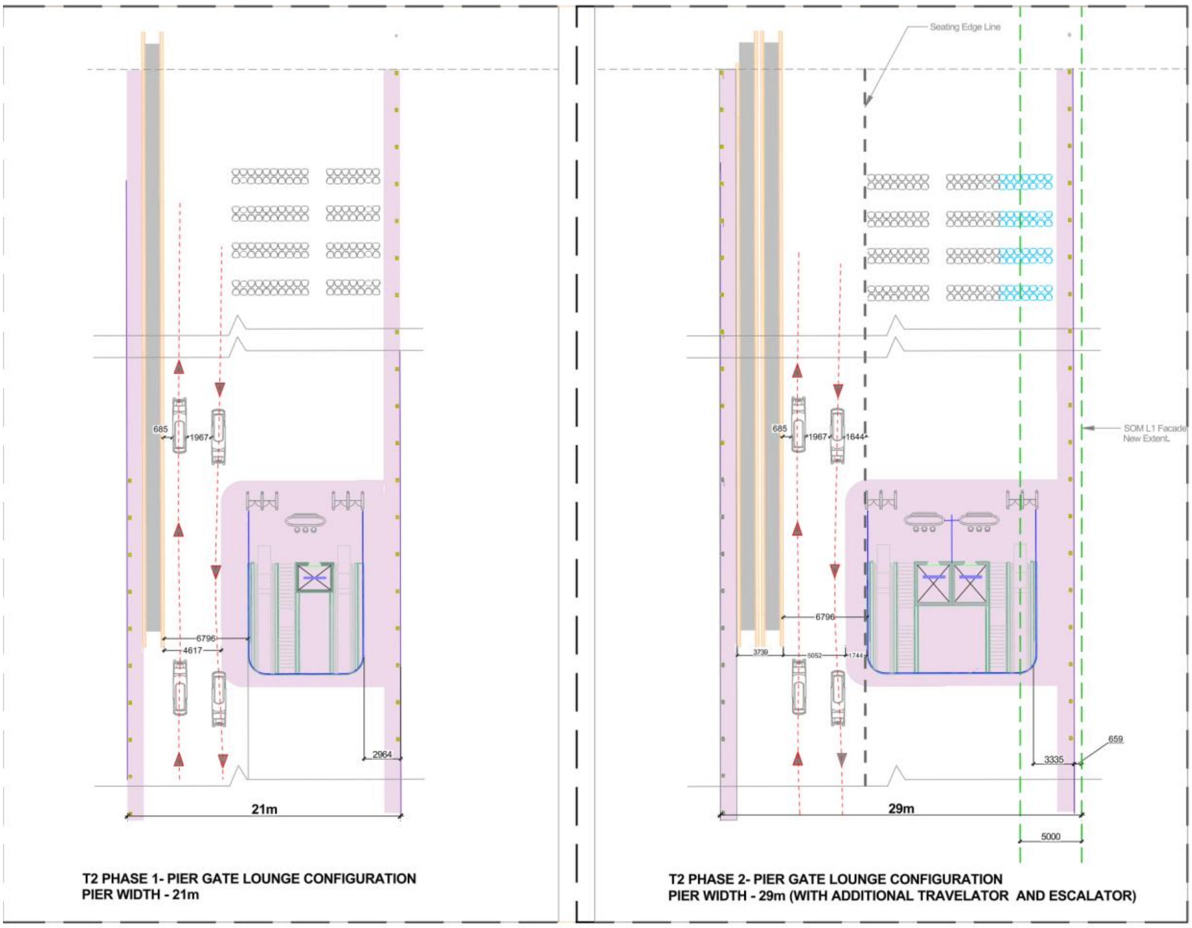
- **BIAL intends to add 29 aerobridges in Phase taking total aerobridge count to 50**
- **The requirement is sized to be able to cater to 90% of international aircraft and 80% domestic aircraft**

A4: Specific focus on sizing of departure gates

When BIAL had designed Terminal 2 Phase 1, the boarding gates were designed with seating compliant with 180 seater which implied that adopting a 70% norm, the number of seating was 126 seats.

The average deployment of 222/232 seater aircraft on domestic sector has increased to nearly 50% of fleet deployed by key carriers such as Indigo and Air India Express. Hence the seating requirement and consequently gate sizing has accordingly increased per contact bridge. Further, on account of larger number of aerobridges contributing to a longer pier, the pier has 2 way travellators (which was not the case in T2P1).

The layout of the pier of existing Terminal 2 Phase 1 and Terminal 2 Phase 2 is shown below:



As can be seen, due to the longer pier, there is a requirement to have 2 way travellators which in turn has led to increase of pier width by 8 metres. Further, the number of seats at each gate are also planned to be increased (highlighted in blue) to ensure that we maintain a 70% seat ratio at dedicated gates for larger aircraft. Both these items have been proposed keeping passenger comfort in mind and have led to an area increase of nearly 6,000 sqm.

There is an increase of 6,000 sqm due to a wider pier as well as increased seating for passengers as per the larger domestic aircraft size

A4: Impact of BCAS Circulars

Vide AVSEC circular No 2/2024 dated 30th March 2024 (Annexure 12), BCAS has mandated all airport operators to create a pre-designated area to accommodate passengers on-board aircraft which are affected by weather related delays, technical issues or death of someone on-board, are facilitated to return back to SHA of the Terminal building through a pre-designated area. The pre-designated area shall be located preferably in the Security Hold Area (SHA) or in airside or adjacent to bus boarding gates to screen the passengers before they enter back into SHA.

This requirement was not there at the time of designing / commissioning of Terminal T2 Phase 1 and hence this area needs to be created in Terminal T2 Phase 2 to cover the overall needs of Terminal 2.

Further, BCAS has codified norms for queue area at zones like security check point, immigration and emigration zones. BIAL has also attempted to accommodate the requirements in the terminal design.

Summary

In summary, BIAL would like to reiterate that the area for T2P2 (& consequently Terminal 2) has been arrived at after due internal scrutiny and benchmarking with existing norms, comparison with peer terminals of similar size while trying to address potential shortfalls that exist in Terminal 2 Phase 1. This includes multiple levels of review by expert agencies (NACO SOM, Assystem) followed by scrutiny of BIAL board (which is chaired by the Chief Secretary of Government of Karnataka) and the Airport Users consultative committee.

The incremental area that BIAL needs to build as part of Terminal 2 Phase 2 has 4 broad elements:

1) Shortfall of area in Terminal 2 Phase 1 – 24, 355 sqm.
2) Incremental area for Transfer infrastructure – 15,625 sqm
3) Increase in gate seating area & wider pier to allow for 2 way travellators – 6,000 sqm
4) Increase in area to comply with requirement of an IROP zone as well as queue areas at processors

Based on the detailed designs, BIAL has completed the tendering process and is awaiting the tariff order so that the EPC contract can be awarded. A change in area of the terminal would push back the infrastructure development exercise by nearly 6- 8 months as optimizing the Terminal by ~27,000 m2 would necessitate a redesign of the whole terminal. This would be followed by another 3-4 months for EPC tender.

Post the issuance of Tariff Order, BIAL plans to commence discussions with the shortlisted EPC contractor and expects the contract execution to happen by end September. The Notice to Proceed (NTP) to the Contractor shall happen after the relevant Conditions Precedent as mentioned in the contract are complied with. Considering the above, the date of issuance of NTP is expected by 15th October 2026. Therefore, the date of completion of Terminal 2 – Phase 2 is being shifted by 3 months to 31st March 2030.

We request the Authority to consider the submissions favorably and approve the area proposed by BIAL and the revised date of 31st March 2030 together with revised cost

1.2 Terminal Area Cost

The primary rate assessment by MECON considers that T2 Phase 2 is essentially a mirror image of T2 Phase 1. Accordingly, against the claimed per sqm rate of ₹ 1,55,520 (Excluding GST and Cess), per Sqm , ₹ 1,50,000 (Excluding GST and Cess) per Sqm as of 31st March 2025 has been proposed by the Authority.

BIAL requests the Authority to apply the indexation rate on the base rate of Rs 150,000/sqm (pre GST & Cess) as mentioned in Table 150.

While we appreciate the benchmarking approach adopted by AERA, we would like to respectfully submit that the **Terminal 2 Phase–II project involves certain unique and critical factors** that were not part of Terminal 2 Phase–I and therefore are not fully captured in the MECON's recommended costs. These additional factors require consideration for approval of incremental capital expenditure and are listed below:

Key Components not considered in the capex report by MECON

A. BHS Connectivity Between ATMS to T2 phase2

B. Execution Constraints in Brownfield Environment (Critical Factor)
C. Integration Costs Between Phase–I and Phase–II

A) BHS Connectivity Between ATMS to T2 phase2 (₹ 87.60 Cr):

The Phase–II development includes a **Baggage Handling System (BHS) connector** linking the airport terminal metro station to Terminal 2. This system integration was not part of Phase–I and involves complex design, installation, and interfacing costs, which are essential for seamless airport operations.

Baggage Handling system (BHS) for T2P1 was designed and delivered for 25mppa and expandable to meet Phase 2 for 45mppa with additional features (which are not part of Phase 1) such as Bags connecting through Airport Terminal Metro station (ATMS) check in to Terminals (T2 & T1), Automated Early baggage system, conveyable OOG for departure bags. Such automated features become a necessity and a must for larger scale airports handling 35mppa and above capacity where manual handling becomes most cumbersome, inefficient and laborious task.

The planned deployment of BHS for T2 P2 includes Metro check-in which involves 20 nos. of Check in positions (16nos. of Self bag drop and 4nos. conventional check in desks), baggage security screening (as required by BCAS) system, self-check in kiosks, IT systems such as FIDS and other support services from metro station concourse (+4mts) of conveying system of around 950 metres connecting to T2 BHS at Basement (-5.5mts) Terminal 2 through MMTH basement B3 (-12.5mts). In the AERA approval the area space for BHS from ATMS through MMTH basement B3 Baggage sorting area of 6555 sq.m is already part of the MMTH (as per Table 23 of the Consultation Paper)

Similarly for the Terminal 2 Phase 2 BHS, the conveyable Out of Gauge lines of around 700metres including security screening system and automated Early baggage store of approximate 2500 metres of conveyor and associated sorting devices are additional features and these are not a part of Terminal 2 Phase 1 BHS costs. Therefore, BIAL requests consideration and inclusion of additional cost in AERA's estimate for T2P2. .

The estimated impact of these additional features in BHS is Rs 87.61 crs (based on AERA approved area for Baggage sorting area of 6555 Sq mtr).

This has been submitted by BIAL to MECON and AERA previously on 18th March 2026 along with relevant documentation.

B) Execution Constraints in Brownfield Environment (Constraint Factor 5% on ₹ 4586.80 Crore -₹ 229.34 Crore)

As detailed below, considering the construction of T2P2 adjacent to an operational terminal (T2 Phase I), AERA is requested to allow for a constraint factor of 5% as proposed by BIAL in the MYTP. A more detailed write up is provided in the section on Constraint Factor.

C) Overall Integration Costs Between Phase–I and Phase–II (₹ 91.86 Crore)

Since Terminal 2 Phase II (T2P2) is a brownfield expansion of the existing Terminal 2 Phase I (T2P1) , upon completion, both phases will operate as a single, integrated terminal with seamless connectivity across passenger, operational, and service areas. To achieve this integration, modifications to the existing T2 Phase 1 infrastructure are required at the architectural, MEPF, ICT, and Airport Systems levels.

The structural integration works include demolition works, construction of permanent connecting areas, modification of passenger and staff circulation routes, operational interfaces and associated works required to seamlessly integrate the two terminal phases. The scope also includes restoration and matching of architectural finishes, materials, façade elements, ceilings, flooring, lighting, signage and other aesthetic features within the affected interface areas to ensure a consistent passenger experience across the integrated terminal.

BIAL submits that the details of above 3 cost elements have been submitted by BIAL to MECON and AERA previously on 18th March 2026 along with supporting documents. BIAL requests that these cost elements (which have been presently missed in the final report) be considered while approving the cost for Terminal 2 Phase 2.

Summary of Cost elements that BIAL is requesting for inclusion:

S. No	Item	Rs. Cr.
A	BHS Connectivity Between ATMS to T2 phase2	87.61
B	Execution Constraints in Brownfield Environment (Critical Factor 5% on 4586.80 Crore)	229.34
C	Integration Costs Between Phase–I and Phase–II	91.86
	Total	**408.81**

Summary For Terminal 2 Related submission:

BIAL requests the Authority to consider the area submission of 271,087 sqm and the original base cost of ₹ 4,490 Cr. as of March 2025 (excl. Indexation, GST, Labour Cess, Soft cost and IDC).

2. Request for consideration of specific items

2.1 Indexation

In its MYTP submissions dated 10th July 2025, BIAL has provisioned an amount of around INR 970 Crore for indexation based on the individual year wise phasing of each package and considering mean of WPI (all commodities) from the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 94th released on 6th June 2025 published by the Reserve Bank of India (RBI). The year wise rates are as given below:

Description	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
WPI (All Commodities)	2%	2.8%	2.8%	2.8%	2.8%	2.8%

The 100th round of the Reserve Bank of India (RBI) Survey of Professional Forecasters (SPF) has been released on June 5, 2026.

Description	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
WPI (All Commodities)	7.8%	3.4%	3.4%	3.4%	3.4%	3.4%

The Authority, in the tariff orders and recent consultation papers for other airports, has decided to adopt the WPI inflation rates published by RBI's SPF as the same is conducted by RBI collecting views from external experts, economists and researchers on macroeconomic indicators including inherently considering geopolitical environments, supply chain disruptions etc.

BIAL submits that the 100th round of the RBI Survey of Professional Forecasters published on 5th Jun 2026 incorporates updated macroeconomic outlook, including evolving geopolitical situation and its implications for inflation expectations. ***Accordingly, BIAL requests the Authority to use the 100th round of the RBI Survey of Professional Forecasters for final determination of tariff as has been adopted by the Authority across other tariff orders.***

Given the unique situation where BIAL finds itself where in it is implementing large capital expenditure projects like Terminal 2 Phase 2 & associated Apron facilities amidst the current uncertain geopolitical situation, **BIAL**

has engaged the services of CRISIL to evaluate the divergence between actual procurement cost escalation of key construction materials and the escalation implied by the Wholesale Price Index (WPI) over the relevant period (Mar-25 to May-26). This includes a detailed assessment of market-driven price movements, with particular focus on adequacy of the WPI framework in reflecting real market conditions. CRISIL (Annexure 13) in their report has identified the actual inflation movement across key commodities which comprise the overall basket of commodities contained in the WPI and the same is listed below:

WPI and weights	All (100%)	Bitumen (0.22%)	Paints (0.38%)	Glass[5] (0.07%)	OPC (0.85%)	HRC (0.88%)	Copper[6] (0.82%)	Aluminum[7] (0.81%)
Apr -25	154.2	138.1	138.5	139.7	127.6	132.4	149.9	171.5
May-25	153.7	136.5	137.3	140.1	131.0	133.1	150.3	173.0
Jun-25	153.7	136.2	136.5	140.6	131.3	132.2	151.7	174.1
Jul-25	154.4	133.4	137.3	140.4	130.7	131.0	152.9	176.2
Aug-25	155.2	131.1	138.7	140.7	130.7	129.8	154.5	176.8
Sep- 25	155.0	126.8	138.7	141.1	128.4	128.3	155.4	177.7
Oct -25	155.1	121.0	138.7	140.0	126.7	126.9	159.3	180.1
Nov-25	156.2	119.3	138.8	140.9	126.7	124.3	161.0	181.8
Dec -25	157.2	128.6	139.4	141.3	127.5	122.5	165.6	185.2
Jan-26	157.6	134.7	139.1	141.4	130.1	128.8	171.7	192.2
Feb-26	158.4	134.6	138.1	143.3	131.3	133.8	176.6	193.8
Mar-26	160.8	137.8	138.8	145.1	131.7	135.8	177.3	199.1
Apr-26	167.0	191.0	140.2	145.2	133.0	148.8	178.3	210.0
YoY growth	**8.3%**	**38.3%**	**1.2%**	**3.9%**	**4.2%**	**8.6%**	**19.0%**	**22.5%**

Source: Office of Economic Adviser

As can be seen, commodities like bitumen, copper and aluminum prices have increased drastically in line with the geopolitical events and the impact is not fully reflected in the WPI index alone.

<u>Consideration for Specific Bitumen linked inflation</u>

BIAL has already initiated work on 4 large airside projects viz.,

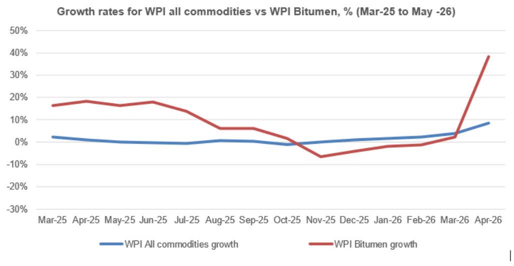
- A1 – Western Cross taxiway
- A2 – Airfield Works
- A3 - 9 + 4 stands
- A5 – Taxiway Zulu

BIAL submits that subsequent to the submission of the MYTP estimates and the competitive bidding process, there has been an abnormal escalation in the price of bitumen, due to the ongoing West Asia conflict. The increase is not in the nature of ordinary inflation or routine contractual variation. It is an exogenous disruption and has materially affected the cost of execution of the 4 aforementioned projects.

BIAL respectfully brings the following facts to the attention of the Authority:

1) The subject works were awarded by BIAL through a transparent and competitive bidding process. The rates discovered through such process reflected market conditions prevailing at the relevant time.
2) The extraordinary escalation in bitumen prices caused by the West Asia conflict was neither contemplated by BIAL nor reasonably capable of being priced by bidders at the time of bid submission. The escalation is materially higher than normal inflation and has directly affected the cost of execution of the subject works.

3) BIAL appointed an Independent Agency to carry out a study of escalation in cost of all construction materials during this period of West Asia Crisis including Bitumen. The report from CRISIL is attached for reference in Annexure 13.
4) CRISIL study confirms that the amount of escalation is ~40% for Bitumen and extract of their report is provided below while the full report is attached as an Annexure to BIAL submission.



Source: Office of Economic Adviser, Crisil Intelligence

- **Mar-25 to Apr-26:** Bitumen prices soared higher that then overall index until the gradual decline which began Jul-25 to register lowest values in Nov-25 with -6.5% YoY decline due to market surplus owing to China's weakening demand followed by crude prices dropping down to US$63.6/barrel. The price gradually escalated in Jan-26, due to tightening supplies owing to winter storm Fern which shut about 15% of US crude production and geopolitical tensions between US and Iran that disrupted oil supplies, reaching US$120/barrel in Apr-2026 resulting in sharp 40% rise in bitumen prices as crude prices soared as high 78% YoY in Apr-26

Despite the pronounced volatility observed in bitumen prices driven largely by fluctuations in crude oil, a globally sensitive and shock-prone commodity, its impact on the overall wholesale price index remains limited. This is primarily because bitumen carries a very low weight (0.22%) in the WPI basket, which significantly dampens its influence on aggregate inflation trends. As a result, even sharp spikes or declines in bitumen prices do not translate into meaningful movements in the overall index, thereby muting the transmission of its volatility to broader inflation dynamics.

5) The vendors/contractors executing the works have submitted written representations confirming that continued execution at the pre-disruption bitumen rates has become commercially untenable.
6) BIAL has undertaken a specific and item-wise assessment of the quantity of works executed during the affected period. BIAL has applied the actual escalation factor based on contemporaneous bitumen price evidence, after adjusting for normal inflation already embedded in the project cost assumptions, so that there is no duplication or double recovery.
7) BIAL has also separately assessed the likely bitumen escalation impact on the balance works to be executed until completion of the contract.

BIAL submits that the above assessment satisfies the principles of prudence, efficiency and cost causation. **The additional cost is not due to any inefficiency, scope change or delay attributable to BIAL or contractor and exceeds the 1.5% contingency proposed by the Authority.**

BIAL further submits that non-recognition of such extraordinary bitumen escalation would result in under-recognition of the actual efficient cost required for completion of an admitted aeronautical project.

BIAL has assessed and quantified the escalation impact for each project.

S. No	Project	Price Impact for completed works	Price Impact for future works till end of contract	Total Price Impact
1	A.1- WCT	-	10,78,67,191	10,78,67,191
2	A.2- Airfield works	2,73,38,778	27,29,81,351	30,03,20,129
3	A.3- T2 Apron (9+4 Stands)	33,51,974	97,96,863	1,31,48,838
4	A.5- Taxiway connector to SE Parcel	2,35,09,910	3,67,53,794	6,02,63,705
	Total Amount	**5,42,00,663**	**42,73,99,199**	**48,15,99,863**

Detailed Justification with Quantity and Rates provided in Appendix 1 separately attached

BIAL therefore requests the Authority to consider the supporting evidence including bitumen price quotations/price circulars, quantity workings, consumption estimates and inflation-adjusted escalation computation.

2.2 Constraint Factor

BIAL as part of its MYTP submission had sought a **5% Constraint Factor** which was to allow for costs that contractor/ execution agencies incur on account of working in an operational area. The submission was made after reviewing past precedents established in the Third Control Period Order for **Thiruvananthapuram (Trivandrum) Airport / Ahmedabad Airport** and other Airports, wherein a 5% constraint factor was approved, as evidenced in the extract provided below.

Terminal Expansion – Para – 7.3.41 of Trivandrum Airport Tariff Order

d. The Authority accordingly proposed to consider a cost of Rs. 1,33,477 per sqm as the normative cost for the expansion proposed instead of Rs. 1.51 lakhs per sqm considered by TKIAL. To this, an additional 5% towards allowance for extra cost over applicable rates for working in operational area as detailed in para 7.3.39 was proposed to be added making the total cost estimate to be Rs. 1,40,151, rounded to Rs. 1.40 lakhs per sqm. Accordingly, the total cost of the said expansion worked out to Rs. 182.00 crores (Rs. 1.40 lakhs per sqm * 13,000 sqm).

Airside/Landside Drain Network

7.3.51 Rate analysis had been prepared by TKIAL considering DSR 2021 rates as a base, adding 6.33% additional GST and 10% additional cost for working in operational area. The Authority proposed to reduce the estimate of extra cost over approved rates for working in operational area to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost.

Ahmedabad Airport Tariff Order

7.3.45. The Authority examined the cost estimate submitted by AIAL and noticed that AIAL has included a 15% mark-up on the costs citing airside operational constraints. The Authority was of the view that the provision made by AIAL was quite high and therefore revised the allowance for airside operational constraint to 5%.

The Authority has presently considered **only 3% for a few projects** mentioned in the below table and not allowed any constraint factors for other projects, which does not adequately reflect the prevailing site conditions and execution challenges. The existing BCAS/CISF mandated security protocols as well as requirement of operations leads to the following restrictions which adversely impact construction efficiency and project delivery:

- Limited work fronts which get impacted by operational factors, VIP movements.
- Restricted access windows i.e., limited work hours
- Enhanced security compliance requirements i.e., workers need AEP and are frisked upon entry leading to loss of working time as long queues are formed at entry point into airside
- Additional cost for security clearance for long term passes
- Strict controls about bringing in and leaving of any machinery, tools and tackles
- Increased coordination efforts with security agencies,

The table below presents the comparison between the **Constraint Factor submitted by BIAL** and the **Constraint Factor proposed by the Authority**.

Project Code	Project Description	Percentage Submitted by BIAL	Amount Submitted in Crores	Percentage Proposed by Authority	Authority Proposed Amount
A.1	West Cross Field Taxiway	5%	54.55		
A.2	Airfield works (Taxiway extension, Isolation bay etc)	5%	21.11		
A.3	T-2 Apron (9+4 Stands)	5%	11.21		
A.4	T-2 Apron Phase II	5%	26.51		
A.5	Taxiway connector to South East Parcel	5%	5.26		
A.7	Cargo West Apron (12 Stands)	5%	6.55		
B.1	T1 Upgradation Works	5%	43.52	3%	26.11
B.2	T2 Enhancement	5%	2.89	3%	1.73
B.3	T2 Phase II	5%	213.83		
C.4	T1 to T2 & Metro connector (walkway)	5%	3.63	3%	2.18
C.6	Cargo Avenue (NCR) Expansion (2+2 Lane)- LSG to Alpha 1	5%	0.55		
C.7	T1 & T2 Departure and arrival recirculation	5%	3.56		
D.2	MMTH Enhancement	5%	1.74		
	Total		394.91		30.02

In view of the above factors and the operational challenges associated with these projects, **BIAL respectfully requests the Authority to retain the originally submitted 5% Constraint Factor (which is in line with AERA order issued for other airports) for the projects listed above and thereby allow differential amount towards constraint factor of ₹ 364.89 Crores over and above ₹30.02 Crores as proposed by Authority.**

2.3 GST

BIAL had submitted the cost estimates for Capital Expenditure for PAL-2 and other program to be capitalized in Fourth Control Period based on the following taxes and statutory levies:

1. GST at 14% (net of input tax credit wherever possible)
2. Labour cess levy of 1%

AERA has proposed to consider GST cost of 14% and Labour Cess levy of 1%. Subsequently, it was found that the actual GST input credit availed by BIAL in its PAL 1 program was around 3.24% of the total project cost. Accordingly, BIAL, in its updated Capital Expenditure projections submitted to AERA (on 21st May 2026), had revised the GST rate to 14.75% (net of input tax credit)

BIAL requests AERA to consider the cost of 14.75% towards GST in line with BIAL's actual assessment and update the Capital Expenditure estimates accordingly.

A tabulation of the actual GST credit and resultant % for PAL-1 Program is as below:

Program	Total Cost Rs. Cr.	GST Input Rs. Cr.	%
T2 Phase 2	5000	213	4.26%
NSPR and related	2000	30	1.50%
Other Projects	2500	65	2.60%
TOTAL	**9500**	**308**	**3.24%**

2.4 Pre-Operative Expenditure

BIAL has a strong and robust Project Team which is responsible for successful execution of all Capital Expenditure Programs executed by BIAL. The Project team is responsible to Plan, Coordinate, supervise and ensure timely and successful execution of the Projects. Projects Team has a detailed Organisation Structure with teams for various functions including Design, Program Management and Coordination, Procurement, Safety and Security, Project Finance Controlling etc.

A detailed note on the responsibilities of the Project Team is enclosed in Annexure 14.

BIAL currently has a 100 member Project Team Organisation executing PAL-2 Program, which will be ramped up further, as the PAL-2 program picks up pace and is expected to reach up to ~ 140 members during the peak duration.

BIAL's submission of 4% of Pre-Operative Cost is benchmarked on the PAL 1 program which got completed in FY2024. BIAL has incurred a total Pre-Operative cost of Rs. 77 Cr. till 31st March 2026. BIAL has undertaken a review of the estimates of Pre-Operative Cost and has rationalised the same.

Revised estimates of Pre-Operative expenditure proposed for PAL-2 program are as given below:

Particulars	Rs. Cr.
Salary Costs - Project Staff (Not a part of P&L)	189.71
Staff welfare, Recruitment, Training etc @ 2.5% of staff cost	4.74
Project Office - O&M Costs (including Utility cost) - Not a part of P&L - Rs. 4 Cr. per annum - 5.25 years (April 25 - June 30)	21.00
Other Office Overheads at 5% (Travel, Printing & Stationery, Rates and Taxes, Software licenses etc.)	10.54
Project Construction All Risk (CAR) Insurance - (At 0.15% for Rs. 10,000 Cr. approx. for 4 years)	60.00
ORAT estimate (PAL-1 estimate Rs. 30 Cr. in 22-23 escalated at 3% y-o-y)	36.90
Estimate for Lender / Owner Engineer Cost	15.00
TOTAL Cost estimate	**337.88**

This translates to ~ 3.43% of the approved Hard Cost value of Rs. 9838 Cr. (Refer Table 170 of the Consultation Paper)

BIAL requests that AERA consider the Pre-Operative Expenditure estimate of Rs. 338 Cr. as above and that the actual cost shall be trued up post completion based on review and reasonableness.

2.5 Contingency

Para 5.3.315 (Page 212 of 301): *For the awarded packages, while design and PMC at 5% and pre-operative expenses at 2% are also considered appropriate, the Authority notes that the extent of applicability of* *contingencies may not be fully ascertainable at this stage. At the same time, considering the voluminous nature of the works, possible scope changes / extra works and the prevailing external uncertainties, the Authority proposes to consider contingencies at 1.5% for the awarded packages. Accordingly, the total soft cost proposed to be considered for the awarded scope is 8.5%.*

BIAL Response:

The contingency budget in the MYTP submission was originally estimated at **3% of the project cost**, considering the scale, complexity, and current stage of the project. However, the Authority has considered a contingency provision of **1.5%**, for projects where a significant value of scope has been awarded.

While price has been discovered, the present projects are at an average progress level of only **30% - 50%**, with nearly **50% - 70% of the scope yet to be executed**. At this stage, significant uncertainties remain with respect to utility interfaces, stakeholder requirements (including from a safety, security perspective), operational constraints, statutory compliances, unforeseen site conditions, and construction-stage refinements.

It is also noted that the proposed **Allowance for Potential Changes @ 5%** has not been considered on the premise that future changes can be accommodated within the 1.5% contingency provision. However, considering the current stage of project development, it may not be practical to absorb all future modifications and unforeseen requirements within such a limited contingency allowance.

Accordingly, it is requested that the Authority kindly consider restoring the originally proposed **3% contingency provision** for the following projects. The additional 1.5% sought over and above the Authority-approved amount is summarized below:

Project Code	Project Description	As per CP @1.5% (₹ Cr)	Additional Requested @1.5% (₹ Cr)
A.1	West Cross Field Taxiway	17.58	17.58
A.2	Airfield Works (Taxiway Extension, Isolation Bay, etc.)	7.84	7.84
A.3	T2 Apron (9+4 Stands)	4.13	4.13
A.5	Taxiway Connector to South East Parcel	1.72	1.71
B.1	T1 Upgradation Works	14.08	14.08
B.2	T2 Enhancement	1.14	1.14
Total		**46.49**	**46.49**

Approval of the additional contingency provision will ensure adequate financial provision for managing unavoidable changes during execution and facilitate smooth completion of the remaining project scope without the need for repeated budget revisions.

BIAL therefore requests the Authority to kindly consider restoring the originally proposed contingency provision of 3% for the above projects.

2.6 Interest During Construction

BIAL had submitted the Interest during Construction (IDC) estimate based on estimated debt rate of 9.5% for PAL-2 Program drawdown and based on the Capex phasing for various projects. While the Authority has accepted the 9.5% interest rate for PAL 2 Loan in the FRoR section of the 4th control period, the computations of the proposed IDC in the Capex report that has been adopted by AERA reflect an interest rate of 9% only and on this basis, detailed of the IDC has been shown in Table 169 of the Consultation Paper.

Further, AERA had also mentioned in Para 5.3.318 of the Consultation Paper as follows:

"The Authority notes that IDC has been computed for the unawarded / uncommitted packages based on the project phasing, debt-equity ratio of 70:30 and interest rate of 9%. Further, separate IDC has not been computed for the awarded portions due to the absence of precise construction progress and actual IDC data at this stage. The Authority is of the view that IDC for such awarded portions, if any, may be examined at the time of true-up based on actual debt utilisation, cost of debt, construction progress and capitalization"

BIAL submits as follows:

1. Rate of Interest to be considered as 9.5% instead of 9% as indicated in Para 5.3.318.
2. In the methodology adopted by Authority's consultant, by considering 70% debt on only unawarded packages, the actual debt portion is significantly lower. To ensure the correct IDC calculation, the debt portion for unawarded packages needs to be increased so that overall Debt is ~ 70%.

BIAL has recomputed the IDC estimates based on the costs proposed by the Authority in the Consultation Paper and has enclosed the same as Annexure 15. BIAL requests the Authority to update the IDC estimates as submitted by BIAL.

3. Project Specific Submissions (in addition to overall cost increases detailed above)

3.1 West Cross Field Taxiway (A.1)

Against the hard cost of ₹1,145 crore submitted by BIAL, the Authority has proposed to consider a hard cost of ₹976 crore, resulting in a cost rationalization of ₹169 crore which comprised of ₹46 cr of savings through market discovery of prices by BIAL, reduction of ₹49 cr worth of potential changes and the remaining amount of ₹ 74 cr was on account of rationalization of rates and non-acceptance of certain scope of work proposed by BIAL viz., utility restoration and external paint.

BIAL requests that the Authority reconsider the following:

A. Additional cost towards Utilities Diversion of ₹28.82 Crore

Reference as per Consultation Paper No. 01/2026-27- As per Clause 5.3.31, page 158 of 301: *"The Authority notes that the proposed utility crossing at P4 and SAR Road was not included as part of the WCFT enabling works in the MYTP submission. Further, BIAL has not adequately substantiated the technical requirement and necessity of the proposed utility crossing under this package. Accordingly, the cost associated with this item* ***(₹ 7.2 Crore)*** *has not been considered."*

Further, the Authority has also observed the following regarding restoration works: *"The Authority notes that the proposed restoration works include restoration of utility trenches, manhole covers, roads, demolition of temporary roads, irrigation restoration and other related activities. The Authority observes that such restoration activities are incidental to the execution of the respective awarded works and are expected to be included within the scope of the relevant awarded packages. Therefore, separate consideration of the cost towards restoration works* ***(₹ 22 Crore)*** *has not been found tenable."*

BIAL Response:

BIAL submits that the above restoration scope is directly linked to the utilities diversion and protection works and is necessary to reinstate affected roads, trenches, pipelines, manholes, irrigation lines and associated utility corridors to a safe and serviceable condition after diversion.

This submission seeks the Authority's reconsideration of the revised utilities diversion and associated restoration estimate of approximately **₹28.82 Cr.**

The trial pit photos reflecting the complexity of work are attached.

During execution, further trial pit investigations and field validation established that the utility network within the WCT and NCR Road footprint is substantially more complex than initially anticipated.

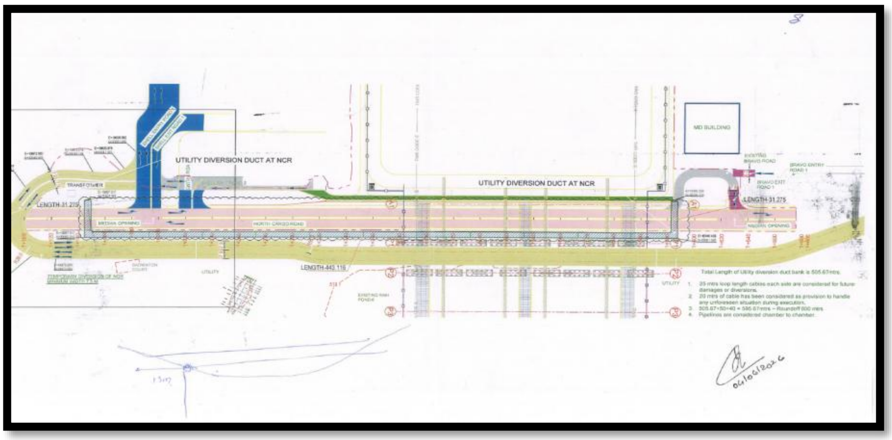
The key deviations identified through trial pits and site investigations include:

- Presence of **additional unidentified utilities.**
- Detection of **copper cables instead of aluminum cables**
- Higher density and depth variation of utilities
- Unexpected routing of service lines in conflict zones

This could not have been estimated when the project was awarded without actual trial pits along the stretch of the project which have been taken up the contractor post award.




Utility Mapping Drawing



Please refer to Appendix 2 : BOQ Additional Cost towards Utility Diversion - (Attached separately)

B. External painting costs (₹14 Crore)

"The Authority notes that external painting is already included within the scope of the awarded package. However, BIAL has not adequately justified the technical requirement for providing an Eggshell Finish on piers, retaining walls, girders, and other structural elements. Accordingly, the additional cost proposed towards this item (₹ 14 Crore) has not been considered."

BIAL response:

The understanding of the consultant that "External painting" was included in the package is incorrect. At the time of contract award, the contract specified egg shell concrete finish which specified usage of a sustainable, specialized mix where crushed eggshell powder is used as a supplementary cementitious material which decreases the permeability of the concrete and improve its compressive strength.

The specification for paint which has been subsequently introduced by BIAL as paint protection on a concrete structure is essential to prevent corrosion and deterioration due to environmental exposure. The piers' exposure to exhaust fumes, pollution, dust, moisture can lead to corrosion impacting the lifespan of the concrete structure.

As the taxiway facilitates aircraft movement, a zero-tolerance approach toward any potential corrosion or deterioration of structural elements is required. The advantages of applying the recommended paint system over the Eggshell Finish on the piers, retaining walls, girders and other structural elements are outlined below.

Aspect	Advantages of Applying Paint over Eggshell Finish Concrete Surfaces
Surface Protection	Protects concrete against weathering, moisture ingress, carbonation, and environmental pollutants.
Durability	High-performance paint systems improve resistance to dust, dirt, stains, and minor surface deterioration.
Ease of Maintenance	Painted surfaces are generally easier to clean and maintain than untreated concrete.
Defect Concealment	Helps mask minor surface imperfections, patch repairs, and concrete colour variations.
Long-Term Appearance	Maintains a clean and aesthetically pleasing appearance for a longer duration when properly maintained.

Considering the above facts, as the West Field Cross Taxiway is a prominent and highly visible airport asset, the specified coating is essential.

Accordingly, the requirement represents an additional scope arising from post-tender design finalization rather than a scope already contemplated in the lump-sum contract. In view of the above, it is requested that the Authority reconsider and approve the previously submitted amount of **₹ 14 Crore** towards the provision of paint protection for the WCT Project.

Appendix 3 : External Paining cost breakup - (Attached separately)

C. Reconsideration of the cost rationalization from ₹71 crore to ₹41 crore

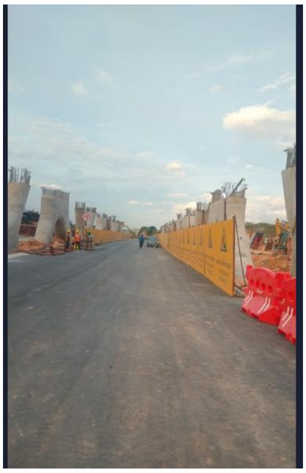
While noting the Authority's assessment of the balance scope at ₹ 41 Crore, BIAL respectfully submits that the rationalized estimate may not fully reflect the actual costs likely to be incurred for the remaining works. The assessment is primarily based on standard schedule rates and benchmark references, whereas the project is being executed within a live airport environment involving unique operational, security, access and coordination constraints. The market quotations submitted by BIAL were derived considering these project-specific conditions and prevailing market realities.

Further, the Capex Evaluation Report does not provide break down of the works rationalized from ₹ 71 Crs to ₹ 41 Crs.

BIAL requests the Authority to consider the costs at ₹ 71 Crore for the balance works instead of the rationalized cost of ₹ 41 crores, as the same have been estimated based on benchmarked and realistic current rates.

D. Pictures of Execution Constraints

As detailed above, we request the Authority to consider 5% constraint factor for this project.



E. Impact of Bitumen Prices Due to the Global Geopolitical and War-Related Crisis (₹10.79 cr)

As mentioned above , BIAL requests the Authority to consider an increase in project cost to the tune of ₹10.79 cr for specific impact of bitumen price escalation.

Summary : For A1 project, BIAL respectfully requests the Authority to consider and approve an additional amount of **₹ 87.16 Crore** towards the West Cross Field Taxiway Project.

S. No	Description	Amount in Crore

A	Consideration of revised utility diversions associated with the NCR, MAR, and SAR roads.	₹28.82
B	External painting costs	₹14.00
C	Reconsideration of the cost rationalization	₹30.00
D	Execution Constraints in Brownfield Environment 5% on Uncommitted Cost	₹3.55
E	Bitumen-: Impact of Bitumen due to Ongoing West Asia Crisis	₹10.79
	Total Amount Requested	**₹87.16**

3.2 Airfield Works, including Taxiway Extension, Isolation Bay etc (A.2)

As referenced in Consultation Paper No. 01/2026-27, Table 136: Cost Assessment for Cost Assessment for Airfield Works (Page 161 of 301). Against the hard cost of ₹443 crore submitted by BIAL, the Authority has proposed to consider a hard cost of ₹390 crore, resulting in a cost rationalization of ₹53 crore.

BIAL response:

BIAL respectfully requests the Authority to consider and approve an additional amount of **₹ 49.12 Crore (of the** *₹53 crore rationalization proposed)* towards the following items not fully defined at the time of assessment or have subsequently materialized due to project-specific requirements, including:

- Relocation of Ground Support Equipment (GSE) Toilet of ₹1.5 Cr
- Reconsideration of the rationalization of uncommitted works, as standard schedule rates may not adequately reflect the actual costs of execution considering within a live airport environment, including operational constraints, security requirements, restricted access, and specialized construction methodologies, illustrated as below:
  - **Restricted Access in Operational Airside Area -** The work fronts are located adjacent to active taxiways and aircraft movement areas with access for manpower, equipment, and materials is subject to operational permissions and restrictions imposed by Airside Operations. Work activities are frequently interrupted or rescheduled based on aircraft movements .
  - **AEP Pass and Security Clearance Delays -** Deployment of manpower and equipment requires the issuance and periodic renewal of Airport Entry Permits (AEPs). Delays in obtaining or renewing AEP passes affect the availability of skilled manpower and specialized resources at site.
  - **CISF Security Restrictions -** Movement of materials, vehicles, and construction equipment within CISF-controlled areas is subject to stringent security protocols. Multiple levels of checking and escort requirements result in additional time and resource consumption.
  - **Limited Working Windows -** Continuous construction operations cannot be maintained, leading to fragmentation of activities and reduced equipment utilization efficiency.
- As mentioned above, increase in bitumen prices arising from global geopolitical and war-related disruptions, which have significantly impacted pavement and roadwork costs beyond the original estimates amounting to ~30.03 cr.
- BIAL submits that these costs are essential for the successful delivery of the project in accordance with approved design, operational, and stakeholder requirements. Accordingly, the Authority's favorable

consideration and approval of the additional **₹ 49.12 Crore** is requested to ensure a fair and comprehensive recognition of the actual project costs incurred

S. No	Description	Amount in Cr
A	Relocation of Ground Support Equipment (GSE Toilet)	₹1.50
B	Reconsideration of the cost rationalization	₹13.80
C	Constraint Factor 5% on Uncommitted Cost of 75.8 Crore	₹3.79
D	Bitumen- Impact of Bitumen due to Ongoing West Asia Crisis	₹30.03
	Total Amount Requested	**₹49.12**

3.3 T2 Apron, 9 + 4 Stands (A.3)

Impact of the global geopolitical and war-related crisis on Bitumen

In view of the above submissions above, BIAL requests the Authority's favorable consideration and approval of **₹ 1.31 Crore** is requested towards bitumen related escalation.

S. No	Description	Amount in Crore
A	Bitumen- Impact of Bitumen due to Ongoing West Asia Crisis	₹1.31
	Total Amount Requested	₹1.31

3.4 T2 Phase 2 Apron, 40 Stands & Cargo West Apron, 12 stands (A.4 and A.7)

As referenced in Consultation Paper No. 01/2026-27, Table 138: Cost Assessment for T2 Phase 2 Apron, the Authority has proposed a reduction of ₹59 crore against the hard cost of ₹557 crore submitted by BIAL, resulting in an overall rationalization of 10.59%.

BIAL response:

It is submitted that the A4 project (T2 Phase 2 Apron works) will be developed adjacent to the operational Terminal 2 Phase 1 apron and bus gates while project A7 (Cargo stands) will be abutting the Western cross taxiway, the north runway and the newly developed IAPP. In both these zones, construction activities are subject to restricted working hours, controlled access, security clearances, limited material movement windows, stringent dust control measures, and continuous coordination with airport operations.

These constraints have a direct impact on construction productivity, logistics planning, resource deployment, and project execution costs. Therefore, the provision towards the constraint factor represents a genuine project requirement rather than a contingency allowance.

Accordingly, BIAL requests the Authority to include a 5% Constraint Factor to address the unique challenges associated with execution in a live airport environment. The same has been approved by the Authority in other airports. It is submitted that BIAL’s airside complexity is significantly higher considering the scale of existing operations.

The value of constraint factor would be:

Sl. No	Description	Amount in Cr
A4	Constraint Factor 5%	₹ 26.51

	Total Amount Requested	₹ 26.51

S. No	Description	Amount in Cr
A7	Constraint Factor 5%	₹ 6.54
	Total Amount Requested	**₹ 6.54**

3.5 A.8 - North Airside Perimeter Wall & Perimeter Road and C.12 – North Boundary Road/Landside North East Road

The need for the projects has not been considered by the Authority citing
"5.3.94 As observed by MECON, the Master Plan envisages cargo-focused warehousing and aerospace-related developments along the northern boundary of the airport. However, the Authority further notes that no firm commitments with prospective entities for such developments have been executed as on date. In view of the above, the Authority is of the view that the relocation and construction of the new perimeter wall and perimeter road may not be considered during the Fourth Control Period at this stage."
5.3.265…. the proposed North Boundary Road does not have a direct and immediate nexus with passenger facilitation, terminal capacity augmentation or existing airport operations during the Fourth Control Period. The requirement appears to be contingent upon future commercial / cargo developments along the northern boundary. Therefore, the Authority is of the view that it would be prudent to defer this expenditure until the associated developments are firmed up and the operational requirement for the road is clearly established.
5.3.266. Accordingly, the Authority proposes not to consider the capital expenditure towards the North Boundary Road / Landside North East Road for inclusion in the RAB during the Fourth Control Period.
The project may be reconsidered in a subsequent control period, subject to BIAL demonstrating confirmed development commitments, implementation phasing, traffic demand, operational necessity and cost reasonableness."

BIAL acknowledges that there are no firm agreements in place. However, creation of new concessions through conversion of airside to landside is an ongoing activity and the details of area allocation has been provisioned in the master plan layout shared with the Authority and MECON. Since the land parcels are presently on the airside and there is no access road, it is not possible to attract possible developers. By the Authority not approving the spend, BIAL finds itself in a catch 22 situation. BIAL therefore requests the Authority to allow the expenditure towards relocation of boundary wall (A8) as per submission in the MYTP as it will hasten the pace of development of the north side which will generate additional revenues benefiting passengers.

Meanwhile, BIAL is in receipt of a letter from Karnataka Housing Board (KHB) dated 13th July (Annexure 20) wherein a parcel adjacent to KIAB's north boundary (depicted in saffron) has been identified for construction of CISF (Airport Security Group) residential accommodation facility. As per guidelines of Ministry of Home affairs and provisions under the CISF Act and CISF Rules 2001 (including Rule 61), airport operators are required to provide suitable residential accommodation for CISF personnel. Given the critical and time sensitive nature of airport security operations, it is imperative that such accommodation is located in close proximity to the airport to ensure operational readiness and minimal response time during route duties and emergency situation (Annexure 21 – Letter from DIG CASO to BIAL dated 10th March 2026).

Since the parcel identified by KHB is located adjacent to the north boundary, it is incumbent upon BIAL to connect the parcel to the airport road network such that the travel time for CISF is minimized – both from the perspective of operational readiness and minimal response time. We therefore request the Authority to approve 60% of the cost submitted for C12 so as to enable landside road connectivity (in proportion to length of the road till the location of the proposed CISF housing land parcel).

Further, BIAL plans to construct the township over the next 30 months (during 4th Control Period). As this will be an aeronautical asset (directly linked to airport security & operations), asset construction will be started after completion of the AUCC process. The cost towards the CISF township will be submitted by BIAL to the Authority as part of true up during tariff determination for the 5th control period.

3.6 A.9 - Seeking increase in value of Extension of Taxiway B9 and Associated Works of ₹ 37 crores

Consultation Paper No. 01/2026-27, Table 142: Cost Assessment for Extension of Taxiway B9 and Associated Works, wherein against the hard cost of ₹36 crore submitted by BIAL, the Authority has proposed a hard cost of ₹32 crore, resulting in a cost rationalization of ₹4 crore.

While appreciating the benchmarking methodology adopted by the Authority, we respectfully submit that the cost assessment for Project A.9 may be revisited considering the updated design information and revised project scope now available.

1. Revision in Project Area Based on Finalized Layout

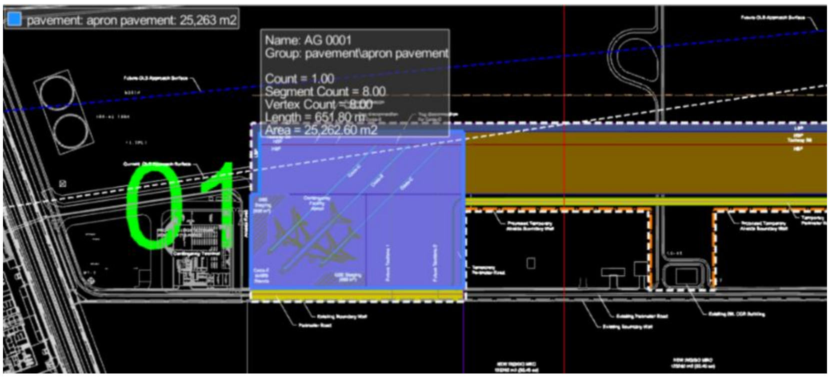
At the time of the initial submission, the detailed design and complete airside layout were under development. Therefore, BIAL had considered a preliminary Taxiway area of 31,426 sqm for estimation purposes basis ongoing discussions with Indigo (which were not finalized at the time of submission of MYTP). Further, the apron requirement for the contingency terminal was not provisioned at the time.

Subsequently, the detailed engineering design has been completed, and the full project layout is now available. Based on the finalized design, the revised area statement is as follows:

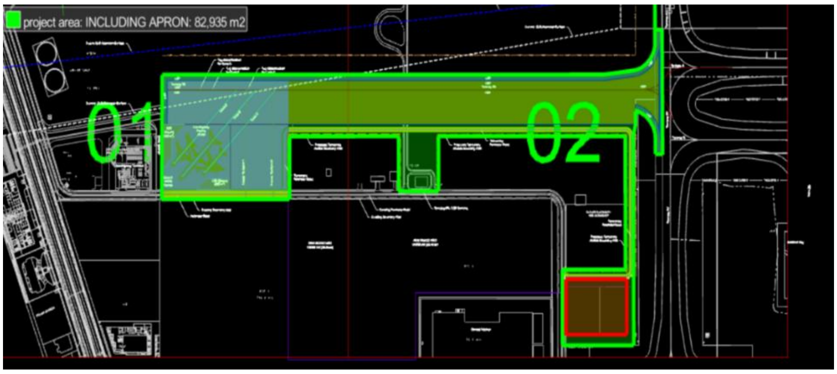
SL NO	PARTICULARS	AREA (Sq. m)
A	APRON AREA	25,263
B	TAXIWAY AREA (Rigid pavement taxiway area, flexible pavement area, inlay pavement area, flexible pavement shoulder and perimeter road pavement)	42,571
	TOTAL AREA	67,834

Accordingly, the project scope is substantially larger than the area considered during the initial submission as explained in the drawings below:

Apron Area drawing Screenshot:



Overall Layout:



Estimation Basis:

The A.9 project comprises both Apron works and Taxiway-related works. Accordingly, the unit rates have been derived using the benchmark rates considered by AERA in Consultation Paper No. 01/2026-27 for comparable airside development projects.

Clause 5.3.66 (A4 Project – Apron Development)

Clause 5.3.108 (A5 Project – Taxiway Development)

Applying the benchmarks, the estimate for project A9 is estimated as follows:

(ALL VALUES TO BE FOR INCREMENTAL AREA & COST)

Description	Apron	Taxiway & Roads	Total
Area in Sqm	25,263	42,571	67,834
Rate / Sqm	12,946	10,812	
Amount in INR	32.7 cr	46.0 cr	78.7 cr

Accordingly, the estimated hard cost for Project A.9 Extension of Taxiway B9 and Associated Works out to approximately **₹78.7 crore.**

BIAL respectfully requests the Authority to reconsider the cost assessment of Project A.9 Extension of Taxiway B9 and **Associated Works and approve a project cost of ₹78.7 crore, in lieu of the presently proposed**

amount of ₹32 crore, to appropriately reflect the finalized design scope and associated infrastructure requirements.

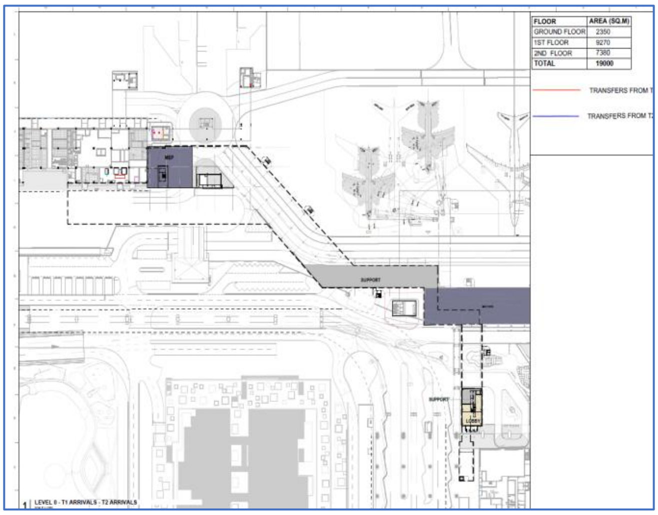
3.7 T1 / T2 Connectivity – Pier Expansion (B.4)

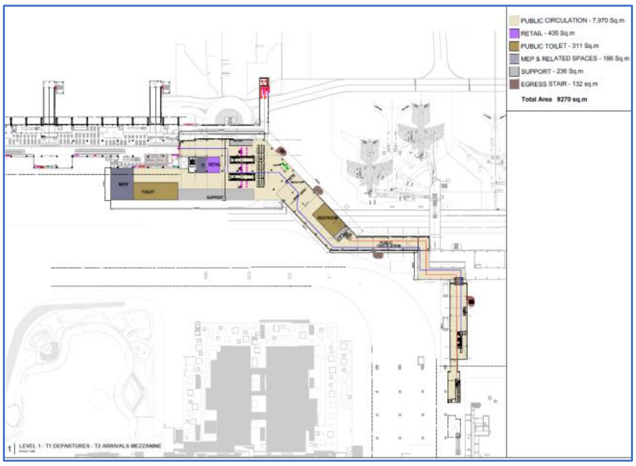
Consultation Paper No. 01/2026-27, ***Table 151: Cost Assessment for T1 / T2 Connectivity – Pier Expansion****, - against the hard cost of ₹255 crore submitted by BIAL, the Authority has proposed a hard cost of ₹135 crore, resulting in a cost rationalization of ₹120 crore.*

Para 5.3.154 - The Authority notes an inconsistency in the area proposed under this package. While the BOQ indicates an area of around 19,349 sqm, BIAL's presentation indicated a pier width of 22.5 m. Based on the proposed length of 320 m at 5.25 m level and 165 m at 13.5 m level, with a width of 22.5 m, MECON has assessed the area at around 10,912 sqm. Accordingly, the Authority has rationalised the area considered under this package to 10,912 sqm"

BIAL response:

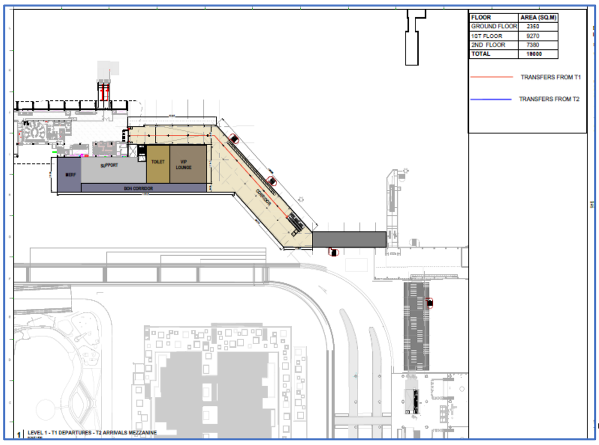
BIAL appreciates that the Authority has accepted the need for the project. BIAL notes that the proposed dimensions adopted by MECON have not been taken from the concept design submitted by BIAL. To clear the discrepancy, BIAL has now completed detailed designs for 19,000 which are being pasted herein with area statements.





T1 – T2 connector: Level 0 – 2,350 sqm

T1 – T2 connector: Level 1; 9,270sqm



T1-T2 Connection Pier Level 2 details; Area : 7,380 sqm

BIAL requests the Authority to consider the correct proposed area of approximately 19,000 sq.m. (based on detailed designs as against the submission of 19, 349 sqm) and approve the originally submitted project cost of **₹255 Crore**.

3.8 New Air Traffic Control Tower (B.8)

Para 5.3.189: Based on the above review and methodology, the assessed value of the package works out to around ₹ 89 Crores, as against the cost of ₹ 113 Crores claimed by BIAL in the MYTP…"

BIAL response:

BIAL is presently working with Airport Authority of India on finalization of the ATC tower design & associated facilities. In parallel, the siting study is underway. The siting study is a technical assessment undertaken to determine the optimal location, height, and orientation of the control tower so that air traffic controllers have visibility of operational areas while ensuring safe and efficient airport operations.

At the time of MYTP submission, BIAL had estimated the height of the tower as 85 metres. However based on the siting study, it is likely that the height may increase to 96 metres (under internal review post which it will be validated by Airport Authority of India).

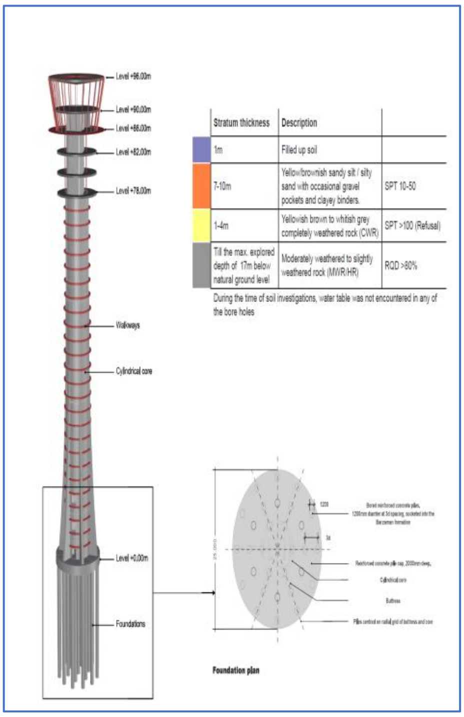


Image 1: Elevation view of proposed ATC tower

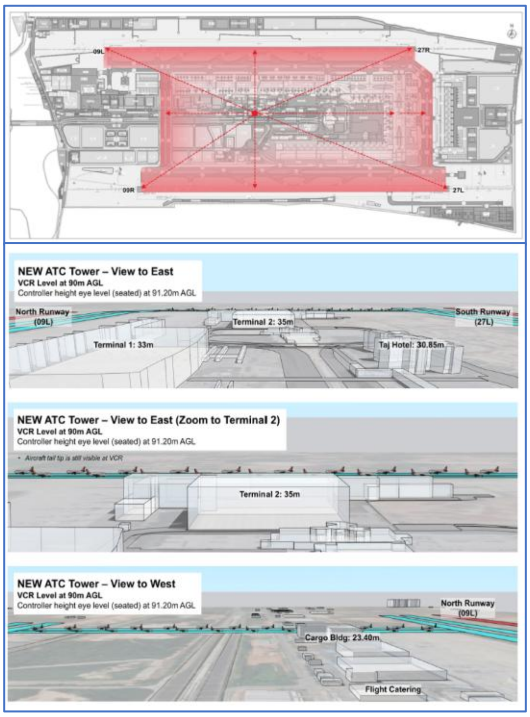


Image 2: Extract of Siting Study

Further MECON in their capex report have proposed rationalization of certain items like requirement of a technical block, temperature controls, CO2 sensors for BMS control, earthing system, lightning protection system which will be finalized in consultation with the users of the building (i.e., AAI).

In parallel, BIAL has conducted a tender for selection of the design agency who have also submitted a concept design with an estimated cost for the ATC tower in excess of ₹ 150 Cr.

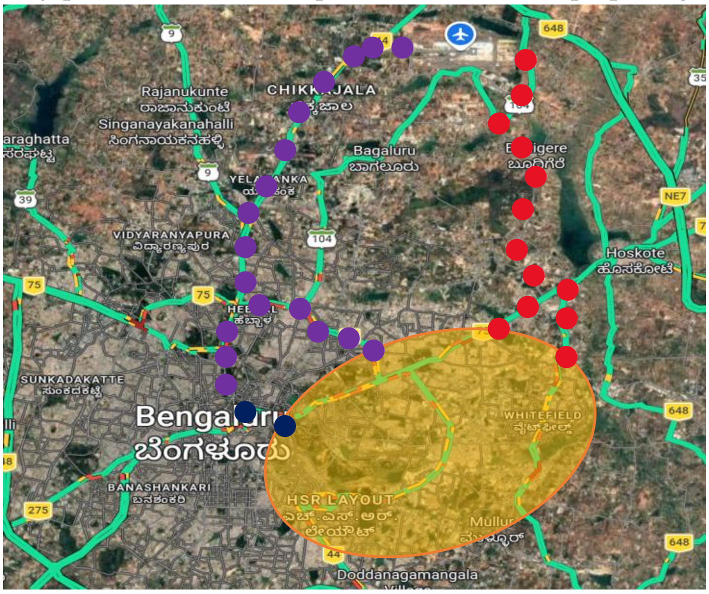
As mentioned, the design is still under finalization with AAI. Any change in height (which will be the outcome of siting study) will have a disproportionate impact on ATC development cost due to specialized construction systems, changes in slip form work, wind load impact, foundation design and construction logistics. There may be substantial changes to the development concept vis a vis submission made at the time of MYTP. BIAL therefore requests AERA that the completed cost of ATC tower be trued up post implementation of the ATC tower & associated facilities at the time of tariff determination for 5th control period.

3.9 Eastern Connectivity Tunnel (C.1)

In Paras 5.3.198 to 5.3.203, the Authority has summarized its view as follows "The Authority is of the view that airport users should not be required to bear the cost of infrastructure that primarily falls within the domain of city / regional road development".
"the Authority feels that it would await the total funding commitment from the State Government for taking a final decision on the matter".

BIAL response:
The Eastern Connectivity Tunnel (ECT) project was identified as a key project when BIAL's masterplan was updated in 2019. With nearly 25% - 30% of passenger traffic through KIAB originating from East and South East Bengaluru and the only access point to KIAB through NH 44, the single access point was identified as a key business continuity risk.

The development of the ECT had clear and direct benefits for passengers originating from regions like Whitefield, Sarjapura who need to adopt the route shown in purple highlight below.



Present Route in the absence of ECT

Potential route post commissioning of ECT

The Government of Karnataka has already developed the state highway (SH 104) which provides the connectivity to the airport as depicted in red dotted line. The development of the ECT should reduce driving distance by 12-15 kms, travel time by 30-45 minutes and reduced vehicular emissions This savings in distance will reduce the taxi charges payable by passengers to the extent of Rs 200-250 per trip at current prices.

Accordingly, BIAL submits the following for the Authority's consideration:

1) The eastern connectivity tunnel project is a landside project that falls entirely within the airport campus. Hence the onus of development of the tunnel rests with the airport . The Airport Activities as detailed out in Schedule 2 Part 1 of the SSA, clearly states that landside and airside access roads are to be provided by BIAL.
2) The tunnel will have clear benefits for the traveler community as demonstrated above
3) A single connectivity to the West of the airport is a key business continuity risk. KIAB, presently depends entirely on a single arterial access route via National Highway 44 for the movement of passengers, airport personnel, cargo operators, and emergency services. This dependency on a single corridor poses a significant operational and systemic risk to the airport, as any disruption arising from congestion, accidents, infrastructure failures or natural events can severely impact flight operations, staff mobility, cargo logistics, and emergency response capabilities. Traffic congestion along NH44 has been rising rapidly. This combination of constraints leaves the airport vulnerable to delays, disruptions, and safety risks. This aspect of Business continuity should be duly considered by the Authority
4) For other major airports, there are multiple access points. The State government of Karnataka has already delivered its role by expanding State highway 104 and connecting it to the Airport's Eastern boundary.
5) In previous orders, AERA has stated that recognition of the project into RAB will be linked to commissioning of the asset. No conditions around funding of the project have been proposed previously. However, in the Consultation Paper for the 4th control period, AERA has stipulated that the funding be sought from Government of Karnataka. The above condition imposed by AERA is not in consonance with the provisions of the Concession Agreement (CA) executed between BIAL and Government of India and the State Support Agreement (SSA) executed between BIAL and Government of Karnataka.
6) From a constructability perspective, if the project is not built, it can never be built in the future as it will be technically infeasible to build a tunnel (even through a tunnel boring machine) as the tunnel alignment would fall under live aircraft apron with fuel hydrants, airfield ground lighting cables and other utilities making it a key safety risk.
7) BIAL is pleased to inform the Authority that basis a price discovery process for EPC works of the tunnel project and efforts at value engineering (using a cut and cover methodology wherein the works are awarded by September 2026 so that the development can be completed ahead of Terminal 2 Phase 2 apron), it should be possible to bring down the total project value by 30%

Based on the submissions above as well as other stakeholder responses including Government of Karnataka, BIAL requests the Authority to consider 75% of the updated project cost as inclusion in Regulated asset base. BIAL is working with Government of Karnataka to explore innovative financing solutions to meet the balance 25% funding requirement.

3.10 KIA West Metro Station (C2.2)

Para 5.3.217 of the consultation paper states – "while the Authority acknowledges the operational convenience that the KIA West Metro Station may provide to certain commercial/support establishments, it is not satisfied that the expenditure has a direct and sufficient connection with travelling passengers' facilitation to merit inclusion in the RAB for the Fourth Control Period. Therefore, the Authority proposes not to consider the capital expenditure associated with the KIA West Metro Station for the purpose of tariff determination for the Fourth Control Period."

BIAL notes that the the Authority has acknowledged the operational benefit of the KIA west metro station to employees of concessionaires, cargo operators, MRO facility operator, airlines and other commercial /support establishments. However the same has not been included as part of Regulated asset base as there is no direct benefit to Airlines/ passengers.

BIAL submits that such an interpretation does not fully recognise the role of common airport infrastructure in enabling efficient airport operations. As of 31st December 2025, approximately **45,000 personnel** work across the airport ecosystem, including BIAL employees, government and statutory agencies, airlines, cargo operators, MRO facilities, ground handling agencies, fuel farm operators, concessionaires and other service providers. The Airport West Metro Station has been planned to provide efficient, and reliable access to this airport workforce, whose activities are fundamental to the delivery of airport services and passenger facilitation.

Further, the revenues earned from these airport stakeholders (where applicable) has been recognised and considered by the Authority as part of the airport's regulatory framework and tariff determination. It is therefore appropriate that the common infrastructure developed to facilitate the functioning of these airport users is also recognised within the Regulated Asset Base. In this regard, the Airport West Metro Station is analogous to other common airport infrastructure such as approach roads, utility networks and common-use office facilities, which support airport operations even though they are not used exclusively by passengers.

BIAL would also like to draw the Authority’s attention to letter from AERA to Government of Karnataka dated 5th February 2018 (enclosed as Annexure 16) wherein the Authority has mentioned that “in case KIA funds part of metro line within the airport premises, the same can be considered as a Regulatory asset of KIA for determination of regulatory tariff of KIA on commissioning of the asset”.

In light of the aforementioned aspects i.e., the letter from AERA granting a pre-approval for metro assets within KIAB campus and recognising that the station serves both airport employees and users of aeronautical services, in line with the position articulated during the stakeholder consultation meeting held on 29 June 2026, BIAL respectfully requests the Authority to consider **50% of the capital expenditure** relating to the Airport West Metro Station as part of the Regulated Asset Base for the Fourth Control Period.

This represents a balanced and equitable approach that appropriately reflects the shared operational and passenger benefits arising from the investment. As highlighted during the stakeholder consultation meeting on 29th June, BIAL requests the Authority to consider 50% of the metro station capital expenditure as part of Regulated asset base.

3.11 T1 to T2 Walkway and Metro Connector Walkway (C.4)

We refer to Consultation Paper No. 01/2026-27, Table 157: Cost Assessment for T1 to T2 and Metro Connector Walkway, wherein against the hard cost of ₹76 crore submitted by BIAL, the Authority has proposed a hard cost of ₹58 crore.

Para 5.3.225 – “The rationalisation regarding the cost of T1 to T2 and Metro Connector Walkway has been carried out as per the following:

• The elevated Metro Connector Walkway has been considered as it directly supports passenger movement between Terminal 1 and the Airport Terminal Metro Station / Terminal 2 interface.

• The separate at-grade T1 to T2 walkway has not been considered, as passenger connectivity is expected to be addressed through the elevated walkway and MMTH interface.

• The balance scope has been assessed based on applicable schedule rates, market data and rationalisation of indirect cost and constraint factors.

BIAL response:

BIAL submits that the original estimate was prepared by Meinhardt basis the concept design. At the time, detailed structural, geotechnical and operational design inputs were not available to the design consultant (Meinhardt).

Subsequent to the MYTP submission, the project has progressed to detailed design stage and has been tendered on a Lump Sum Contract basis. The detailed engineering package has substantial changes from the assumptions considered during the original submission, resulting in an increase in quantity, complexity and execution requirements.

Key Differences Between Original Submission and Detailed Design:

Item	As per Original Submission	As per Detailed Design
Piling Works	750 mm dia piles, 72 nos., 20 m depth (1,440 m)	1,200 mm dia piles, 46 nos., depths up to 25 m (970 m)
Reinforcement Steel	333 MT	352 MT
Deck/Slab System	Combination of RCC and structural slab	Fully structural steel deck system
Concrete Grade	M30 & M40	Predominantly M60
Structural Steel	762 MT	1,635 MT
Roof System	Standing seam metal roof (2,358 sqm)	Polycarbonate façade (2,637 sqm) + BIPV Solar Panels (830 sqm)
Elevators	2 passenger elevators	1 passenger elevator + 1 buggy lift (7T)
Escalators	2 escalators (6.5 m rise)	4 escalators (9.31 m rise)

The detailed design demonstrates a substantial increase in the structural complexity of the walkway. Most notably, the structural steel quantity has increased from 762 MT to 1,635 MT, representing an increase of approximately 873 MT. Similarly, the foundation design, roof system, passenger movement systems and associated infrastructure have undergone significant revisions to meet actual site conditions viz.,:

1. Structural Configuration: The original estimate assumed a combination of RCC and steel structures. However, given the project's location within a high-traffic airport operational area, the detailed design has adopted structural steel piers and deck systems to minimize construction duration.
2. Foundation Design: Preliminary assumptions considered smaller diameter piles, whereas detailed geotechnical analysis necessitated larger diameter and deeper piles to meet structural requirements.
3. Structural Steel Quantities: Detailed engineering has increased structural steel requirements by approximately 873 MT for the deck, roof support system, and long-span walkway sections.
4. VHT Systems: The final design incorporates a lift capable of handling wheelchairs and baggage trolleys (basis experience of T2), and higher-capacity escalators, resulting in changes to the originally assumed equipment specifications.

Market Validation Through Competitive Tendering

Upon completion of the detailed design, BIAL initiated a competitive tendering process. The bid responses received from the market provide the most realistic indication of the current project cost.

Group Element	Hard Cost Submitted by BIAL (₹ Cr)	L1 Bidder (₹ Cr)	L2 Bidder (₹ Cr)
Total	**₹ 78**	**₹ 114**	**₹ 123**

The tender results demonstrate that the market-assessed cost of executing the project is substantially higher than both the original submission estimate and the Authority's benchmarked cost.

Factors Contributing to Cost Escalation beyond estimate.

The increase in cost is attributable to design changes, actual site execution conditions as well as inflation in construction & Risk pricing by contractors given the present geopolitical situation.

- Execution within an operational airport environment requiring extensive traffic management measures.
- Phased construction methodology as the elevated walkway will be built over the main access ramp
- Utility diversions and complex service routing requirements.
- Increase in quantity of structural steel along with genuine escalation in commodity prices

Based on the completed detailed engineering and competitive tender outcomes, BIAL requests the Authority to consider the market discovered price for the T1 to Metro Connector Walkway project and allow the actual tendered cost to be recognized for regulatory purposes, as it represents the most accurate and market-tested assessment of the expenditure required for successful project execution.

3.12 North West Road Expansion, 2 + 2 lane (C.5)

The Authority notes that the proposed expansion of the North West Road is linked to planned developments in the north-west zone of the airport, including MRO facilities, logistics infrastructure, utility services and contingency areas.

5.3.230. The Authority observes that the proposed North-West Road Expansion does not establish an immediate aeronautical requirement warranting tariff recovery in the ensuing control period. Accordingly, the Authority proposes to disallow inclusion of the said facility in BIAL's Regulatory Asset Base (RAB) for the Fourth Control Period. The treatment of this asset may be revisited in subsequent control periods based on actual capitalisation, demonstrated aeronautical utility, and prudence check by the Authority.

BIAL response:

The North West Road is an existing 1+1 lane road. The anticipated increase in vehicular movement arising from the cargo and MRO developments, the need for the road infrastructure appears has been operationally justified and the same has also been acknowledged by MECON in their report.

Incidentally, while AERA had approved the capital cost for a 2+2 lane road during the Third Control Period, BIAL was prudent in its spending and only incurred the capital spend towards a 1+1 lane configuration. We now would need to expand the existing road to a 2+2 configuration.

With vehicular traffic demand in the northwest zone is projected to increase from the present level of approximately 500 PCU/hour at around 1,300 PCU/hour in future because of expansion of cargo zones, MRO zones (which are currently under construction), development of contingency terminal along the alignment of C5.

During peak hours, the existing 1+1 road already sees congestion due to heavy truck movement. (Refer image below of the existing North West Road).

Further, BIAL submits that the revenue from cargo has already been treated by AERA as aeronautical. **Hence BIAL requests that the capital expenditure of ₹ 23.7 crores towards enhancing road connectivity from 1+1 to 2+2 in line with growth in cargo volumes from 530,000 Tons to 750,000 Tons & consequently vehicular traffic may be considered favourably by the Authority.**

3.13 Cargo Avenue / NCR Expansion, 2 + 2 Lane (C.6)

We refer to Consultation Paper No. 01/2026-27, Table 158: Cost Assessment for Cargo Avenue / NCR Expansion, wherein against the hard cost of ₹12 crore submitted by BIAL, the Authority has proposed a hard cost of ₹9 crore, resulting in a cost rationalization of ₹3 crore.

While appreciating the benchmarking methodology adopted by the Authority, BIAL submits that the utility diversion and routing scope has undergone substantial enhancement during the detailed design stage due to the presence of critical live utilities within the project corridor.

At the time of submission, the utility routing scope was estimated at approximately ₹3 crore based on preliminary information. However, detailed utility investigations have revealed the existence of numerous operational and critical services crossing the proposed road network, including utilities serving the Air Traffic Control (ATC), airfield systems, and terminal infrastructure. These services are required to remain operational throughout the execution period, necessitating a more complex diversion and protection strategy.

The detailed design has established the need for:

- Relocation and protection of multiple live utility corridors crossing the road network.
- Installation of continuous reinforced concrete duct banks along the project stretch to accommodate existing and future utility requirements.
- Diversion and reinstatement of high-specification copper power and communication cables, which constitute a significant portion of the project cost.
- Execution within a highly constrained operational airport environment requiring stringent safety and service continuity measures.

Considering the critical nature of these utilities and the requirement to provide permanent duct bank infrastructure for long-term operational reliability, the utility routing cost has increased indicating an additional requirement of approximately **₹30 crore** towards utility diversions, duct bank construction, cable procurement, and associated protection works.

In view of the above, BIAL respectfully requests the Authority to consider the additional **₹30 crore** cost impact under the Cargo Avenue / NCR Expansion project. The revised cost represents the actual project requirement to ensure safe, reliable, and future-ready utility networks supporting ATC, airfield, and terminal operations.

Appendix 5- Cargo Avenue / NCR Expansion, 2+2 Lane

3.14 MMTH Enhancement (D.2)

We refer to Consultation Paper No. 01/2026-27, Table 158: Cost Assessment for Cargo Avenue / NCR Expansion, wherein against the hard cost of ₹37 crore submitted by BIAL, the Authority has proposed a hard cost of ₹22 crore, resulting in a cost rationalization of ₹15 crore.

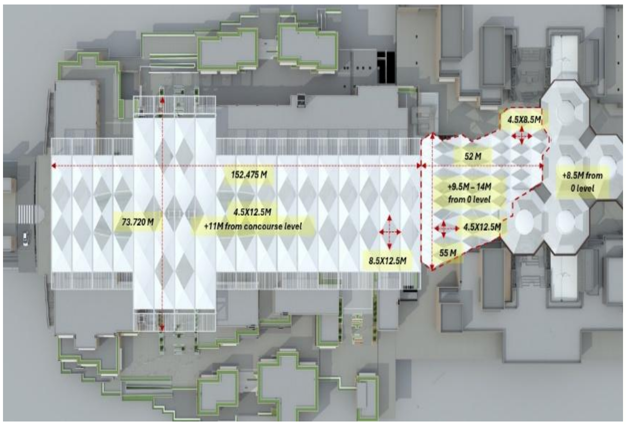
ATMS/MMTH Connecting Canopy

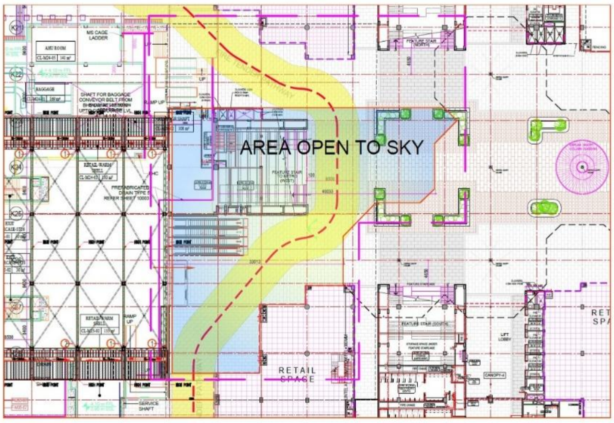
The existing MMTH Level 0 area is open to sky, and the path from the umbrella canopy towards the ATMS concourse remains uncovered for approximately 40 metres. This gap exposes passengers to rain and affects the intended operational connectivity between T2 and the metro station. The proposed linking canopy is therefore t an essential completion item required to bridge the uncovered portion and provide uninterrupted covered access for passengers moving to and from the metro station.

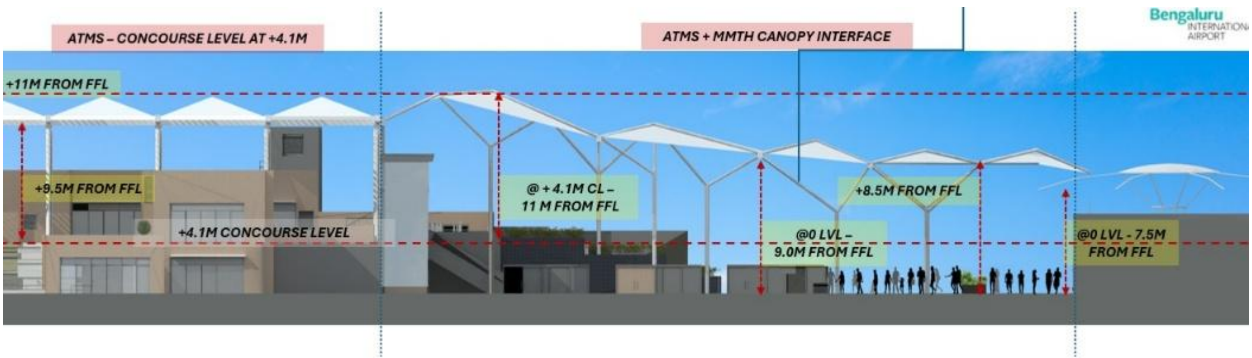
The scope also involves interface works with existing canopies, as the new canopy has to align with the established design language comprising PTFE/STFE roofing supported on MS structure. Since the ATMS concourse is approximately 4.1 metres above the T2 Arrival level, the connecting canopy functions as a transition zone in both height and geometry. Accordingly, associated methodology, MS structure modification/removal, barricading, light fixtures and MEP works arise from site constraints and integration requirements and cannot be treated as isolated or unrelated provisional items.

BIAL requests the Authority to consider these justifications while reviewing the rationalization of the submitted cost.

Proposed Layout







BIAL requests the Authority's favourable consideration of the additional **₹10.6 crore** while finalizing the capital cost assessment for the MMTH Enhancement project. Appendices relating to the Capital Expenditure Estimates are enclosed together as Annexure 11.

As substantial costs are yet to be awarded, we request that the actual costs awarded be considered at the time of True up based on review by the Authority.

5.2 Depreciation

<u>Authority's Analysis</u>

- *The Authority has recomputed the total depreciation based on the revised useful life of assets and revised asset addition. The Authority proposes to apply the proportion of the aeronautical assets on total depreciation to determine the depreciation on aeronautical assets. The Authority noted that the proportion of the aeronautical assets is varying from year-on-year basis since BIAL has undertaken expansion of the airport facilities. Therefore, the Authority proposes to apply the proportion of the aeronautical assets of a particular year to the depreciation amount of the respective year.*

<u>BIAL's Submission</u>

AERA has detailed the estimated depreciation value to be considered as part of ARR computation for Fourth Control period as per Table 186 of the Consultation Paper. As stated in Para above relating to Depreciation for Third Control period, BIAL has computed the depreciation estimate as per AERA principles considering:

a) AERA useful lives
b) Asset addition as per AERA
c) Allocation ratios used by AERA for additions
d) Asset categorization as per the classification done by BIAL

Based on the above, the estimated depreciation is detailed as below. Computations have been submitted as Annexure 4.

(Rs. in Crores)

Particulars	26-27	27-28	28-29	29-30	30-31
Depreciation (Except depreciation on Financing allowance capitalized)	666.12	759.76	816.59	943.37	1246.19

BIAL requests AERA to consider the computation submitted by BIAL subject to true up based on actual capitalization, line item wise allocation and actual depreciation computation.

5.3 Allocation Ratio

<u>Authority's Proposal</u>

- *BIAL has submitted that allocation ratios for other common projects have been considered based on the overall terminal building ratio of 87.1%.*
- *For capital expenditure other than PAL-2 assets, BIAL has considered an aeronautical ratio of 90%.*
- *BIAL has further submitted that the aeronautical ratio for Terminal 2 Phase 2 assets and other terminal related asset additions has been considered based on the Terminal 2 Phase 1 aeronautical floor ratio.*
- *BIAL has submitted that airside projects have been considered as fully aeronautical.*

<u>BIAL's Submission</u>

BIAL had considered an overall estimated Aeronautical Allocation ratio for each program being executed in Fourth control period including PAL-2, Sustaining Capital Expenditure and other programs. These are adhoc estimates made currently as the detailed FAR level information will not be available at estimation stage. BIAL requests that AERA consider the actual asset allocation ratios to be derived based on the actual asset costs incurred and capitalized at individual asset level in Fixed Asset Register and its segregation into Aero, Non-Aero and Common. This is the consistent practice being followed by BIAL from the First Control Period.

Further, BIAL requests AERA to consider the following comments with respect to specific line items of allocation ratios:

Asset/ Program	Allocation Ratio submitted by BIAL	Allocation ratio considered by AERA	BIAL's submission
Cargo Avenue Expansion	100%	86.86% Terminal Linked Asset	This relates to development of Road network essential for Airport Operations and hence to be considered as Aeronautical asset. As per AERA's study on asset allocation, issued in Third Control period Order, Road networks are considered 100% Aeronautical.
MAR Circulation Link	100%	86.86% Terminal Linked Asset	
Utilities	100%	86.86% Terminal Linked Asset	Refer BIAL's submission on Utility revenue adjustment from Utility Expenditure
Sustaining Capex	90%	86.86% Terminal Linked Asset	These assets are to be used all across the airport and not only within Terminal. Hence, Overall asset allocation ratio (which is around 90%) has been considered by BIAL.

We request the Authority to update the asset allocation based on the justification provided by BIAL as above.

5.4 Financing Allowance

Authority Analysis

- *Not considered and no analysis has been stated in the Consultation Paper*

BIAL's Submission

No reason has been provided in the Consultation Paper for denying Financing Allowance for projects that are getting implemented in 4th control period. Consequently, BIAL understand that the reasons for not providing FA in 4th control period could be the position AERA has adopted in the TCP order which is as given below:

a. BIAL has been considered as brownfield airport as the operations have matured. Brown-field airports are not provided with financing allowance.
b. Financing Allowance is being disallowed because investment has taken place through internal accruals instead of direct equity infusion by its shareholders.
c. AERA adequately compensates for the risks associated with equity investments in a construction project once the project is capitalized by means of reasonable cost of equity.

In this regard, we request to consider our submissions / notes submitted in Appeal No 5/ 2021 filed with Hon'ble TDSAT against AERA's TCP Order and comments submitted under true up for Third Control Period true up.

6. Weighted Average Cost of Capital for the Fourth Control Period

Authority's Proposal

- *To consider WACC of 11.99% for the Fourth Control Period, as detailed in Table 192.*
- *To true up the Cost of Debt for the Fourth Control Period based on actuals (or) SBI average 1-year MCLR plus 50 bps (whichever is lower) at the time of tariff determination for the Fifth Control Period.*

6.2 Cost of Debt

Authority's Analysis

- *The Authority notes that BIAL has submitted that its existing debt comprises two NCDs, including refinancing of PAL-1 loans, with interest rates of 8.35% and 8.15% per annum respectively. The Authority further notes that for the proposed PAL-2 project loans, BIAL has assumed interest cost at SBI 1-year MCLR plus 50 basis points. Considering SBI 1-year MCLR of 9.00%, BIAL has considered the cost of debt for PAL-2 loans at 9.50%.*
- *The Authority has examined the projected debt drawdown, repayment schedule, average debt and interest cost submitted by BIAL. The Authority notes that the annual cost of debt submitted by BIAL ranges from 8.25% in FY 2026-27 to 8.86% in FY 2030-31, with a weighted average Cost of Debt of 8.68% for the Fourth Control Period.*
- *The Authority is of the considered view that PPP airports are well-positioned to achieve enhanced efficiencies in their financial and operational management, which should translate into optimisation of the overall cost of operations and provide headroom for further rationalisation of the Cost of Debt. The Authority notes that Bangalore airport, having matured operationally and financially since the commencement of its commercial operations from the First Control Period onwards, has attained a stable credit profile, as evidenced by its ICRA rating of "AAA" sustained since FY 2024-25. This robust credit standing further substantiates the airport operator's ability to mobilise debt at favourable terms, thereby supporting a lower benchmark for the Cost of Debt. The Authority therefore proposes to consider weighted average Cost of Debt of 8.68%*

BIAL's Response

AERA has proposed in Para 6.3.2 to true up the Cost of debt for the Fourth Control Period based on actuals or SBI Average 1-year MCLR plus 50 bps (whichever is lower) at the time of tariff determination for the Fifth Control period.

As noted in the Consultation Paper, *Bangalore airport, having matured operationally and financially since the commencement of its commercial operations from the First Control Period onwards, has attained a stable credit profile, as evidenced by its ICRA rating of "AAA" sustained since FY 2024-25*. BIAL has always strived to optimize the cost of debt and will continue to explore all avenues towards the same. ***However, in case of any unforeseen situation beyond the control of BIAL, BIAL requests AERA to true up the actual cost of debt at the time of tariff determination of the Fifth Control period.***

7. Inflation for the Fourth Control Period

Authority's Proposal:

- *To consider the inflation rates for the Fourth Control Period as per Table 194.*

BIAL Submission

AERA has proposed to consider the forecasted WPI rates based on Survey of Professional Forecasters on Macroeconomic Indicators– Results of the 99th Round. As the next report has been published by RBI, i.e. 100th round, BIAL requests AERA to consider the WPI estimates as per this report for forecasting the Operating Expenditure estimates at:

- Escalation rate of 7.8% for FY 26-27
- 3.4% Escalation rates for the other years in the Fourth Control Period

Description	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
WPI (All Commodities)	7.8%	3.4%	3.4%	3.4%	3.4%	3.4%

8. Operating Expenses for the Fourth Control Period

Authority's Proposal

- *To consider Aeronautical Operating Expenses for the Fourth Control Period as per Table 226.*
- *To True up Aeronautical Operating Expenses based on actuals at the time of tariff determination for the Fifth Control Period subject to reasonability and efficiency.*

8.1 Personnel Cost

Authority's Analysis

- *The authority has considered base cost at 0.22 crores.*
- *Authority also notes that BIAL had already added 577 employees during the Third Control Period, which was considered broadly reasonable in view of the substantial increase in terminal area and associated infrastructure commissioned during that period. In the Authority's view, the manpower base created during the Third Control Period is adequate to cater to the requirements of the existing facilities during the Fourth Control Period. Accordingly, the Authority does not propose to allow the addition of 72 employees for existing facilities.*

BIAL's Submission

BIAL has submitted its detailed rationale towards per employee cost in Section 3.3.1 above in the document. BIAL requests that the Authority use the actual salary cost/ employee of FY26 as the base while projecting salary cost for the 4th control period.

BIAL has studied the proposal by the Authority with respect to the manpower additions proposed by BIAL during MYTP stage. As on date, BIAL has 1,758 personnel against the submission of 1,830 staff (projected at the time of the MYTP). In Table 201, the Authority has proposed addition of 200 staff against BIAL's requirement of 565 new hires.

BIAL submits that the personnel count for an airport is related to the operating model adopted i.e., degree of insourcing versus reliance over other group companies/ parent company. As explained in 3.4.1, all BIAL's personnel are housed in BIAL and no fee (whether in the form of corporate cost or operator fee or technical services fee) is paid to any related party. We have also made a specific reference on how ICT is structured across various airports and in the case of BIAL, the personnel count is accompanied with a significantly higher ICT revenue from aero concessionaires (including CUTE).

BIAL submits that through FY28, BIAL will be capitalizing a number of key airside projects including Western cross taxiway, Airfield expansion (which includes 2nd parallel taxiways) and new aircraft parking stands. Development of new zones will increase the overall airside operational area necessitating the need for additional staff positions in the form of airside safety, follow me vehicle operator, additional positions in airport rescue and fire fighting for monitoring of the enhanced airside. All of these positions will require 24x7 manning requiring addition of nearly 70 additional staff in FY28.

Further, upon commissioning of Terminal 2, Terminal 2 apron , Terminal 1 and 2 connector, given the scale of addition, there will be a requirement for additional personnel. BIAL therefore requests the Authority to reconsider its stance and permit BIAL to hire 300 resources across FY30/FY31. In summary, BIAL requests the Authority to allow a total manpower addition of 370 for the 4th control period considering the 55% growth in Terminal capacity, 40% increase in Total Terminal area and large airside projects getting implemented.

8.2 Operations & Maintenance Costs

Authority's Analysis

- *Authority is also of the considered view that newer assets, particularly during the initial years of operation, generally require lower O&M expenditure as a percentage of gross block compared to older assets. Such assets typically benefit from lower repair and maintenance requirements, warranty support, improved technology, and better operating efficiency in the early years of their useful life. Accordingly, Authority proposes that O&M expenditure for existing assets should be allowed to grow on a year-on year basis in line with inflation during the Fourth Control Period, while O&M for new asset additions should be estimated separately using a graded methodology linked to the age of the assets.*

BIAL's Submission

AERA has estimated the Operating & Maintenance cost, due to addition of new Infrastructure facilities as follows:

8.2.19 ..Accordingly, for additional assets capitalized during the Fourth Control Period, Authority proposes to consider O&M cost as a percentage of CAPEX in a progressive manner over the initial years of operation. The allocation shall be based on the asset gross block ratio. The proposed methodology for estimation of O&M on additional assets is set out below:

Additional Assets	*Cost for Additional Capex (% of Gross Block)*
O&M Year 1	*-*
O&M Year 2	*0.5%*
O&M Year 3	*0.6%*
O&M Year 4	*0.75%*
O&M Year 5	*1%*

BIAL submits that:

- BIAL had estimated the cost for new facilities the same at 2.21% of the asset value, in line with the past trends observed by BIAL and the same was found reasonable and efficient by the Authority.
- It appears that the Authority has understood BIAL submissions for new assets as R&M cost alone and hence has proposed rationalization. BIAL clarifies that the MYTP submission was the total O&M Cost which consist of R&M costs as well as costs incurred towards House Keeping, security , ICT etc.
- This is in line with other recent consultation papers and tariff orders issued by the Authority where O&M cost is a combination of R&M cost (which is pegged as a % of gross block) as well as costs incurred towards housekeeping, security, stores/spares and consumables, other manpower contracts (e.g., wildlife hazard management, trolley retrieval, digi buddies etc.) and ICT related contracts (e.g., Enterprise ICT management services, Microsoft licenses, network AMC, AODB subscription, laptop lease etc). The Authority in other Orders has proposed to grow non R&M spends at the rate of inflation and terminal area growth factor as applicable.
- In the CP, the cost proposed for new assets does not factor any growth in spend towards housekeeping, security, stores/spares and consumables, ICT and other manpower contracts due to terminal area factor.
- Regarding the Year 1 R&M Costs taken as 0%, we wish to submit that when an asset is put to use, there are associated AMC contracts for upkeep and maintenance activities right from the commissioning of assets, in line with OEM specifications.
- For the balance years, against our submission, for new assets, AERA has proposed a range of R&M cost as 0.5% to 1%.

- Keeping the estimate provided by AERA (totaling to Rs. 151.48 Cr. as detailed in Table 204, towards R&M costs), BIAL has reworked the total O&M costs as per AERA's principles as adopted in other comparable airports (combination of inflation and terminal area growth factor), and the same is tabulated as below. Detailed workings have been submitted as Annexure 17.

(Rs. in Crores)

Particulars	25-26	26-27	27-28	28-29	29-30	30-31	Total
R&M - Existing	139.76	146.33	151.59	157.05	162.71	168.56	**786.24**
R&M - Addition	-	-	8.08	24.98	33.50	85.02	**151.58**
Security	26.76	28.36	30.06	31.87	38.34	52.99	**181.63**
Stores, Consumables and Spares	36.48	38.19	39.57	40.99	48.20	65.11	**232.06**
Housekeeping	48.41	50.69	52.51	54.40	63.97	86.42	**308.00**
Other Manpower contracts	103.50	109.71	116.29	123.27	148.31	204.99	**702.58**
ICT Operations contract	102.41	107.23	111.09	115.09	135.33	182.81	**651.54**
Total	**457.32**	**480.51**	**509.20**	**547.65**	**630.37**	**845.91**	**3,013.63**

BIAL requests that the above estimates be considered, at minimum, for estimation of Operating Expenditure for Fourth control period. It is worth highlighting that the recent geopolitical situation has led to significant depreciation of INR vis a vis USD because of which there may be an increase in ICT costs in FY27 versus FY26 creating a base effect. **We therefore request the Authority that Operating expenses be trued up as per actuals subject to review of efficiency and reasonableness**.

8.3 Lease Rent

Authority's Analysis

- *Based on its analysis, the Authority is of the view that BIAL's projection of lease rent payable to KSIIDC, based on the contractually stipulated annual escalation of 3%, is reasonable. The Authority is also of the view that the lease rental considered by BIAL for BP-2 office space is reasonable. However, in the absence of a formal lease agreement for BP-2 office space at this stage, the Authority proposes not to consider the escalation in FY 2030-31.*

BIAL's Submission

AERA has, in its analysis for Rentals for BP2 stated that as BIAL has not submitted the rental agreement, escalation in has not been considered for FY 2030-31. Extract of Rental Agreement for BP-2 is enclosed as Annexure 18. Accordingly, BIAL requests AERA to consider the rental increase of 15% in FY 31 based on the executed agreement and consider the rent payable to BP2 as below.

Particulars	26-27	27-28	28-29	29-30	30-31	Total
Lease Rent – BP2	4.61	15.76	15.76	18.13	18.13	72.38

8.4 Utility Charges

Authority's Analysis

- *Authority does not propose to consider the additional 30% increase in FY 2029-30 claimed by BIAL on account of Terminal 2 Phase 2 since the net water charges in FY 2025-26 were negative at Rs. (0.47) Crores.*
- *Authority proposes to consider that 61% (average) of the total water consumption shall be met through internal rainwater harvesting / internal sources, based on the historical average of FY 2024-25 and FY 2025-26, excluding the Covid and Covid recovery period, for the entire Fourth Control Period. The Authority further proposes to escalate potable water tariff in line with inflation.*

- *Authority after examining BIAL's submission on power costs notes that, as per BIAL's revised submission for FY26 based on actual data, the power costs have reduced significantly. In this regard, Authority proposes to consider the lower FY26 Base.*

BIAL's Submission

AERA has computed the water charges estimate for Fourth control period in Table 215 of the Consultation Paper. The Authority has considered the water cost at Rs. 107.54 per KL for FY 2026–27. We request updation of the rate to Rs. 112 per KL, based on the BWSSB invoice for April 2026 (Annexure 19 - Consumption of 43,765 KL and water charges of Rs. 49.01 lakh, resulting in Rs. 112 per KL).

Accordingly, the re-worked Water charges are as given below:

(Rs. in Crores)

Particulars	FY 26	FY 27	FY28	FY 29	FY 30	FY 31	Total
Potable water consumption (Million KL) (A)	1,389.03	1,491.80	1,694.24	1,877.99	2,055.51	2,254.84	
Escalation based on traffic (%)		7.40%	13.57%	10.85%	9.45%	9.70%	
Potable water from RWH (B)		73.40%	64.63%	58.31%	53.27%	55.85%	
Purchase of Water (C=A*(1-B))		396.82	599.25	782.93	960.54	995.51	
Cost of Potable water (Rs/KL) (D)	102.71	112.00	116.03	120.21	124.54	129.02	
% Increase		4.70%	3.60%	3.60%	3.60%	3.60%	
Potable water cost (E=C*D/10000)		**4.44**	**6.95**	**9.41**	**11.96**	**12.84**	**45.62**
Non-Potable water consumption (Mn KL) (F)	1.10	1.16	1.21	1.27	1.34	1.40	
% Increase		5%	4%	5%	6%	4%	
Cost/KL (G)	25.00	26.18	27.12	28.09	29.10	30.15	
% Increase		4.70%	3.60%	3.60%	3.60%	3.60%	
Non-Potable water cost (H=F*G/10)		**3.04**	**3.28**	**3.57**	**3.90**	**4.22**	**18.01**
Gross Water cost (I=E+H)		**7.48**	**10.23**	**12.98**	**15.86**	**17.06**	**63.63**
Recovery % (J)		63%	63%	63%	63%	63%	
Net Water cost (K=I*(1-J))		**2.74**	**3.75**	**4.76**	**5.82**	**6.26**	**23.33**

Accordingly, BIAL requests AERA to consider a total water cost of Rs. 23.33 Cr. as against Rs. 18.54 Cr. estimated by the Authority.

8.5 Utility Recovery Cost Net-Off

Authority's Proposal

- *Further, with regards to the Utility Charges, the Authority is of the view that the Utility charges recoveries is not revenue for the Airport Operator. Accordingly, consistent with the approach adopted in Tariff Determination process for other airports, the Authority has adjusted the revenues against Operating Expenses (Opex), rather than classifying it separately as non-aeronautical revenue for the purpose of tariff determination for the Fourth Control Period*

BIAL's Submission

BIAL has provided its justification and response on the said matter in its response for True up in the Third Control period. Accordingly, BIAL requests Utility Revenue from Aero Concessionaires alone to be considered as Aeronautical and recovery from Non aero concessionaires should be treated as non-aeronautical revenue.

BIAL has segregated the Utility recovery based on the nature of user and has accordingly tabulated the revenues as below. Detailed workings are enclosed as Annexure 7.

(Rs. in Crores)

Particulars	FY 27	FY28	FY 29	FY 30	FY 31	Total
Aero Utility Recovery	14.47	14.99	15.53	16.09	16.66	**77.74**
Non-Aero Utility Recovery	17.65	18.29	18.95	19.63	20.34	**94.86**
Total Utility Recovery	**32.12**	**33.28**	**34.48**	**35.72**	**37.00**	**172.60**

8.6 Marketing & Advertising

Authority's Analysis

- *Authority proposes to adopt the adjusted FY 2025-26 base for determination of Marketing and Advertising Expenses for the Fourth Control Period. The Authority further proposes that except for FY 2026-27, no year-on-year escalation shall be allowed on such base during the Fourth Control Period, considering the mature status of Bengaluru Airport and the already elevated level of Marketing and Advertising Expenses as compared to other similarly placed established airports. Further, the Authority is not inclined to allow the additional one-time expenditure of Rs. 15 Crores claimed by BIAL in FY 2029-30 on account of commencement of Terminal 2 Phase 2, as Bengaluru Airport, being a well-established brownfield airport, does not require separate incremental marketing expenditure merely on account of expansion of an existing terminal.*

BIAL's Submission

AERA has, in its analysis of Marketing and Advertisement cost estimates to be considered for Fourth Control Period, has stated the following:

- *8.2.62 - … The Authority further notes that the FY 2025-26 base considered by BIAL includes certain expenses which are one-time, discretionary or not directly related to the provision of aeronautical services to passengers. Accordingly, for the purpose of projecting Marketing and Advertising Expenses for the Fourth Control Period, the Authority proposes to reduce the FY 2025-26 base by excluding expenditure relating to BLR Pulse, audio-visual films, and Pinnacle Awards.*
- *8.2.63 In view of the above, the Authority proposes to adopt the adjusted FY 2025-26 base for determination of Marketing and Advertising Expenses for the Fourth Control Period.*
- *8.2.63 … Further, the Authority is not inclined to allow the additional one-time expenditure of Rs. 15 Crores claimed by BIAL in FY 2029-30 on account of commencement of Terminal 2 Phase 2, as Bengaluru Airport, being a well-established brownfield airport, does not require separate incremental marketing expenditure merely on account of expansion of an existing terminal.*

BIAL submits as follows:

(i) General Marketing & Advertising Expense

1. The Authority in the consultation paper has noted that "*Bengaluru Airport has already entered the Fourth Control Period tariff cycle and is a mature airport with strong market visibility, established airline relationships and a stable traffic base*". It may be noted that BIAL in line with the objective of MoCA aspires

to become a global hub. For BIAL to compete with global hubs and attract more international passengers, marketing and advertising forms a critical part. When compared with global hubs such as Heathrow (which is a highly mature airport) where marketing and advertising forms a significant expense item, the same is only a fraction at BIAL. The comparison of marketing expense is as shown below:

BIAL		
Total Marketing expense for FY25 (INR Crore)	26.35	Source BIAL 4th CP consultation paper, Pg 97
Total pax in FY25 (in Mn)	41.9	
Total marketing expense per pax (INR)	**6.3**	
Heathrow		
Marketing expense in FY25 (INR Crore) (Equivalent to 58 Million GBP)	742	Heathrow airport FY25 annual report (Page 6; 135)
Total pax (in Mn)	84.5	
Total marketing expense per pax (INR)	**87.8**	

Hence, we request AERA to consider the Airline Marketing Business Expenses of Rs. 6.61 Cr. as submitted by BIAL which is requirement for various Aero business development activities etc.

Further BIAL submits as follows:

- BLR Pulse application is the primary way for communication between the Airport and the Passengers and an essential, recurring cost. As per the MDC Approach submitted by BIAL, 60.66% of the Pulse Marketing cost submitted should be included and considered by AERA for 4th Control Period.
- Pinnacle Awards are a regular feature of the Airport and not one time. These awards act as an incentive to the Airport community in providing a boost to improve their overall performance (80% of last year Awardees were Aeronautical Service Providers).
- Annual audio-visual films are an essential corporate communication tool for a modern airport, reflecting the continuous evolution of its infrastructure, services, and operations. They support engagement with key stakeholders, government agencies, airlines, lenders and passengers, by effectively showcasing operational capabilities. These films also serve as valuable assets for route development, sustainability reporting, media engagement, and employee communication. Given the ongoing capital expansion, existing content becomes outdated quickly and requires periodic refresh. Accordingly, the annual production of AV films represents a prudent and necessary operating expense for stakeholder communication and institutional branding. Key AV films made in the last few years include Digit Yatra, Self Baggage Drop, Fast Track Immigration/ Trusted Traveller Programme, etc.
- One time expenditure of Rs. 15 Cr. projected in FY 2029-30 is towards the inauguration expenses when Terminal -2 Phase 2 is being inaugurated. AERA has allowed for similar expenses in case of Terminal-2 Phase 1 and in case of other Airports.

Accordingly, BIAL requests the Authority to consider the Marketing and Advertising Expenses based on the justifications as above submitted by BIAL.

8.7 CSR Expenditure

Authority's Analysis

- *As mentioned in para 3.6.118, 3.6.119 and 3.6.120 of this Consultation Paper, the Authority proposes not to consider CSR expenses under Operating Expenses for the Fourth Control Period.*

BIAL's Submission

CSR Expenditure disallowance in Second Control Period was one of the matters appealed by BIAL in TDSAT. TDSAT had ordered in favour of BIAL in this matter and Authority had also given effect to the same at the time of issuance of Order for Third Control Period. Hence, BIAL requests the authority not to change this position and accordingly consider CSR Expenditure as part of O&M cost.

8.8 Legal Expenses

Authority's Analysis

- *The Authority has stated that it is of the view that such legal consultancy expenses are not critical or necessary for the Aeronautical Operations of the Airport and are, by their nature, expenses incurred towards legal cases / proceedings with other stakeholders. Such expenses do not add value to the services offered to airport users and, therefore, ought not to form part of the Aeronautical cost base for tariff determination.*
- *The Authority has also noted that even in the concession agreements executed by the Government of India for recent airports, legal expenses are excluded from the Operating Expenses considered as passthrough for the purpose of tariff determination. Accordingly, the Authority proposes to exclude the legal expenses incurred by BIAL from the base year expenditure considered for projecting Professional and Consultancy / Consultancy and Legal costs for the Fourth Control Period.*

BIAL's Submission

For a concession based airport enterprise, complex contractual, statutory and regulatory obligations, legal expenditure is incurred towards drafting, vetting of construction contracts, financing agreements, multi-year concessions (Cargo, Ground handling). Further, enforcing contractual rights, recovery of dues and dispute resolution require external expertise and is incurred in the ordinary course of business. These costs therefore are essential and should be considered as an efficient expenditure for tariff determination.

Further, Airport Operator sometimes has to go to Court/Tribunal/arbitration either as a petitioner or as a respondent to establish their rights against wrongful decisions and/or to resolve disputes. If any injustice has been caused to the Airport Operator (which impedes its ability to operate the airport viably and efficiently), Airport Operator cannot be a silent spectator. In that eventuality, Airport Operator has to go to court and hence, legal expenses have to be incurred.

In view of the aforesaid facts and reasons, legal expenses are a part of O&M cost and, therefore, should be admissible as passthrough cost for airport operations. BIAL is seeking pass-through of its legal expenses which are admittedly recurring and non-profiteering in nature.

AERA's contention that legal expenses do not add value to the services offered to the airport users, is based on a restrictive interpretation of what constitutes airport operations. To ignore all such expenses is to ignore their integral connection to the safe, compliant, and efficient operation of a major international airport.

In absence of any specific exclusion in the Concession Agreement or in the State Support Agreement, legal expenses, being a recurring operational expenditure incurred in the ordinary course of operating, maintaining and protecting the airport business, necessarily form part of O&M costs and should be admissible as pass-through expenditure. Hence, AERA's observation that legal expenses are "not related to services offered to airport users" is unsupported by any substantive reasoning.

We request AERA to consider the legal expenses incurred by BIAL in FY 26 of Rs. 4.47 Cr. as a part of the base for estimating General Admin cost for the 4th control period.

8.9 Allocation Ratio

Authority's Analysis

- *Authority has proposed to considered different allocation ratio as opposed to what has been submitted by BIAL.*

BIAL's Submission

AERA has considered allocation ratios for Aeronautical O&M Expenses as detailed in Table 224 of the Consultation Paper. BIAL submits as follows:

- Marketing & Advertising cost has been considered as Average of last 5 years. BIAL has submitted its response and justification for considering the Marketing & Advertising Cost for TCP in Gross Block ratio and not to consider a 50:50 Allocation. Accordingly, BIAL requests the Authority to consider the allocation based on Gross Block Ratio.
- General Admin Costs (Consultancy) has been considered as Average of last 5 years. BIAL has submitted its response and justification for considering the General Admin Costs for TCP in Gross Block ratio. Accordingly, BIAL requests the Authority to consider the allocation based on Gross Block Ratio.
- BIAL requests AERA to adopt the allocation ratios considered by BIAL, which is in line with principles adopted by AERA in other Airports

BIAL requests that the allocation ratios be trued up based on actuals.

9 Non-Aeronautical Revenue for the Fourth Control Period

Authority's Proposal

- *To consider Non-Aeronautical Revenue for the Fourth Control Period for Kempegowda International Airport as per Table 237.*
- *To true up NAR for the current control period, at the time of determination of tariff for the next control, subject to minimum threshold as proposed by the Authority in Table 237.*

9.1 Real Estate income

Authority's Proposal

- *The Authority proposes to consider rental lease income to be received from BAHL and BACL, as projected by BIAL as Real Estate Income.*

BIAL's Submission

- Please refer our submissions to true up in Third Control Period in Para 3.6.4

9.2 AAI Notional Lease Rent

Authority Analysis

- *The Authority proposes to consider Notional Lease rentals from AAI, the projections of which were received by BIAL as response to queries.*

BIAL's Submission

BIAL has detailed its response in Para 3.6.1 relating to True up of the Third Control Period.

Hence, we request the Authority not to consider notional lease rentals from AAI as a part of the projections for 4th control period. The net block of the buildings Alpha 1 and Alpha 2 presently occupied by AAI is Rs. 0.81 crores as of 31st March 2026. BIAL is agreeable to removing the asset from Regulated asset base from 1st April 2026 to address AERA's concern (Para 3.9.25 of TCP Order) that BIAL is earning aeronautical revenues from the space offered to AAI without generating a corresponding income.

9.3 Utility Recovery

Authority Analysis

- *The Authority has adjusted the revenue from Utility Charges against Operating Expenses (Opex), rather than classifying it separately under non-aeronautical or aeronautical revenue, as proposed by BIAL.*

BIAL's Submission

Refer BIAL's Submission in para 8.5. Basis the explanation provided, BIAL requests that Rs 94.86 Cr. of non aeronautical utility recovery be treated as non aeronautical revenue. Refer Annexure 7.

Particulars	2027	2028	2029	2030	2031	Total
Aero Utility Recovery	14.47	14.99	15.53	16.09	16.66	**77.74**
Non Aero Utility Recovery	17.65	18.29	18.95	19.63	20.34	**94.86**
Total Utility Recovery	**32.12**	**33.28**	**34.48**	**35.72**	**37.00**	**172.60**

9.4 Non-Aeronautical Revenues Estimates

Authority's Analysis

9.3.2 To true up NAR for the current control period, at the time of determination of tariff for the next control, subject to minimum threshold as proposed by the Authority in Table 237.

BIAL's Submission

AERA has estimated Non-Aeronautical Revenues for the Fourth Control period and has also proposed as follows:

9.3.2 To true up NAR for the current control period, at the time of determination of tariff for the next control, subject to minimum threshold as proposed by the Authority in Table 237.

AERA has noted that BIAL has made reasonable estimates for Non-Aeronautical Revenues and has also surpassed the estimates and achieved higher Non-Aeronautical Revenues which helps cross subsidise the charges. However, a minimum floor in terms of Non-Aeronautical Revenues in absolute terms means that the traffic risk and risk of any unforeseen event is to the account of BIAL where the traffic is proposed to be trued up by the Authority. Further certain Non-Aero income (example Interest Income as considered by Authority) and Other income which are non-recurrent, are not dependent on passenger traffic and are not fully under BIAL's control.

BIAL submits that the proposal to establish a minimum threshold for non-aeronautical revenues, while providing true-up only where actual revenues exceed that threshold, appears inconsistent with the long-standing regulatory recognition that these revenues are fundamentally linked to passenger traffic and inflation adjustments, variables that are outside the airport operator's direct control. As a matter of fact, the ongoing geo-political situation (which is still unfolding) has already impacted passenger traffic in FY27 impacting the realizable non aeronautical revenues in the first 3 months of FY27.

Neither the AERA Act nor the Tariff Guidelines nor the Concession Agreement nor the NCAP 2016 confer any power to AERA to determine a minimum threshold of Non Aeronautical Revenues or to make true up conditional upon actuals crossing such threshold. AERA's proposal is a one sided true up mechanism because it protects against underestimation only when actual Non-Aeronautical Revenue is higher than AERA's estimate but gives no corresponding relief when actual revenue is lower. A true up mechanism, by its very nature, is intended to correct both under recovery and over recovery based on actuals.

The true and correct legal position under the AERA Act, 2008, is that AERA may use projections at the tariff-setting stage, but, the final true-up must be carried out on the basis of actual non-aeronautical revenue received during the Control Period, without imposing any floor, minimum threshold or one-sided condition that the true-up will be available only if actuals exceed a notional benchmark.

Further, there are specific non aeronautical revenue streams where we have witnessed downward revision of contractual payments (post MYTP submission in July 2025) and would like to update the submissions as follows:

Forex

AERA has projected Forex Revenues based on the past trends. The forex business has been seeing a downward trend as passengers continue to prefer credit cards and prepaid cards instead of currency conversion at BIAL. In January 2026, the concessionaire providing forex services at KIAB T2 has pulled out citing non viability of the business. Subsequently, the new concessionaire (selected through a tendering process) has offered a significantly lower MAG and revenue share as a result of which BIAL's earnings from forex have shown the following trend over the last 12 months:

Month	Name	RS%	Billing Value (Higher of MAG or RS)	Int Pax
Apr-25	Old Concessionaire	14.25%	4.00	5,72,302
May-25	Old Concessionaire	14.25%	4.24	6,05,742
Jun-25	Old Concessionaire	14.25%	3.94	5,63,347
Jul-25	Old Concessionaire	14.25%	4.05	5,78,495
Aug-25	Old Concessionaire	14.25%	4.06	5,81,038
Sep-25	Old Concessionaire	14.25%	4.19	5,65,343
Oct-25	Old Concessionaire	14.25%	4.55	6,13,681
Nov-25	Old Concessionaire	14.25%	4.76	6,42,647
Dec-25	Old Concessionaire	14.25%	5.15	6,94,550
Jan-26	New Concessionaire	11.51%	0.94	4,05,482
Feb-26	New Concessionaire	11.51%	1.37	5,92,937
Mar-26	New Concessionaire	11.51%	1.20	5,18,987
Apr-26	New Concessionaire	11.51%	1.17	5,06,309
May-26	New Concessionaire	11.51%	1.34	5,81,100
Jun-26	New Concessionaire	11.51%	1.35	5,86,700

Accordingly, BIAL requests AERA to revise the Non-Aeronautical Revenue from Forex Services as below

(Rs. in Crores)

Particulars	2027	2028	2029	2030	2031
Revenue from Forex considered by AERA in Table 230 under Retail Revenue	47.16	54.24	60.14	68.39	76.64
Revised revenue estimate as against the above	18.46	21.71	24.61	28.33	32.45

BIAL requests AERA to consider the above revision as these reflect the reasonable estimate of revenue, based on the existing conditions.

Car Parking

AERA has considered an estimated Car Park Revenue of Rs. 1089.43 Cr. for Fourth Control Period (Table 237) as against the estimate of Rs. 943.43 Cr. considered by BIAL. BIAL has, as part of its MYTP submitted the following.

10.1.1 The parking contract was re-tendered in FY 2024-25 for a 5-year period with revised parking tariffs. The operating model shifted from self-managed operations to a concessionaire-based model, resulting in market discovered revenue share for BIAL. Additionally, with the expansion of metro connectivity, a growing number of passengers are expected to opt for public transit over private vehicles, leading to a subdued outlook for parking demand up to FY 2030-31. ***Accordingly, BIAL has projected parking revenues to grow broadly in line with overall passenger traffic only, which itself is aggressive given there will be a shift of users from self drive and taxis to metro rail.*** *An uptick is anticipated in FY 2030-31, driven by additional parking capacity and demand arising from the T2 Phase expansion. Accordingly, revenue from parking is projected to grow at a CAGR of 10%, which is line with projected passenger growth.*

Taxi services

The taxi services contract had been re-tendered in FY 2023-24, with the agreed tariffs remaining fixed until FY 2028-29 resulting in uptick in revenue share. However, In FY 2025-26, two taxi service providers—BluSmart and Refex, ceased operations at BLR Airport due to their ongoing financial difficulties. Post filing of MYTP, another concessionaire viz., OHM had commenced taxi operations but subsequently shut operations citing limited growth. Commencement of Metro operations effective FY 2027-28 is expected to further temper demand *for taxi services through FY 2030-31. In view of these developments, BIAL requests Authority to accept the revenues projected by BIAL.*

Limousine

10.1.2 Since the business will continue operating under a fixed price and Minimum Annual Guarantee (MAG) model until FY 2028-29, revenue projections increase in line with the agreed MAG terms.

Considering the on-ground situation, BIAL submits that the substantial increase in Car Parking Revenues estimated by AERA is not reasonable and that the estimate submitted by BIAL be considered for Non-Aeronautical Revenues from Car Parking.

Advertisement Revenues

AERA has estimated Advertisement Revenues considering Passenger Growth rate and inflation. BIAL submits as follows:

- **Advertising revenue cannot be directly linked to passenger growth :** Unlike aeronautical revenues, advertising revenue is driven by advertiser demand, market conditions, pricing, and overall economic sentiment. **Further, airport advertising inventory is restricted by BCAS-approved advertising spaces and nearly 95% of these** have been utilized. As no significant expansion of advertising inventory is envisaged during the Control Period, passenger growth alone cannot justify the higher revenue projections proposed by AERA.
- **Advertising is a discretionary spend and is highly sensitive to market conditions:** Marketing budgets are typically among the first to be rationalized during periods of economic uncertainty and geopolitical instability. BIAL has experienced campaign deferments and cancellations, including major international campaigns such as Danube and national campaigns like Amazon, SBI, Scapia reflecting the cautious approach adopted by advertisers. These market realities reinforce that advertising revenues are inherently volatile and cannot be assumed to grow at a fixed rate.
- **The proposed revenue projections are not supported by industry trends:** As per the **Pitch Madison Advertising Report 2026**, the Indian Out of Home (OOH) advertising market is expected to grow by approximately **5%** in 2026, while the global OOH market is projected to grow by approximately **4.1%**. The report also highlights that Out of Home continues to account for only **4% of the total advertising market**, reflecting measured growth of the medium.
- **BIAL's projections are already stretched growth :** The submitted projections have factored in passenger growth, premiumization of media assets, digital expansion, improved utilisation of inventory and market development initiatives. These assumptions already represent a stretched yet achievable business plan. Any further enhancement would require demonstrable evidence of additional advertising inventory, sustained pricing growth and materially higher advertiser demand, none of which is supported by current market conditions or industry forecasts.

Accordingly, BIAL requests AERA to consider the Advertisement Income estimate submitted by BIAL

9.5 Other Income

AERA has estimated "Other Income" of Rs. 122.66 Cr for the Fourth Control Period. This head relates to income which are largely one time such as "Interest on Income Tax Refund", "Penalty", "Tender Fee", "Exchange gain/loss" etc. which are not recurring revenues. The Authority has proposed to apply a CAGR of 19.91%. Considering the non-recurrent nature of such income, BIAL requests AERA not to consider any income on this account for estimation. Actuals may be considered during true up.

9.6 Lease Rental

<u>Authority's Analysis</u>

- *BIAL's approach accepted; Only considering the lease rentals to be earned from non-aeronautical portions and considering Terminal Area increase while factoring the revenues, CAGR of 8.71%*

<u>BIAL's Submission</u>

In AERA's analysis of Non-Aeronautical Revenues for Fourth Control Period, AERA has considered Lease Rentals from Aeronautical Service Providers as Aeronautical. AERA has noted in S # 15, Table 236 as *"Only considering the lease rentals to be earned from nonaeronautical Portions"* as the basis for computing the Land Lease Revenues to be considered as Non-Aeronautical. Accordingly, a total of Rs. 50.44 Cr. has been considered as Non-Aeronautical Land Lease Rental for Fourth Control Period in Table 237 of the Consultation Paper.

Based on the detailed, user wise analysis carried out for the Third control period, BIAL has classified the Lease Rental estimation for Fourth Control period also, as follows. Detailed workings are included in Annexure 9. BIAL requests the Authority to correct the classification based on the details provided below.

(Rs. in Crores)

Particulars	FY 27	FY28	FY 29	FY 30	FY 31	Total
Aero Rental	134.39	141.10	148.16	155.57	164.15	**743.37**
Non-Aero Rental	64.91	68.93	73.09	77.41	81.77	**366.11**
Total Rental	**199.29**	**210.03**	**221.25**	**232.98**	**245.92**	**1,109.47**

Note: FY 26 had certain one-time revenues which have been excluded for this estimation.

9.7 Interest Income

<u>BIAL's Submission</u>

BIAL wishes to point out that the current proposal of AERA considers a total interest income of Rs. 244 Cr. per year for the next 5 years and this is based on assuming that the FY26 figures of Interest Income will be earned by BIAL in each of the 5 years of the 4th control period. This assumption is flawed and does not relate to the ground realities. AERA has approved a total capital expenditure of Rs 12,902 crs and based on a D:E of 70:30, the total equity investment requirements will be around Rs 3,900 crs. Given the Incremental ARR approach , the ability for BIAL to generate fresh accruals through FY27 to FY29 will be limited as nearly 1,925 crores of ARR is linked to completion of 3 large projects. Consequently, the surplus cash (presently generating interest income) will be deployed towards Expansion Project, thereby limiting interest income generation.

In BIAL's estimate the Interest income estimate for the 5 years based on its estimated cash flow is expected to be approximately ~ Rs 550 crores and the same may be considered by AERA, as per table below.

(Rs. in Crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31
Interest Income estimates	140	110	90	60	150

9.8 Treatment of Revenues from MRO as Aeronautical

<u>BIAL's Submission</u>

Based on Table 237 where non aero lease rentals for 4th control period is estimated at only 50.44 crores, BIAL believes that the lease rent revenue from MRO operators has also been treated as aeronautical revenue.

BIAL submits the following for the Authority's consideration:

1. In the third control period, AERA as per para 8.2.46 has considered lease rental income from MRO agencies as non-aeronautical.

> *Order No. 11/ 2021-22 for the Third Control Period KIA, Bengaluru*
>
> 8.2.45 The Authority noted that BIAL had projected a slower growth rate for miscellaneous non-aeronautical revenues (existing) in the Third Control Period as compared to a CAGR growth of 34% for the period FY17 – FY20. The Authority proposes to revise the miscellaneous non-aeronautical revenues (existing) such that it reaches the pre-COVID levels by FY25.
>
> 8.2.46 BIAL in its submission dated 12 April 2021 provided the details of additional revenues streams in the miscellaneous non-aeronautical revenues for the Third Control Period. These included the rentals from the petrol pump and MRO facility. The Authority has included these rentals as part of the miscellaneous non-aeronautical revenues (new).

Based on the clarity provided by the Authority in the TCP order, BIAL has gone ahead and repurposed nearly 80 acres of land earmarked for Real estate development towards MROs to be developed by Air India, Tata Advanced Systems Limited (Defense MRO) and Indigo. It is well understood that Real estate land offers higher returns than usage towards MRO infrastructure. The Authority's treatment of MRO revenues during the Third Control Period formed the basis of BIAL Board's decision to repurpose land originally intended for commercial real estate development towards MRO facilities, thereby supporting national aviation objectives and creating long-term ecosystem benefits.

The proposal in the consultation paper to treat rental income from MRO as aeronautical alters the economic assumptions underpinning those decisions and hence the Authority is requested to maintain continuity in its stance.

2. AERA's proposal in Jewar Airport tariff order

AERA mentioned in the order for Jewar Airport that it "only intends to regulate the airport operator's revenue from providing the airside ecosystem (land, hangar location, utilities, clearances) to the MRO to ensure that there is no abuse of the monopolistic status of the concerned airport and these are fixed in a fair manner by the Airport Operators complying with the extant corporate norms & regulations".

BIAL submits that over the past 2 years, BIAL has successfully signed MRO lease rental agreements with Air India, Tata Advanced Systems Limited and Indigo. All these entities had the option of approaching other airports but chose BIAL (duly supported by Government of Karnataka) clearly demonstrating there was no abuse of monopolistic status.

In the Jewar Airport Tariff order, the Authority acknowledges that MRO services are not a part of the definition of Aeronautical services as per AERA Act. Despite the above, AERA has proposed to consider rentals received by BIAL from MRO entities as aeronautical.

In the context of functions of AERA Act, in the case of DIAL vs AERA (SCC 716, 2024), the Hon'ble Supreme Court of India has observed that regulatory approach adopted by AERA *must ensure regulatory consistency and must be in adherence to the statutory framework.*

"Before the complete legislative structure was set in place, operations were proceeded on the understanding of the agreement between the parties, and the legislative intent is also apparent. This provides for due honour and consideration being given to the aforesaid intent as per the provisions of Section 13 of the said Act. The objective is that all parties who have operated in what may be called a pioneering effort in the field of civil aviation in India should not be taken by surprise affecting their commercial viability as it would discourage private participation in such economic activities which have been perceived to be essential by the Government."

3. Definition of Regulated Charges as per Concession agreement does not include MRO

The Concession Agreement, a pre-legislative contract, is recognized under the SOR of the AERA Act, 2008. Section 13(1)(a)(vi) mandates AERA to consider concessions granted by the Central Government while determining tariffs. The Hon'ble Supreme Court in DIAL SC Judgment has held that "*[…] legislative intent itself incorporates and requires the prior agreements to be taken into consideration albeit along with certain other parameters/requirements*".

As per Schedule 6 of the Concession Agreement, only landing, parking, housing charges and UDF form a part of the Regulated Charges that are to be determined by the Authority. In BIAL's case, revenue from lease of land to MRO entities is not a part of Regulated Charges. It is to be classified as a part of "Other Charges" (as defined in the Concession Agreement) and BIAL is free without any restriction to determine such charges. . The tariff structure in the concession agreement ought to be honored by AERA hence revenues from lease of land to MRO entities cannot be considered as a part of aeronautical revenues.

Accordingly, BIAL requests the Authority to continue with the stance adopted at the time of Third control period for 4th Control period and treat rentals from MRO as Non-Aeronautical.

10 Taxation for the Fourth Control Period

Authority's Proposal

- *To consider Aeronautical Taxes, for the Fourth Control Period as per Table 240.*
- *The Authority further notes Airport Operator's submission of calculation of tax under Minimum Alternate Tax (MAT) regime and consideration of MAT rate for arriving at the Tax entitlement. However, the Authority has relied upon the judgement of Hon'ble Supreme Court dated 11.07.2022 and worked out corporate tax based on regulatory accounts/ regulatory building block.*

BIAL's Submission

BIAL had submitted the estimated Tax reimbursement for Fourth Control Period based on Aeronautical Revenues, 30% Non-Aeronautical Cross subsidization and after adjusting the Aeronautical Expenses, depreciation etc.

AERA has recomputed the Tax reimbursement in Table 240 of the Consultation Paper. BIAL notes that AERA has cited reference of Supreme Court Judgement issued in July 2022 as the basis for the proposed tax workings. BIAL submits that this interpretation is incorrect. The said judgement of the Hon'ble Supreme Court relates specifically to the issue of non-consideration of fee paid to AAI by DIAL as an expenditure in computing Aeronautical P&L statement. This issue is based on the specific provisions of the State Support Agreement (SSA) of DIAL& MIAL. . Para 111 of the said judgement clearly shows that the Hon'ble Supreme Court has looked into the SSA of DIAL & MIAL to decide on the issue appealed.

> 111. No doubt, it is a principle of taxation that it is the actual tax which is paid and which has to be taken into account. This is what the AERA and the TDSAT have done ostensibly on the premise that there should not be any undue enrichment of the Airport Operators. However, to our mind, the more important factor is to look at what the contract says and whether some other construction would be required to be given to the contract.

Hence the reliance on the decision regarding tax in the above referred judgement of the Hon'ble Supreme Court is not applicable to BIAL. In fact, concession fee is a part of expenses approved by the Authority, clearly establishing the non-applicability of this portion of the judgement.

BIAL requests the Authority to review the following submissions with respect to recomputation of Aeronautical Tax for Fourth Control period.

1. Inclusion of 30% Non-Aero Revenues for computing Aeronautical Profit – As detailed in Para 3.5 above
2. Interest Expenses for the purpose of computing Aeronautical Profit – As detailed in Para 3.5 above
3. Aeronautical revenues – BIAL requests AERA to update the values based on the final Aeronautical Revenues to match the Net Present value of the ARR.
4. Rate of Tax – BIAL requests the Authority to consider the new tax rate of 18.878% in line with the update to tax rates in the budget accordingly.

11 Aggregate Revenue Requirement for the Fourth Control Period

Authority's Proposal

- *To consider the Aggregate Revenue Requirement and YPP for the Fourth Control Period for BIAL in accordance with Table 249*
- *To direct BIAL to submit the Annual Tariff Proposal (Tariff Rate Card) within 7 days from issue of this Consultation Paper which will be put up for stakeholder consultations.*

11.1 Incremental ARR

BIAL's Submission

AERA's guidelines provide for a levelized tariff being charged over all 5 year control period. The fundamental framework of the regulations accordingly consider projecting the Capital Expenditure, Operating Expenses etc. over a 5 year period and setting the tariff in a way that there is a staggered, levelized increase without any significant spikes which cause difficulties to all relevant stakeholders. This methodology has worked well in the past control periods and has been successfully implemented across tariff determination for various airports over more than 3 control periods.

Further, the User Pay / incremental ARR Principle assumes that the relevant asset is a standalone use asset, whereas in Airports, the users use the entirety of the Infrastructure for carrying our various activities. It is not practical to segregate and identify a levy of charge corresponding to each asset usage.

Incremental approach is fraught with a challenge that there could be a need to significantly increase the relevant charges to enable the recovery of the eligible ARR. It is with the very purpose of avoiding this, the 5 year control period and staggered increase in charges is being practiced by AERA. Inability to significantly increase the levy will also result in an under recovery, which impinges on sustainability of the Airport Operations.

Notwithstanding the above, if AERA decides to implement the Incremental ARR, BIAL requests the following:

1. Western Cross Field Project is already underway and expected to be **commissioned by 30th September 2027 (including time for approvals from DGCA & BCAS)**, which is the second year of the control period. Therefore, this project does meet the eligibility criteria set out by the Authority in Para 12.3.2 of the Consultation Paper, as the project is getting completed in the second year of the Control Period itself and not in the last 2 years. Progress Photographs of Western Cross Field Taxiway project as below demonstrate the advanced stage of its completion (50% physical progress).

   Hence WCT should form part of Base ARR.

2. While AERA has detailed its approach on implementation of Incremental ARR in Para 12.4 of the Consultation Paper, BIAL proposes the following change to this methodology:
    - Instead of having half yearly reporting windows, respective airport should be required to submit the proposed date of capitalization for identified projects 3 months ahead of the asset being put to use.
    - Upon asset being commissioned, the Airport should submit a certificate from a chartered accountant certifying completion.
    - With the above documentation, we request the Authority to approve the revised tariff (as per pre-approved incremental ARR rate card) within 4 weeks of submission of documentation
    - The Authority is requested to approve the tariff card (including projects included as part of Incremental ARR framework) as part of the tariff order – to provide visibility to airlines and passengers.
3. Incremental rates may be published as an additional annexure in the Rate card to be approved by AERA to provide clarity to the users and the Airport upfront, at the time of publishing the Tariff Order.

    While BIAL had submitted its ATP for base ARR basis the Authority's guidance, BIAL is now submitting the rate card / ATP for the total ARR (Base ARR + Incremental ARR) for 15,225 crores. BIAL has also already mentioned that the incremental ARR approach will lead to multiple revisions in the tariff card. To simplify the approach, BIAL would like to submit the following rate card for the 5 year period. In the submission, BIAL (as per the proposal in the CP) has considered the following:

    - Western Cross taxiway, Terminal 2 Phase 2 apron and Terminal 2 Phase 2 will continue to be part of the incremental ARR approach with capitalization dates as 30th September 2026, 30th June 2029 and 31st December 2029 respectively.
    - **Instead of annual changes, UDF rates to change only when a project forming part of the incremental ARR approach is completed and put to use.**
    - **The LPH rates however grow at 5% YoY and may be retained as submitted on 19th June**
    - The new UDF rates would be available for collection from 3 months from date of completion of a project.
    - Total ARR and Passenger traffic has been considered as proposed by the Authority in the consultation paper.
    - Date for implementation of new tariff – 1st September 2026
    - The Authority is requested to provide BIAL an opportunity to submit the final ATP once the ARR workings have been updated basis responses to the consultation paper and methodology for implementation of incremental ARR for Terminal 2 apron and Terminal 2 Phase 2.

Particulars	Apr 2026 - Aug 2026	Sept 2026 - Dec 2027	Jan 2028 to Sept 2029	Oct 2029-Mar 2030	Apr 2030 - Mar 2031
Dom UDF (INR)	550	400	460	490	600
Intl UDF (INR)	1500	1,100	1,225	1,325	1,600

BIAL understands that the tariff card may undergo revision post finalization of the ARR. BIAL requests the Authority that as and when it finalizes the ARR, the principle that should be adopted when refining the ATP is that the UDF rates be kept constant with revisions only when an incremental ARR kicks in. This will ensure that a one-time downward revision in UDF rates is passed onto passengers, **moderates tariff hikes due to new asset additions and avoids tariff spikes during the control period**, reduces administration complexity as UDF rates change only 2-3 times (as no annual increase is required) and increase in UDF is justified by capitalization of a "new large capex program". The above approach ensures that there is a balance between UDF and the Cash flow requirement of BIAL for implementing the proposed Capital Expenditure Program.

11.2 True up of Regulatory Building Blocks and Aeronautical Revenues

BIAL requests that all components of ARR and Aeronautical Revenue be trued up at the time of determination of tariff for the next control period.

11.3 Variable Tariff Plan

BIAL's Submission

As communicated in letter dated 20th June 2026, BIAL requests AERA to include the below section as a part of the Variable Tariff Plan in the ATP submissions.

VTP for Scheduled Domestic Passenger flights for a New Airline* (as defined below)

	Year 1	Year 2	Year 3	Year 4
Landing charges for Domestic flights				
Qualifying criteria	Handled Dom Dep Pax per annum >= 50,000	Handled Dom Dep Pax per annum >= 120,000	Not Applicable	Not Applicable
Rate per MTOW (for MTOW <= 100)	0.0 * RR	0.0 * RR	1 * RR	1 * RR
Rate per MTOW (for MTOW >= 100)	0.0 * RR	0.0 * RR	1 * RR	1 * RR
Route development support to airline	INR 25 lakhs	INR 25 lakhs		

RR – Rack Rate

New Airline: An airline that has not operated on any domestic route from/to BLR in the last 4 IATA seasons

12 List of Annexures

Sl. No.	Annexure Details
1.	Details of MMTH cost submitted during MYTP evaluation in Third Control Period
2.	CA Certificate on Credit Notes adjustment to capitalized asset values
3.	Fixed Asset Register of Third Control period for PAL-2 related additions
4.	Depreciation computation workbook for Third Control Period & Fourth Control Period
5.	CA Certificate on Depreciation Computation as per AERA Principles for Third Control Period
6.	Analysis of Personnel Cost
7.	Workbook containing details of Utility Recovery for Third Control Period & Fourth Control Period
8.	Copies of circulars relating to Ceremonial/ VVIP lounges
9.	Workbook containing details of Lease Rental Revenue across different users for Third Control Period & Fourth Control Period
10.	IGAAP Audited Financials for FY 2026
11.	Appendices relating to Capital Expenditure Estimates
12.	AVSEC Circular relating to Terminal Building Area
13.	CRISIL Report on Airport Construction Materials - Commodity Price Adjustment Study
14.	Note on Pre-Operative Expenditure for Fourth Control Period
15.	Recomputed IDC estimate and Capital Expenditure template considering the change in Indexation and IDC estimate for Fourth Control Period
16.	Letter on Metro works
17.	Reworked O&M Cost working for Fourth Control Period
18.	Extract of Rental Agreement for BP2
19.	Utility Invoice for April 2026
20.	Letter from Karnataka Housing Board (KHB) dated 13^{th} July
21.	Letter from DIG CASO to BIAL dated 10^{th} March 2026