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सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण  
AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

मैसर्स केरल स्टेट इंडस्ट्रियल इंटरप्राइजेज लिमिटेड (के.एस.आई.ई.एल.) के संबंध में  
कालीकट अंतरराष्ट्रीय हवाईअड्डा, कोझीकोड में कार्गो हैंडलिंग सेवाओं के लिए तृतीय  
नियंत्रण अवधि (वित्त वर्ष 2021-22 से वित्त वर्ष 2025-26)  
के लिए टैरिफ निर्धारित करने के मामले में/

IN THE MATTER OF  
DETERMINATION OF TARIFF FOR CARGO HANDLING SERVICES FOR  
M/s KERALA STATE INDUSTRIAL ENTERPRISES LTD. (KSIEL) AT  
CALICUT INTERNATIONAL AIRPORT, KOZHIKODE FOR  
THE THIRD CONTROL PERIOD (FY 2021-22 to FY 2025-26)

जारी करने की तारीख : 16 नवंबर, 2023

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नई दिल्ली - 110003/ NEW DELHI -110003





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**List of Abbreviations**

AAICLAS	AAI Cargo Logistics and Allied Services Company Limited
ACC	Air Cargo Complex
ACS	Annual Compliance Statement
AERA/ AUTHORITY	Airports Economic Regulatory Authority of India
ARR	Aggregate Revenue Requirement
ATP	Annual Tariff Proposal
BCAS	Bureau of Civil Aviation Security
CACC	Calicut Air Cargo Complex
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CCJ	Calicut International Airport
CGF	Cargo Facility, Ground Handling & Supply of Fuel to the Aircraft
CPI	Consumer Price Index
CUDCT	Common User Domestic Air Cargo Terminal
HO	Head Office
ISP	Independent Service Provider
KSIEL	Kerala State Industrial Enterprises Limited.
MoU	Memorandum of Understanding
MYTP	Multi-Year Tariff Proposal
MT	Metric Ton
NCAP	National Civil Aviation Policy
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PAT	Profit After Tax
PBT	Profit Before Tax
PSU	Public Sector Undertaking
RA	Regulated Agent
RAB	Regulatory Asset Base
YoY	Year on Year





## CHAPTER 1: INTRODUCTION

- 1.1 Kerala State Industrial Enterprises Limited (KSIEL) is a State Public Sector Undertaking (PSU) owned by the Government of Kerala and was incorporated on 25<sup>th</sup> January, 1973. KSIEL has been operating the Air Cargo Complex (ACC) at Calicut since 1995 and had been appointed as the Custodian of Calicut Air Cargo Complex (CACC), both for Import and Export Cargo by the Commissioner of Customs.
- 1.2 KSIEL acquired 4.18 acres of land adjacent to Calicut Airport, for constructing a new Air Cargo Complex in the year 1999 at a total cost of ₹ 500 lakhs and started full-fledged cargo operations (both import and export) from the new Air Cargo Complex (ACC).
- 1.3 M/s KSIEL signed a Memorandum of Understanding (MoU) with AAI Cargo Logistics and Allied Services Company Limited (AAICLAS) for provision of Export Cargo Handling Services at Calicut International Airport, valid up to 16.08.2023. KSIEL, vide mail dated 08.05.2023 submitted that they are in the process of renewal of MoU with AAICLAS/AAI for further continuation of the Cargo Handling Services at CCJ, Kozhikode.

Subsequent to completion of consultation process, the Authority sought the current status regarding renewal of MOU with AAICLAS. KSIEL, vide email dated 20.10.2023 informed that the renewal of MOU with AAICLAS is in progress. The ISP further conveyed that presently they are in process of reconciling payments made by KSIEL to AAICLAS relating to Revenue Share payable on their Gross Turn Over (GTO) in respect of the Calicut Unit. As per KSIEL, after reconciliation of the accounts, negotiation will be held between the parties for fixing of new Gross Turnover (GTO) Share and execution of new MoU. Accordingly, as per the ISP, the new MoU with AAICLAS will be executed, after completion of abovesaid procedural formalities.

- 1.4 Earlier, KSIEL was operating Common User Domestic Air Cargo Terminal (CUDCT) facilities from the Calicut International Airport (CCJ), Kozhikode. From 01.06.2023 onward, after obtaining the status of Regulated Agent (RA) Facility, ISP commenced RA related Services at the ACC, Calicut International Airport, Kozhikode.

- 1.5 The shareholding structure of the KSIEL is given as below:

**Table-1: Shareholding Structure of KSIEL.**

Name of Shareholder	Equity Holding (%)
M/s Kerala State Industrial Enterprises Limited	100.00
<b>TOTAL</b>	<b>100.00</b>

- 1.6 Brief of the past Tariff approvals:

- (i) The Authority, vide Order No. 34/ 2017-18 dated 10.01.2018 approved the tariff in respect of M/s Kerala State Industrial Enterprises Limited (KSIEL) providing Cargo handling services at Calicut International Airport under “Light Touch Approach” for the first three years of the Second Control





Period. Thereafter, the Authority, vide Order No. 01/ 2020-21 dated 03.04.2020 approved Tariffs for the 4<sup>th</sup> and 5<sup>th</sup> tariff year of the Second Control Period i.e., up to 31.03.2021.

- (ii) Thereafter, the Authority has extended the tariff prevailing as on 31.03.2021 up to 31.03.2024, vide various interim orders issued by the AERA, from time to time.
- (iii) Subsequent to getting status of RA Facility in respect of its Calicut Cargo Complex, KSIEL vide letter dated 16.05.2023 requested to the Authority for approving Tariff for RA related Services. On request of the ISP, the Authority, vide Addendum to Order No. 42/ 2022-23 dated 23.03.2023, approved the Ad-hoc Tariff up to 30.09.2023 for Regulated Agent (RA) related services in respect of KSIEL at Calicut International Airport.

#### **MYTP Submission for the Third Control Period:**

- 1.6.1 KSIEL submitted Multi Year Tariff Proposal ('MYTP') for the Third Control Period (FY 2021-22 to FY 2025-26) to the Authority on 25.02.2023, for the determination of Tariff in respect of Cargo Handling Services being provided by the ISP at Calicut International Airport.
- 1.6.2 Based on the review of MYTP & the Authority's observations, the ISP vide email dated 04.08.2023 submitted the updated MYTP. In the updated MYTP, KSIEL incorporated the actual figures for FY 2021-22 & FY 2022-23 and proposed following % increase in the Tariffs for the FY 2023-24 to FY 2025-26 of the Third Control Period.

Financial Years	FY 2023-24	FY 2024-25	FY 2025-26
% Tariff Increase	25%	15%	10%

#### **1.7 Consultation Paper**

- 1.7.1 The Authority, after having examined the MYTP submission of the KSIEL in detail and taking into account the additional information/ clarifications furnished by the ISP from time to time, issued the Consultation Paper (CP) No. 10/2023-24 dated 23.08.2023 for the stakeholders comments.
- 1.7.2 The Authority invited suggestions/ comments from the Stakeholders on the various proposals of the Authority in the Consultation Paper (CP) No. 10/2023-24 dated 23.08.2023 with the following timelines:
- Date for submission of written comments by Stakeholders: 13<sup>th</sup> September, 2023.
  - Date for submission of counter comments: 20<sup>th</sup> September, 2023.
- 1.7.3 Pursuant to issuance of the aforesaid CP, the Authority received comments from M/s Federation of Indian Airlines (FIA) on the tariff rates approved by the Authority vide Consultation Paper No. 10/2023-24 and the same were uploaded on the AERA's website vide Public Notice no. 13/2023-24 dated 14.09.2023. Thereafter, the Authority, in response to Public Notice no. 13/2023-24 dated 14.09.2023, received counter comments from KSIEL on 19.09.2023.
- 1.7.4 The Authority, after considering the comments submitted by the stakeholders on the CP, including counter comments of service provider, has finalized this Tariff Order.





## CHAPTER 2: PRINCIPLES FOR DETERMINATION OF “AERONAUTICAL TARIFF”

- 2.1 The Authority, vide Order No. 12/2010-11 dated 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft at the major airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 (“the CGF Guidelines”), vide its Direction No. 04/2010-11 dated 10.01.2011.
- 2.2 In accordance with the above mentioned CGF Guidelines (clause 4.3.), the following procedure is adopted for determination of the Materiality Index of Regulated Service:

### Materiality Assessment( $MI_c$ ):

$$\text{Materiality Index (} MI_c \text{)} = \frac{\text{Cargo Volume at Calicut Airport}}{\text{Total Cargo Volume at all Major Airports}} \times 100$$

$$\begin{aligned} \text{The Materiality Index for Calicut Airport} &= 28179/3235774 \times 100 \\ &= 0.87\% \end{aligned}$$

The percentage share of Cargo volume at Calicut International Airport, Kozhikode in respect of the FY 2019-20 (pre-Covid year) is 0.87%, which is lower than Materiality Index ( $MI_c$ ) of 2.5% for the regulated service (Cargo Handling Services). Hence, the regulated service is deemed as “**Not Material**” at Calicut Airport during the Third Control Period.

- 2.3 The Authority noted from the ISP submission that Kerala State Industrial Enterprises Ltd. is the only service provider at Calicut International Airport, rendering International Cargo Handling Services.
- 2.4 As per the clause 3.2 (i) of the CGF Guidelines, wherever the Regulated Service provided is ‘**Not Material**’, the Authority shall determine Tariff(s) for Service Provider(s) based on a ‘**Light Touch Approach**’ for the duration of the Control Period. Hence, in the instant proposal, the Authority has decided to determine Tariff in respect of Cargo Handling Services (regulated services) provided by KSIEL at Calicut airport, Kozhikode, under the “Light Touch Approach” during the Third Control Period.
- 2.5 The Tariffs for the ISP, in the instant proposal, has been determined under the Light Touch Approach; however, it is pertinent to mention that even in light touch approach, the Authority examines all the regulatory building blocks & underlying assumptions/ basis thereof, including projections relating to revenues, expenses, volumes etc. and considers other relevant aspects of the proposal, to ensure that no undue gains accrues to the Service Provider and the end users are not unduly burdened with higher Tariff(s). Accordingly, wherever required, additional details/ clarification etc. on the various aspects of the proposal, including regulatory building blocks, were sought from the ISP, in accordance with the provisions of CGF Guidelines / under the Section 13 (e) of the AREA Act, 2008.
- 2.6 The Authority noted that KSIEL submitted the Annual Tariff Proposal (ATP) for the Control Period, along with its MYTP. The Authority noted that the KSIEL had conducted the separate Stakeholders’ Consultation Meeting with the representatives of Airlines & Exporters association on 30.01.2023 and





had submitted the Minutes of Meetings (MoM) to the Authority. As per the MoM, the representatives of Calicut Exporters Association, Air India Express, Flynas Cargo, Oman Air Cargo, Indigo Cargo, Gulf Air Cargo and Air Arabia Abu Dhabi participated in the Consultation Meeting.

2.7 From the MoM, the Authority noted that ISP explained to the stakeholders, the BCAS requirement to convert its CUDCT facility at Calicut airport into Regulated Agent (RA) facility. Accordingly, KSIEL included the tariff of RA related additional services in its MYTP and also discussed the proposed tariff with the stakeholders during the consultation meeting. As per the ISP submission, the exporters agreed for the revision of tariff pertaining to their area of operations. However, the representatives of airlines informed that they will give their feedback after getting the same vetted by their Headquarters. ISP further submitted that based on Airlines feedback and the feasibility of operations & competitiveness, they had considered the request of the Airlines and revised its proposed Screening and Certification Charges from ₹ 4.00 per kg. to ₹ 2.25 per kg. and X-Ray machine charges from ₹ 2.00 per kg. to ₹ 1.75 per kg.

2.8 Stakeholders' Comments regarding principles for the determination of Tariff for the Aeronautical Services during the Third Control Period.

2.8.1 During the stakeholder consultation process, the Authority received no comments/views from the stakeholders in response to the proposal of Authority in the Consultation Paper No. 10/2023-24 regarding principles for the determination of Tariff for the Aeronautical Services.

In view of the above & taking into account the Materiality Assessment of the Regulated Service, the Authority decides to determine the Tariff for the ISP in respect of its Third Control Period under the '**Light Touch Approach**'.

2.9 Authority's decision regarding principles for the determination of Tariff for the Aeronautical Services during the Third Control Period.

2.9.1 Based on the material before it and its analysis, the Authority decides that the Cargo Handling Service being provided by KSIEL at Calicut Airport (CCJ), Kozhikode, in respect of the Third Control Period, is '**Not-Material**'. Accordingly, the Authority decides to determine the Tariff for the ISP in respect of its Third Control Period based on the '**Light Touch Approach**'.





## CHAPTER 3: CARGO VOLUME PROJECTION

### 3.1 KSIEL's submission on Cargo Volume Projection for the Third Control Period.

3.1.1 KSIEL, as part of its MYTP, submitted the actual International Cargo volume handled by KSIEL at Calicut Airport during the 2<sup>nd</sup> Control Period as under:

**Table 2: International Cargo volumes handled by KSIEL at Calicut Airport during the Second Control Period.**

(Volume in MT)

Financial Year	Export	Import	Total	YoY % change		
				Export	Import	Total
2016-17	13167	1585	14752	-	-	-
2017-18	17782	1682	19464	35.05%	6.12%	31.94%
2018-19	15977	3747	19724	-10.15%	122.77%	1.34%
2019-20	24555	4114	28669	53.69%	9.79%	45.35%
2020-21	10039	705	10744	-59.12%	-82.86%	-62.52%

3.1.2 The Cargo Volume projected by KSIEL (Cargo Volumes to be handled by ISP) for Third Control Period is given below:

**Table 3: Cargo Volumes Projected (Cargo Volumes to be handled by KSIEL) at Calicut Airport for the Third Control Period at CP stage.**

(Volume in MT)

Financial Year	Export	Import	Total	YoY % change		
				Export	Import	Total
2021-22*	16438	2485	18923	-	-	-
2022-23*	17311	2142	19453	5.31%	-13.80%	2.80%
2023-24	15600	1652	17252	-9.88%	-22.97%	-11.32%
2024-25	16000	1700	17700	2.56%	3.03%	2.61%
2025-26	16500	1700	18200	3.13%	0.00%	2.82%

\*Actual Cargo Volume handled.

3.1.3 KSIEL submitted that the Cargo Volume Projection for the FY 2023-24 is based on the actual Cargo volumes handled during first quarter of FY 2023-24 (April 2023 to June 2023). ISP further submitted that they are handling two types of Export Cargo at CCJ, Kozhikode:

- (i) **Perishable Cargo-** Fresh vegetables, fruits, fish and meat, flowers etc. are the major perishable cargo moving from Calicut airport to Middle East Countries. Major vegetables/fruits handled at Calicut Airport are Bitter Gourd; long beans, curry leaves, Banana etc.
- (ii) **Non-Perishable Cargo:** Engineering products, ready-made garment, spices etc., are some non-perishables Cargo exported from the CCJ, Kozhikode and around 5% of the total export cargo constitutes non-perishable cargo.





Similarly, two types of Import Cargo are broadly handled by KSIEL at CCJ, Kozhikode:

- (i) **Unaccompanied Baggage or Personal effects:** 98% import cargo constitute of personal effects handled at CACC.
- (ii) **Commercial Cargo:** Only 2% import cargo constitute of garments and other items of commercial use.

**3.2 Authority's Examination on Cargo Volumes Projections in respect of KSIEL for the Third Control Period at CP stage:**

3.2.1 The Authority noted that the historical cargo volumes handled at Calicut airport during the Second Control Period had not shown any trend in the cargo volume growth. It was observed that from FY 2017-18 to FY 2019-20, total cargo volumes increased by 31.94%, 1.34% & 45.35% respectively on yearly basis. Thereafter, in FY 2020-21 Cargo Volumes decreased by 62.52% due to onset of the Covid-19 Pandemic.

The Authority also observed that total Cargo Volumes during Second Control Period increased at CAGR of 24.79% from FY 2016-17 to FY 2019-20, before Covid-19 pandemic.

3.2.2 The Authority further noted from KSIEL submission that ISP handled 18923 MT & 19453 MT of Cargo Volumes in FY 2021-22 and FY 2022-23 respectively; however, as per AAI website, Calicut airport had handled 10544 MT & 14523 MT of Cargo Volumes during the FY 2021-22 & FY 2022-23. In this regard, in response to AERA query, ISP, vide letter dated 01.08.2023 (received from Cargo Head, KSIEL via email dated 01.08.2023) submitted that Cargo Volume figures submitted by KSIEL are correct and they had paid applicable Revenue Share to the AAICLAS, accordingly. It is pertinent to note that the actual cargo volume figures for first two tariff years of the current control period are significantly higher than the figures available at AAI website for Calicut Airport pertaining to FY 2021-22 & FY 2022-23.

3.2.3 In view of the specific confirmation by the ISP regarding correctness of the cargo volumes handled by the ISP during first two tariff years of the current Control Period, the Authority proposed to consider cargo volumes figures for the FY 2021-22 & FY 2022-23 as submitted by the ISP at CP stage.

3.2.4 The Authority, vide email dated 17.10.2023, sought the details of actual cargo volumes handled by the ISP during the first six months of the FY 2023-24 (April 2023 to September 2023). In response thereto, KSIEL vide email dated 20.10.2023 submitted the requisite details in respect of the actual Cargo Volumes handled, as per Table given below:

Month	Total Cargo Volumes Handled	% change
April, 2023	1329	---
May, 2023	1365	3%
June, 2023	1207	-12%
July, 2023	1381	14%
August, 2023	1433	4%





September, 2023	1316	-8%
<b>Total</b>	<b>8031</b>	----

From the above table, it is observed that ISP has handled a total of 8031 MTs of Cargo during the period April 2023 to September, 2023; however, there is no visible trendline for the % growth in the Cargo Volumes. Based on the actual cargo volumes handled by the ISP during the first six months of FY 2023-24, the cargo volumes for the entire FY 2023-24 at Calicut airport projected by the ISP appears reasonable.

In view of the above and considering the lack of clear trend in the actual Cargo Volumes handled by the KSIEL at Calicut during the first two tariff years (FY 2021-2 & FY 2022-23), the Authority decides to consider projected volumes for last two tariff years (FY 2024-25 & FY 2025-26) of the Third Control Period, as submitted by the ISP.

**3.3 Stakeholders' Comments regarding Cargo Volume for the Third Control Period.**

3.3.1 During the stakeholders' consultation process, the Authority received no comments/views from stakeholders regarding the Cargo Volume proposed by the Authority for the Third Control Period.

3.3.2 Considering the above, the Authority decides to consider the same Cargo Volumes for the Third Control Period, as was proposed at the Consultation stage (Table no 3).

**3.4 Authority's decision regarding Cargo Volume for the Third Control Period.**

3.4.1 Based on the material before it and its analysis, the Authority decides to consider the Cargo Volume projected by KSIEL for the Third Control Period as per Table 3.

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**CHAPTER 4: CAPITAL EXPENDITURE (CAPEX) REGULATORY ASSET BASE (RAB) AND DEPRECIATION.**

**4.1 KSIEL submission on Capital Expenditure for the Third Control Period.**

4.1.1 KSIEL projected a total Capital Expenditure (CAPEX) of ₹ 241.78 Lakhs towards augmentation of its cargo handling equipment / facilities during the Third Control Period (FY 2021-22 to FY 2025-26). The details of Capital Expenditure projected by KSIEL for Third Control Period is given below:

**Table 4: Capital expenditure proposed by the KSIEL for the Third Control Period.**

(₹ in Lakhs)

Assets	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Other Buildings	-	1.20	70.00	30.00	-	101.20
Computers	-	-	1.80	4.00	-	5.80
Machinery	-	-	-	-	-	-
Office Furniture	-	-	1.00	-	-	1.00
Elect Installation	0.48	2.79	13.00	2.00	-	18.27
Office Equipment	1.23	0.08	11.20	3.00	-	15.51
X- Ray machine	-	-	100.00	-	-	100.00
<b>Total</b>	<b>1.71</b>	<b>4.07</b>	<b>197.00</b>	<b>39.00</b>	<b>-</b>	<b>241.78</b>

\*Actual Figures (unaudited)

4.1.2 Out of the total CAPEX of ₹ 241.78 lakhs proposed for the Third Control Period, major portion of capital expenditure (₹ 201.20 lakhs) has been earmarked by the ISP on the Works pertaining to 'Other Buildings' and procurement of X-Ray Machine.

4.1.3 KSIEL submitted the following justifications/ requirements for the major capital works proposed during the Third Control Period:

- (i) **Purchase of new X- Ray machine** – KSIEL submitted that as per the BCAS directions, KSIEL has to convert its CUDCT facility into the Regulated Agent Facility. Accordingly, after getting the RA status, the new segments of activities are required to be performed and same has been considered while proposing CAPEX for the Third Control Period. After the grant of RA status, all the activities inside the cargo terminal will be controlled and executed by the KSIEL, including screening and certification of the Cargo, Loading and Unloading, stuffing etc. Accordingly, ISP proposed CAPEX of ₹ 100 Lakhs for procurement of 01 no. of big tunnel size X-ray machine in FY 2023-24.
- (ii) **Purchase of others Cargo Handling Equipment** – For converting CUDCT facility into RA facility, ISP also required new cargo handling equipment like Forklifts, Trolleys, Hydraulic Pallet Trucks, etc. for handling the additional Cargo Services.





(iii) **Construction/Renovation of the rooms** – ISP further submitted that there is a need for construction/renovation of rooms for handling Dangerous and Valuable Cargo, including upgradation of the Surveillance system at export cargo terminal.

**4.2 Authority's Examination on CAPEX (Additions to RAB) proposed by the ISP for the Third Control Period at CP Stage.**

4.2.1 The Authority observed that ISP had proposed to incur major portion of the projected CAPEX (amounting to ₹ 241.78 lakhs) during the FY 2023-24 & FY 2024-25.

4.2.2 Further, the Authority noted that KSIEL had proposed ₹ 201.20 lakhs, almost 83% of the proposed CAPEX for the Control Period, under the following two categories:

- (i) Works relating to Others Buildings.
- (ii) Purchase of X-Ray machine.

The CAPEX proposed by the ISP for the Third Control Period discussed in the ensuing paras.

4.2.3 The Authority noted that KSIEL is converting its CUDCT facility into the Regulated Agent Facility in compliance of BCAS directions. Consequently, ISP is undertaking modification/ upgradation works in the existing Air Cargo Complex (ACC) for handling Dangerous Cargo and Valuable Cargo Goods etc. KSIEL proposed ₹ 101.20 lakhs and ₹ 18.27 lakhs for Civil Works and Electrical Works respectively during the current Control Period. In this regard, ISP submitted that KSIEL own engineering division is doing the estimation and supervision of the Civil Works, therefore, no consultancy and IDP cost is involved in the projected costs pertaining to Civil Works.

4.2.4 In its initial MYTP, KSIEL proposed Capex of ₹ 176.70 lakhs for FY 2022-23. In response to AERA query relating to status of the actual CAPEX done in FY 2022-23, ISP vide mail dated 06.07.2023 submitted that the CAPEX proposed in FY 2022-23 could not be executed in that year due to the delay in the process of security vetting by the BCAS. ISP informed that they are in the process of floating tenders for the Civil Works and purchase of Equipment as mentioned above. From the ISP's submission, it was noted that during FY 2022-23, ISP had incurred just ₹ 1.20 lakhs for Civil Works & ₹ 2.79 lakhs for Electrical Works. As per the service provider, remaining CAPEX pertaining to the Civil & Electrical Works and purchase of cargo handling equipment will now be executed and capitalized in FY 2023-24 / FY 2024-25 of the Control Period.

4.2.5 The Authority observed that consequent to getting the status of RA Facility at Calicut Airport, ISP had installed 1 no. additional X-Ray screening machine for screening and certification of the Cargo at an estimated cost of ₹ 1.00 crore. In this regard, the Authority sought clarification from the KSIEL regarding the requirement of 1 no. additional big tunnel size X-Ray screening machine, considering that ISP is already having 2 nos. X-Ray screening machines. Further, service provider was asked to furnish the supporting documents towards estimated cost in respect of the 1 no. new X-Ray machine under procurement.

4.2.6 KSIEL, vide email dated 18<sup>th</sup> August, 2023 submitted that additional 1 no. big tunnel size X-ray screening machine is required for screening of big size/ odd size Cargo. ISP informed that in the absence of big tunnel size X-ray screening machine, they are forced to go in for open examination by



Customs officials, which causes lot of inconvenience to Exports/ Airlines. KSIEL, further submitted that the absence of X-ray screening machine of required size/ specifications, sometimes cause redirecting of such cargo to other Ports. Hence, in order to overcome the limitations of screening big size cargo, new X-ray machine capable of screening big size/ odd size cargo is required.

The ISP, had also submitted a copy of quotation from ECIL- Rapiscan Ltd. amounting to ₹ 96,99,600/- (including of GST @ 18%) as a supporting document towards the estimated cost of 1 no. new x-ray screening machine.

4.2.7 The Authority observed that the estimated cost of X-ray screening machine includes GST component of ₹ 14,79,600/-. In this regard, the Authority advises the ISP to avail the GST Input Tax Credit available on the procurement of new machine and capitalize the new X-ray screening machine excluding of GST. Accordingly, the Authority proposed to consider the cost of 1 no. new X-Ray Screening Machine (excluding of GST) at ₹ 82,20,000/- as against ₹ 1,00,00,000/- (including of GST) proposed by the service provider.

4.2.8 The Authority also observed that KSIEL is procuring other cargo handling equipment, such as Forklifts, Trolleys, Hydraulic Pallet Trucks, etc. which are used for handling cargo, including provision of RA related facilities.

4.2.9 From the above, the Authority noted that the CAPEX proposed by the ISP is mainly towards converting the existing CUDCT facility into RA Facility. The proposed CAPEX will help the ISP in providing secure cargo handling services as per security norms and to provide better cargo handling facilities to the users.

4.2.10 On the basis of above analysis and considering the clarifications/justifications submitted by KSIEL, the Authority proposed to consider CAPEX for the Third Control Period as per the Table below:

**Table 5: Capital expenditure proposed by the Authority for the Third Control Period at CP stage.**

(₹ in Lakhs)

Assets	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Other Buildings	-	1.20	70.00	30.00	-	101.20
Computers	-	-	1.80	4.00	-	5.80
Machinery	-	-	-	-	-	-
Office Furniture	-	-	1.00	-	-	1.00
Elect. Installation	0.48	2.79	13.00	2.00	-	18.27
Office Equipment	1.23	0.08	11.20	3.00	-	15.51
X- Ray machines	-	-	82.20	-	-	82.20
<b>Total</b>	<b>1.71</b>	<b>4.07</b>	<b>179.20</b>	<b>39.00</b>	<b>-</b>	<b>223.98</b>

\*Actual Figures (unaudited).





#### 4.3 KSIEL submission on Depreciation for the Third Control Period.

4.3.1 KSIEL computed the Depreciation for the Third Control Period as given in Table below:

**Table 6: Depreciation proposed by KSIEL for Third Control Period.**

(₹ in Lakhs)

Particulars of the Assets	Depreciation					Total
	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	
Other Buildings	12.65	12.69	13.86	15.52	16.02	70.74
Computers	0.10	0.00	1.70	2.66	1.43	5.89
Machinery	0.02	0.02	0.02	0.02	0.02	0.10
Tools & Plants	0.36	0.36	0.36	0.28	0.36	1.72
Office Furniture	0.79	0.79	0.86	0.33	0.00	2.77
Electrical installations	3.55	3.63	4.28	5.03	5.13	21.62
Office Equipment	15.90	16.12	17.23	11.58	0.00	60.83
X-Ray Machines	0.08	0.08	6.75	6.75	6.75	20.41
<b>Total</b>	<b>33.45</b>	<b>33.69</b>	<b>45.06</b>	<b>42.18</b>	<b>29.71</b>	<b>184.08</b>

\*Actual Figures (unaudited)

#### 4.4 Authority's Examination on the Depreciation for the Third Control Period at CP stage:

4.4.1 The Authority observed that in its initial MYTP submission, KSIEL computed the depreciation as per the Written Down Value (WDV) method and had considered the depreciation rates & useful Life of Assets for some of the Asset Classes, which were not consistent with AERA Order no. 35/ 2017-18. The Authority, accordingly, asked the ISP to review the useful life of the assets & Depreciation rates and submit the revised calculations of Depreciation. In its revised submission, KSIEL had claimed ₹ 184.08 lakhs as depreciation for the Third Control Period.

4.4.2 The Authority further noted that ISP had considered full year's depreciation on the most of the assets during the year of capitalization. However, the Authority following its consistent approach towards depreciation during the year of capitalization, computed the depreciation @ 50% of full year's depreciation in the year of capitalization (assuming capitalization of Assets in the middle of the financial year). The Authority, considering the CAPEX as per Table 5, proposed to adopt Depreciation for the ISP in respect of the Third Control Period as per Table given below:

**Table 7: Depreciation proposed by the Authority for KSIEL for the Third Control Period at CP Stage.**

(₹ in Lakhs)

Particulars of Assets	Depreciation					Total
	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	
Other Buildings	12.65	12.69	13.90	15.56	16.06	70.86
Computers	0.10	0.00	0.30	1.27	1.93	3.60





Machinery	0.02	0.02	0.02	0.02	0.02	0.08
Tools & Plants	0.36	0.36	0.36	0.28	0.28	1.64
Office Furniture	0.79	0.79	0.82	0.26	0.26	2.92
Electrical installations	3.55	3.63	3.63	4.38	4.48	19.47
Office Equipment	15.90	16.12	16.11	11.28	2.84	62.45
X-Ray Machines	0.08	0.08	2.82	5.56	5.56	14.11
<b>Total</b>	<b>33.45</b>	<b>33.69</b>	<b>37.94</b>	<b>38.61</b>	<b>31.43</b>	<b>175.12</b>

\*Actual figures (unaudited)

#### 4.5 KSIEL submissions on Regulatory Asset Base (RAB):

KSIEL submitted the Opening, Closing and Average RAB for the Third Control Period as per the Table given below:

**Table 8: RAB for the Third Control Period submitted by KSIEL.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23 *	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	576.40	544.66	515.05	670.32	667.06	
+ Additions	1.71	4.07	197.00	39.00	0.00	241.78
(-) Disposals	0.00	0.00	0.00	0.00	0.00	0.00
(-) Depreciation	33.45	33.68	45.06	42.18	29.71	184.08
Closing RAB	544.66	515.05	670.32	667.06	637.35	
Average RAB	560.53	529.86	592.68	668.69	652.21	

\*Actual Figures (unaudited)

#### 4.6 Authority's Examination on the Regulated Asset Base (RAB) for the Third Control Period at C.P stage

The Authority, considering Additions to RAB, as discussed in Para 4.2 above and after taking into account the Depreciation as per the Authority (Table 7), proposed to consider Opening RAB, Additions to RAB & Closing RAB for the Third Control Period as given in the Table below:

**Table 9: RAB proposed by the Authority for KSIEL in respect of the Third Control Period at CP stage.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Opening RAB	576.40	544.66	515.05	656.29	656.69	
+ Additions	1.71	4.07	179.20	39.00	0.00	223.98
(-) Disposals	0.00	0.00	0.00	0.00	0.00	0.00
(-) Depreciation	33.45	33.68	37.94	38.61	31.43	175.12
Closing RAB	544.66	515.05	656.29	656.69	625.26	
Average RAB	560.53	529.86	585.67	656.49	640.97	

\*Actual Figures (unaudited)





**4.7 Stakeholders' Comments regarding Capital Expenditure (CAPEX) Regulatory Asset Base (RAB) and Depreciation.**

4.7.1 During the stakeholders' consultation process, the Authority received no comments/views from stakeholders regarding Capital Expenditure (CAPEX), Regulatory Asset Base (RAB) and Depreciation proposed by the Authority in the Consultation Paper No. 10/2023-24.

4.7.2 In view of the above, the Authority decides to maintain the same view on the Addition to RAB, Depreciation and Average RAB for the Third Control Period, as was proposed at the Consultation stage.

**4.8 Authority's decision regarding Additions to RAB (CAPEX), Depreciation & Regulatory Asset Base (RAB) for the Third Control Period.**

Based on the material before it and its analysis, the Authority decides the followings:

4.8.1 To consider Additions to RAB (CAPEX) for the Third Control Period as per Table 5.

4.8.2 To consider the Depreciation for the Third Control Period as per Table 7.

4.8.3 To consider Average RAB for the Third Control Period as per Table 9.





## CHAPTER 5: OPERATING & MAINTENANCE EXPENDITURE

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

5.2 Operation and Maintenance Expenditure submitted by KSIEL is segregated into the following broad categories:

- a) Payroll Costs;
- b) Admin and other Expenses;
- c) Repair and Maintenance Expenditure;
- d) Utility and Outsourcing Costs;
- e) Other outflows;

5.3 Operating & Maintenance Expenditure projected by KSIEL for the Third Control Period is given in the Table below:

**Table 10: Operating & Maintenance Expenditure projected by KSIEL for the Third Control Period.**  
(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Cost (A)	82.61	116.83	258.77	284.65	313.11	1055.97
Admin & General Expenses (B)	153.14	162.16	192.49	215.40	238.85	962.04
Repair & Maintenance Expenditure (C)	3.37	7.46	8.58	9.86	11.34	40.61
Utility & Outsourcing Costs (D)	9.78	13.32	14.65	16.12	17.73	71.6
Seminar and Training (E)	0.63	0.00	0.00	0.00	0.00	0.63
Other Outflow (Revenue Share payable to AAICLAS) (F)	114.50	121.80	127.89	134.29	141.00	639.48
<b>Total Operation and Maintenance Expenditure (A+B+C+D+E+F)</b>	<b>364.03</b>	<b>421.57</b>	<b>602.38</b>	<b>660.32</b>	<b>722.03</b>	<b>2770.33</b>

\*Actual Figures (unaudited)

5.4 Authority's Examination regarding Operation and Maintenance Expenditure at CP Stage:

5.4.1 The Authority examined the Operating Expenditure provided in Form F3 (P&L) for the Third Control Period and growth rates considered by the ISP in respect of projected OPEX from FY 2022-23 onwards. The Authority's analysis on various components of OPEX is given in the following sections:

5.4.2 **Payroll Cost** – The Authority noted that the ISP had proposed 121% increase in the payroll cost for FY 2023-24 over the previous year. Thereafter, in respect of the FY 2024-25 & FY 2025-26, ISP had considered 10% increase in the Payroll Costs on Y-o-Y basis.





In response to AERA query regarding steep increase in the projected payroll expenses for FY 2023-24, KSIEL vide email dated 08.05.2023 stated that after getting RA Facility status, they require minimum of 18 nos. of X-Ray Screeners (as per the AVSEC Order no. 11/2015) and other manpower to undertake the X-ray Screening & Certification of Cargo and other allied activities related to RA Facility. Accordingly, ISP proposed a total of 113 numbers of manpower for FY 2023-24, as against the 53 nos. of manpower who were handling the entire Cargo operations in FY2022-23. However, ISP from FY 2024-25 onward proposed no increase in the manpower numbers. From the KSIEL's submission, it is observed that ISP while projecting payroll expenses, as per the industry practice had considered average salary of a cargo screener around ₹ 35000 approx. per month plus perks. However, ISP had engaged warehouse helpers with salary of around ₹ 16000 to 17000 per month. Besides above, KSIEL also hired 06 nos. of professionals to handle the dangerous & valuable goods.

5.4.3 The Authority, vide email dated 18.08.2023 sought further details & justifications for the requirement of additional manpower (other than 18 nos. of X-ray screeners). In response thereto, the KSIEL vide email dated 18.08.2023 submitted that earlier (before RA Facility status) Airlines were doing X-ray screening of Cargo and they were having MoU with Ground Handling Agency (GHA) operating at the airport, whereby GHA was providing the required numbers of workers for handling Cargo during peak hours and odd hours. As per the ISP's estimate, around 50 numbers of porters were available for handling cargo in all the shifts. The ISP further informed that unloading the Cargo from vehicles on the city-side and stacking it in the warehouse were used to be done by the porters paid by Exporters.

The Authority noted from the submission of the KSIEL (email dated 18.08.2023) that apart from 18 nos. of X-ray screeners (required as per BCAS norms), the ISP, as against 50 numbers of workers who used to handle cargo for X-ray screening inside the cargo terminal and porters deployed by the exporters on city-side for unloading of cargo; proposed to deploy a total of 42 numbers of additional manpower viz., 30 nos. of loaders, 6 nos. of professionals for handling dangerous goods and remaining for 6 nos. for other jobs. Thus, after getting a status of RA Facility, the ISP inducted additional manpower of 60 numbers, including 18 nos. for X-ray screeners.

From the foregoing, the Authority inferred that major reason for the projected increase in the payroll costs during FY 2023-24 is induction of additional manpower (60 numbers) for undertaking various activities relating to RA functions, including X-ray screening & handling of Cargo, unloading of cargo from vehicles & stacking the same in the warehouse etc. Apart from increase in manpower numbers, another factor for the projected increase in payroll expenses is the impact of annual increments in salaries, increase in minimum wages and corresponding increase in the statutory components such as EPF etc.

In view of the above, the YoY % increase in payroll expenses proposed by the ISP during the remaining tariff years of the Third Control Period seems reasonable. Accordingly, the Authority proposed to consider payroll expenses for the Control Period as submitted by the ISP.

5.4.4 **Administrative & General Expenses** - The Authority noted that KSIEL had proposed 11% to 12% annual increase in Administrative and General Expenses, except for FY 2023-24, where ISP proposed an increase of 19% as compared to previous year.





The Authority observed that the Administration Expenses (FY 2023-24) are mainly comprise of Watch & Ward Expenses (37%), Apportionment of Head Office Expenses (22%) and balance other expenses (41%). In this regard, the ISP submitted that watch and ward expenses are related to the provision of security services by the watch & ward employees (through the security contractor) in the cargo complex. The ISP further informed that in addition to watch and ward staff, the CISF guards are still engaged at their ACC as part of airport security measures and CISF guards with arms are deployed at main entry, Sterile Hold Area etc. However, they are not engaged for others duties such as checking passes of customers, checking of cargo into the warehouse etc.

The other miscellaneous admin. & general expenses, include expenses pertaining to internet charges, AMC charges, payment to labour contractors etc.

5.4.5 As regard to the apportionment of the Head Office (HO) Expenses to Calicut Unit, the Authority sought details of computations, based on which HO expenses had been apportioned to Calicut ACC. The ISP, vide email dated 18.08.2023 submitted calculations for the apportionment of HO Expenses. The Authority, from the referred calculations noted that the apportionment of KSIEL's HQ expenses to its subordinate units is based on the proportion of revenue generated by the such units.

Considering that the projected revenues for the ISP, in respect of the Third Control Period, had been recomputed as per the AERA's Aggregate Revenue Requirement (ARR) calculations; accordingly, the Authority had re-computed the apportionment of HQ expenses (which is linked to Revenues of the Unit) for the ISP as per the Table no. 21.

Consequent to re-computation of apportionment of HO Expenses for the Calicut ACC the projected Admin. & General Expenses proposed by the Authority for the ISP, in respect of the Third Control Period, is given in the Table no. 13.

5.4.6 **Repair and Maintenance Expenditure** - The Authority noted that KSIEL had proposed 15% YoY increase in the-repair and maintenance expenditure from FY 2023-24 onward, during the Third Control Period. However, while reviewing the MYTP, the Authority noted the ISP's submission wherein it stated that considering day to day maintenance of the assets and to keep the equipment in operational state, 5% to 9% annual increase is required under the repair & maintenance expenses.

Considering that the ISP is required to keep its equipment and other facilities in proper working conditions all the times, to avoid any disruption in the cargo handling operations and taking into account the increase in repair & maintenance costs due to factors like annual general inflation, wear & tear of equipment etc.; the Authority proposed to consider YoY increase in the repair & maintenance expenses @ 10% p.a. (as against 15% YoY increase considered by the ISP).

5.4.7 **Utilities Expenses** - The Authority noted that KSIEL had proposed 10% YoY increase for electricity and water charges, during the Third Control Period. Upon query by the Authority regarding proposed increase in Utility Expenses, KSIEL, vide email dated 08.05.2023 submitted the detailed break up of electricity and water expenses.

Considered that supply of electricity and water is based on industrial rates, where annual increase are on higher side and also taking cognizance of the projected increase in cargo volumes, the Authority proposed to consider 10% annual escalation in Utilities Expenses, as proposed by the ISP.





5.4.8 **Revenue sharing with AAICLAS** - The Authority noted that as per clause 8 of MoU, KSIEL is required to pay a Revenue Share of 33.33% on its Gross Earnings from the 'export cargo' to AAICLAS in the relevant financial year. The Authority observed that revenue share payable to the AAICLAS is linked to the projected Revenues from Cargo Handling Services (Export Cargo). Accordingly, the Authority proposed to consider revenue sharing with AAICLAS, based on the Projected Revenues from "export cargo operations" for the Third Control Period, as computed by the Authority under the Chapter 8 of this Consultation Paper.

The Authority further noted that in its MYTP submission, ISP had not considered Revenue Sharing on the Income from 'X-Ray Screening & Certification Services', though the same forms part of Export Revenues. Therefore, in its calculations of Revenue Share payable to AAICLAS, the Authority had computed Gross Revenues from Exports, considering the Revenues from 'Cargo Screening & Certification Charges' also.

5.4.9 The Authority, based on the review & analysis of various regulatory building blocks, had re-computed ARR and Projected Revenues in respect of KSIEL. Accordingly, the Authority proposed to consider Revenue Share payable to AAICLAS, based on the Projected Revenues from the Export Cargo Handling Services, including revenue earnings from X-Ray Screening & Certification Services, computed by the AERA for the Third Control Period, as per Table given below:

**Table 11: Computation of Revenue Share payable to AAICLAS as per the Authority for the Third Control Period at CP stage.**

(₹ in Lakhs)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total
Projected Revenue from Exports (A)	-	-	607.73	665.20	686.82	
Revenue Sharing @ 33.33% of (A)	114.50*	121.80*	202.56	221.71	228.92	889.49

\* Actual figures (unaudited) as per the ISP submission.

5.4.10 The Authority also noted that subsequent to getting the status of RA facility, the total Operation & Maintenance expenditure in respect of the ISP are projected to increase by 59% in FY 2023-24 as compared to FY 2022-23 (FY before RA Facility status).

The Authority had compared the OPEX of the ISP, before RA Facility status (FY 2022-23) with the projected O&M Expenditure after the ISP got the RA Facility status for Calicut ACC (FY 2023-24) as under:

**Table 12: Comparison of O&M expenditure before & after obtaining RA status by the KSIEL.**

(₹ in Lakhs)

Particulars	FY 2022-23 (Before RA Status)	FY 2023-24 (After getting RA Status)	% increase
Payroll Cost	116.83	258.77	121%
No. of employees (KSIEL)	53	53+60=113	113%
Admin. & General Costs	162.16	184.27	14%
Repairs & Maintenance Expenses	7.46	8.21	10%
Utility Expenses	13.32	14.65	10%





Other Outflow (Revenue Share)	121.80	202.56	66%
Total O&M Expenditure	421.57	668.46	59%

\*As per ISP understanding 50 no. of employees/loaders & 18 nos. screeners were engaged by the Airlines/Ground Handling Agency for carrying out activities relating to RA functions.

5.4.11 From the above comparative analysis, it is observed that the major impact of RA Facility status is on the payroll expenses of the ISP, which are projected to increase around 121% in FY 2023-24 as compared to FY 2022-23. However, it is pertinent to mention that subsequent to getting RA Facility Status, there is a projected increase in manpower count by 60 numbers from 53 (FY 2022-23) to 113 numbers (FY 2023-24), which include 18 nos. of X-Ray screeners (as per security norms) & 42 other workers, which is the main reason for the projected steep increase in payroll expenses during FY 2023-24.

Considering the impact of proposed increase in manpower numbers by 113% and taking into account the impact of annual salary increments, increase in minimum wages, increase in statutory components like EPF etc., the 121% increase proposed by the ISP in payroll costs seems reasonable.

As regard to the increase in other outflows (Revenue Share payable to AAICLAS), the Authority noted that payment of Revenue Share (@ 33.33%) is linked to the Gross Revenues of the ISP from Exports. As AERA re-computed ARR & projected Revenues for the KSIEL (including revenues from exports), the Revenue Share payable by the ISP to AAICLAS had been worked out by the Authority, accordingly.

5.4.12 The Authority, after examination of the various elements of the Operations & Maintenance Expenditure projected by the ISP and taking into account the re-computation of Revenue Share, Admin. & General Expenses and rationalization in Y-o-Y increase in Repair & Maintenance Expenses, proposed to consider the projected OPEX for the ISP in respect of the Third Control Period, as per table given below:

**Table 13: OPEX proposed by the Authority for the ISP in respect of the Third Control Period at CP stage.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Payroll Cost (A)	82.61	116.83	258.77	284.65	313.11	1055.97
Admin & General Expenses (including training expenses) (B)	153.77	162.16	184.27	203.03	221.20	924.43
Repair & Maintenance Expenditure (C)	3.37	7.46	8.21	9.03	9.93	37.99
Utilities Expenses (D)	9.78	13.32	14.65	16.12	17.73	71.60
<b>O&amp;M Expenditure (excluding Revenue Sharing) (A+B+C+D) (E)</b>	<b>249.53</b>	<b>299.77</b>	<b>465.90</b>	<b>512.83</b>	<b>561.97</b>	<b>2089.99</b>
<b>Others Outflows / Revenue Sharing (F)</b>	<b>114.50</b>	<b>121.80</b>	<b>202.56</b>	<b>221.71</b>	<b>228.92</b>	<b>889.49</b>
<b>Total Operation and Maintenance Expenditure (E+F)</b>	<b>364.03</b>	<b>421.57</b>	<b>668.46</b>	<b>734.54</b>	<b>790.89</b>	<b>2979.48</b>

\*Actual Figures (unaudited)





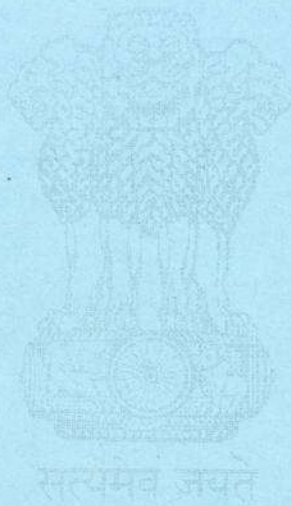
**5.5 Stakeholders' Comments regarding to OPEX for the Third Control Period.**

5.5.1 During the stakeholder consultation process, the Authority received no comments/views from stakeholders regarding the Operations & Maintenance Expenditure (OPEX) projected by the AERA in respect of the ISP for the Third Control Period.

In view of the above, the Authority decides to maintain the same view on the Operations & Maintenance Expenditure (OPEX) projected for the ISP, in respect of the Third Control Period, as was proposed at the Consultation stage.

**5.6 Authority's decision regarding to OPEX for the Third Control Period.**

5.6.1 Based on the material before it and its analysis, the Authority decides to consider the OPEX in respect of the KSIEL for the Third Control Period as per Table 13.





## **CHAPTER 6: AIR FREIGHT STATION (AFS)**

### **6.1 Introduction**

6.1.1 Ministry of Civil Aviation (MoCA), in order to strengthen Air Cargo Logistics Infrastructure in the Country, vide OM no. AV.13011/03/2013-ER dated 28<sup>th</sup> October, 2014 issued Policy guidelines on 'Air Freight Station' (AFS) to create an off-airport common user facility equipped with fixed installations of minimum requirements and offering services for handling International Air Cargo in the form of Air Freight Stations with a mandate to enable the Cargo Industry as follows:

- i. Off-Airport common user facility equipped with fixed installations of minimum requirements and offering services for handling and temporary storage of import/ export goods, loaded and empty Unit Load devices (ULDs) and cargo in bulk/loose for outright export
- ii. Create an enabling environment for promoting International Air Cargo operations by reaching out to hinterland regions of the country besides de-congesting the congested Air Cargo terminals in some gateway International Airports that face high dwell time.
- iii. Authorizing some of the ICDs to cater to the International Air Cargo operations, the existing facilities in these ICDs, could be fully utilized.

The Policy document also emphasizes the following primary functions to be performed at Air Freight Station:

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

6.1.2 The policy guidelines governing Air Freight Station would be common and binding on all stakeholders concerned in the supply chain of International Air Cargo operations such as Airlines, Air Cargo Terminal operators, Airport Operators, Freight Forwarders / Customs Brokers, Exporters / Importers and all regulatory organizations.

6.1.3 The Authority is conscious of MoCA's policy initiative on AFS, which has a larger national intent to strengthen and develop air cargo logistics in the country and same is expected to reduce the bottlenecks





in air-cargo logistics and help in ease of doing business, particularly for exporters. AERA supports the progressive step taken by the Govt. and feels that AFS Cargo needs to be incentivized by way of lower charges vis-à-vis rates applicable to normal cargo (Cargo directly received by the Cargo Terminal Operator).

6.1.4 The Authority observed that KSIEL in its initial MYTP proposal did not propose separate tariffs for Cargo originating from /destined to AFS. Accordingly, the Authority asked the ISP to consider separate Tariff Rates for Built-Up-Pallets (BUPs) pertaining to the approved AFS. KSIEL, vide email dated 04.08.2023 submitted composite Tariff Rates for BUPs pertaining to AFS Cargo, both for Exports & Imports, as indicated below:

**Table 14: TSP Charges for Export Cargo in respect of AFS proposed by the KSIEL.**

(Charges Per Unit in ₹)

Sl. No.	BUP Charges – General Cargo	FY 2023-24	FY 2024-25	FY 2025-26
1	BUP Charges (up to LD3)	1191	1366	1556
2	BUP Charges (above LD3 - lower deck pallet)	2381	2731	3112
3	BUP Charges (above LD3 - main deck pallet)	5100	5848	6664
<b>BUP Charges - Other than General Cargo</b>				
4	BUP Charges (up to LD3)	1032	1191	1318
5	BUP Charges (above LD3 - lower deck pallet)	2064	2381	2635
6	BUP Charges (above LD3 - main deck pallet)	4420	5100	5644

6.1.5 In addition to the TSP charges for AFS Export Cargo, ISP also proposed separate TSP Charges pertaining to AFS Import Cargo, as given in Table below:

**Table 15: TSP Charges for Import Cargo in respect of AFS proposed by the KSIEL.**

(Charges Per Unit in ₹)

Sl. No.	BUP Charges – General Cargo	FY 2023-24	FY 2024-25	FY 2025-26
1	BUP Charges (up to LD3)	5955	6844	7559
2	BUP Charges (above LD3 - lower deck pallet)	11906	13684	15113
3	BUP Charges (above LD3 - main deck pallet)	25500	29308	32368
<b>BUP Charges – Other than General Cargo</b>				
4	BUP Charges (up to LD3)	5955	6844	7559
5	BUP Charges (above LD3 - lower deck pallet)	11906	13684	15113
6	BUP Charges (above LD3 - main deck pallet)	25500	29308	32368

6.1.6 The Authority noted that proposed TSP Charges for BUPs (General Cargo & Other than General Cargo pertaining to AFS) as compared to rates of TSP Charges, on per kg basis, for normal cargo (cargo received directly by the CTO at its cargo terminal), are lower by around 25% in all categories of BUPs, except BUP charges in 'Other than General Cargo' under Import Cargo, where ISP had proposed 50% lower charges.

6.1.7 The Authority, taking cognizance of intent of MoCA's AFS Policy dated 28.10.2014 and to encourage the concept of AFS Cargo, as step towards improvement of air cargo logistics in the





country, proposed to consider 30% lower TSP Charges for all categories of BUPs/ ULDs pertaining to AFS under Export & Import Cargo, except in case of 'Other than General Cargo' under Imports, where 50% lower TSP charges were proposed on BUPs, based on ISP submission.

6.1.8 The Tariff Rates proposed by the Authority pertaining to BUPs/ ULDs in respect of approved AFS at consultation stage were placed at Annexure – II of CP.

**6.2 Stakeholders' Comments regarding Tariff Rates for Built up Pallets (BUPs) pertaining to AFS Cargo for the Third Control Period.**

6.2.1 During the stakeholder consultation process, the Authority received no comments/views from stakeholders on the Authority's proposal in the Consultation Paper No. 10/2023-24 relating to the Tariff Rates applicable to Built-up-Pallets (BUPs) pertaining to AFS, for the Third Control Period.

6.2.2 In view of the above, the Authority decides to maintain the same view on the differential Tariff Rates applicable to Built-up-Pallets (BUPs) pertaining to AFS Cargo (i.e. 30% for all category of BUPs except 'Other than General Cargo' under import where 50% lower TSP Charges), for the Third Control Period, as was proposed at the Consultation stage.

**6.3 Authority's decision regarding differential Tariff Rates for Built-up-Pallets (BUPs) pertaining to AFS Cargo for the Third Control Period.**

6.3.1 Based on the material before it and its analysis, the Authority decides to consider 30% lower TSP Charges for all category of BUPs (Export & Import Cargo) pertaining to AFS Cargo, during the Third Control Period, except in case of 'Other than General Cargo' BUPs under Imports where 50% lower TSP Charges have been considered, as per the Tariff Rate Card placed at **Annexure-I**.

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## CHAPTER 7: AGGREGATE REVENUE REQUIREMENT (ARR)

7.1 KSIEL, in its MYTP submission for the Third Control Period considered Fair Rate of Return (FRoR) @ 10.14% for the computation of Return on Regulatory Assets Base (RAB).

### 7.2 Aggregate Revenue Requirement (ARR) projected by KSIEL for the Third Control Period:

7.2.1 KSIEL, considering FRoR @ 10.14%, projected Aggregate Revenue Requirement (ARR) for the Third Control Period for its Calicut Air Cargo operations, as under:

**Table 16: Aggregate Revenue Requirement submitted by KSIEL for the Third Control Period.**

Particulars	(₹ in Lakhs)					Total
	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	
RAB	560.53	529.85	592.68	668.69	652.20	
FRoR	10.14%	10.14%	10.14%	10.14%	10.14%	
Return on RAB (a)	56.83	53.72	60.09	67.79	66.12	304.55
Depreciation (b)	33.45	33.68	41.73	42.26	29.71	180.83
Operating Expenses (c)	364.03	421.58	602.38	660.32	722.04	2770.35
Taxation (d)	59.66	33.18	86.34	119.72	148.52	447.42
Less: Revenues from Non-Regulated Services (e)	27.68	27.74	29.12	30.58	32.11	147.23
<b>ARR (a+ b + c + d - e)</b>	<b>486.29</b>	<b>514.42</b>	<b>761.42</b>	<b>859.51</b>	<b>934.28</b>	<b>3555.92</b>

\*Actual Figures (unaudited).

### 7.3 Authority's Examination of ARR in respect of the ISP for the Third Control Period at C.P stage:

7.3.1 The Authority observed that in its ARR computations for the Third Control Period (Table 16), the ISP had not calculated the Net Present Value (NPV) of the ARR.

7.3.2 As regard to FRoR, the Authority sought the basis of FRoR @ 10.14% considered by the ISP. KSIEL, in its response submitted that they had considered Cost of Equity at 12% and Cost of Debt at 10%. The ISP, further submitted that the Calicut Air Cargo Complex (ACC) is functioning as a separate profit center (of KSIEL) and all the fund transfers from the Head Office to the Calicut Unit are treated as loans for accounting purposes. However, no interest is charged on such fund transfers from HO.

7.3.3 The Authority noted from KSIEL's submission that they did not avail any external debt for their cargo operations at Calicut airport. The ISP further submitted that as and when there are surplus funds available with Calicut Unit from its air cargo operations, HQ's account is credited for the funds received from their Head Office. From the above, the Authority has drawn inference that Calicut ACC Unit is ultimately utilizing their internal accruals for the cargo operations at the Calicut Airport.

7.3.4 The Authority further noted that KSIEL had proposed FRoR at 10.14%, considering the Cost of Equity at 12%, which is reasonable. As regard to Cost of Debt, the Authority from ISP's submission inferred that no external debt is availed by the ISP for its Calicut air cargo operations. Considering the above, the FRoR proposed by the ISP for the Third Control Period appears reasonable.

Accordingly, the Authority proposed to consider FRoR @ 10.14% as submitted by the ISP for the Third Control Period at C.P stage.





7.3.5 The Authority, after review and analysis of various regulatory building blocks, as discussed in previous chapters, computed Aggregated Revenue Requirement (ARR) for KSIEL in respect of the Third Control Period as per Table given below:

**Table 17: ARR proposed by the Authority for KSIEL for the Third Control Period at CP stage.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24**	FY 2023-24#	FY 2024-25	FY 2025-26	Total
Average RAB (Refer Table 9)	560.53	529.86	341.64	244.02	656.49	640.97	
Return on RAB @ 10.14% (A)	56.84	53.73	34.64	24.74	66.57	64.99	301.52
O&M Expenses [excluding Revenue Sharing] (B) (Refer Table 13)	249.53	299.77	271.77	194.12	512.83	561.97	2089.99
Revenue Sharing (C) (Refer Table 11)	114.50	121.80	112.38	90.18	221.71	228.92	889.49
Depreciation (D) (Refer Table 7)	33.45	33.69	22.13	15.81	38.61	31.43	175.12
Tax @ 33.33% (E) (Refer Table 21)	59.66	33.18	4.76	11.96	18.13	10.36	138.05
Revenue from Non-Regulated Services (F)	27.68	27.74	16.99	12.13	30.58	32.11	147.23
<b>Aggregate Revenue Requirement (G)=(A+B+C+D+E-F)</b>	<b>486.30</b>	<b>514.43</b>	<b>428.69</b>	<b>324.68</b>	<b>827.27</b>	<b>865.56</b>	<b>3446.93</b>
Discount/ Compounding Rate	10.14%						
PV Factor at @ 10.14 (H)	1.21	1.10	1.00	1.00	0.91	0.82	
<b>PV of ARR (I) = (G*H)</b>	<b>589.92</b>	<b>566.59</b>	<b>428.69</b>	<b>324.68</b>	<b>751.11</b>	<b>713.52</b>	<b>3374.52</b>
Total Revenue from the Regulated Services at the prevailing Tariffs (J)	548.81	527.07	337.16	240.83	592.08	611.32	2857.27
<b>Tariff Increase (%) proposed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.35%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue from Regulated Services after the Proposed Tariff Increase (K)</b>	<b>548.81</b>	<b>527.07</b>	<b>403.57</b>	<b>323.86</b>	<b>796.97</b>	<b>821.29</b>	<b>3421.57</b>
<b>PV of Total Revenue (L)=(K*H)</b>	<b>665.75</b>	<b>580.51</b>	<b>403.57</b>	<b>323.86</b>	<b>723.59</b>	<b>677.03</b>	<b>3374.32</b>

\*Actual Figures (unaudited).

\*\*At existing tariff.

# at proposed tariff.

7.3.6 The Authority computed ARR for the ISP in respect of the Third Control Period at ₹ 3446.93 Lakhs (PV at ₹ 3374.52 Lakhs) as indicated in the Table 17 above.

7.3.7 As per the ARR calculations, the Authority proposed to consider 12.35% one-time Tariff increase for the ISP in FY 2023-24 (over the prevailing Tariff Rates), effective from 1<sup>st</sup> November, 2023, to meet the projected ARR for the Third Control Period.

#### **7.4 Stakeholders' Comments regarding Aggregate Revenue Requirement (ARR) for the Third Control Period.**

7.4.1 During the stakeholders' consultation process, the Authority received no comments/views from stakeholders regarding the Aggregate Revenue Requirement (ARR) proposed by the AERA in the Consultation Paper No. 10/2023-24 for the ISP, in respect of the Third Control Period.

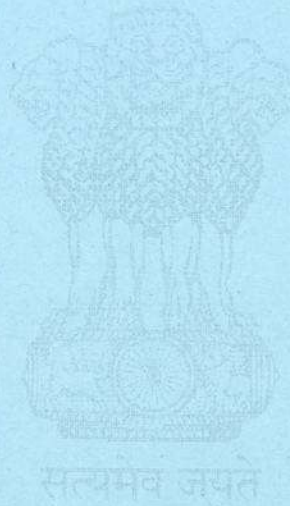




In view of the above, the Authority decides to maintain the same view on the projected ARR for the ISP in respect of the Third Control Period, as was proposed at the Consultation stage.

**7.5 Authority's decision regarding Aggregate Revenue Requirement (ARR) for the Third Control Period**

7.5.1 Based on the material before it and its analysis, the Authority decides to consider the ARR in respect of KSIEL, Calicut, for the Third Control Period, as per Table 17.





## CHAPTER 8: REVENUE FROM OPERATIONS, PROFITABILITY & TAXATION

### 8.1 KSIEL's submissions on its projected Profitability for the Third Control Period.

8.1.1 KSIEL forecasted the following Revenues for the Third Control Period, considering the proposed Cargo Volumes, at the current Tariff:

**Table 18: Revenue Projected by KSIEL for the Third Control Period at the prevailing Tariff.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Projected Cargo Volumes	18923	19453	17252	17700	18200	91528
Revenues from Regulated Services	548.81	527.07	691.82	710.60	731.01	3209.31
Revenues from Other than Regulated Services**	27.68	27.74	29.12	30.58	32.11	147.23
<b>Total Revenues</b>	<b>576.49</b>	<b>554.81</b>	<b>720.94</b>	<b>741.18</b>	<b>763.12</b>	<b>3356.54</b>

\*Actual Figures (unaudited).

\*\*Rental Income.

8.1.2 KSIEL, while projecting Revenues for its Calicut operations pertaining to the Third Control Period, proposed the following % age increase in the existing Tariff Rates of the various Cargo Handling Services at Calicut airport.

**Table 19: Percentage increase in Tariff rates proposed by KSIEL for the Third Control Period.**

Service	FY 2023-24	FY 2024-25	FY 2025-26
Cargo Handling	25%	15%	10%

8.1.3 Based on its proposed % Tariff increase for the Cargo Handling Services at Calicut airport, as indicated above, KSIEL had proposed Tariff Rate Card in respect of the Third Control Period, as per the Annexure-I of the CP (10/2023-24 dated 23.08.2023).

The ISP further submitted the projected Profitability Statement for the Third Control Period, after considering the proposed % increase in the Tariff Rates for the Cargo Handling Services, as per the Table given below:

**Table 20: Profitability Statement submitted by the KSIEL (after proposed tariff increase) for the Third Control Period.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24	FY 2024-25	FY 2025-26	Total
Revenue From Regulated Services	548.81	527.07	874.02	1031.19	1165.24	4146.33
Revenue From Other than Regulated Services	27.68	27.74	29.12	30.58	32.11	147.23
<b>Total Revenues</b>	<b>576.49</b>	<b>554.81</b>	<b>903.14</b>	<b>1061.77</b>	<b>1197.35</b>	<b>4293.56</b>
<b>Total Operating Expenditure</b>	<b>364.03</b>	<b>421.58</b>	<b>602.38</b>	<b>660.32</b>	<b>722.04</b>	<b>2770.35</b>
Profit before Depreciation	212.45	133.23	300.76	401.45	475.31	1523.20





Depreciation	33.45	33.68	41.73	42.26	29.71	180.83
Profit Before Interest and Taxation	179.01	99.54	259.04	359.19	445.60	1342.38
Total Interest and Finance Charges	0.00	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (PBT)	<b>179.01</b>	<b>99.54</b>	<b>259.04</b>	<b>359.19</b>	<b>445.60</b>	<b>1342.38</b>
Tax	59.66	33.18	86.34	119.72	148.52	447.42
Profit After Taxation (PAT)	<b>119.34</b>	<b>66.37</b>	<b>172.70</b>	<b>239.47</b>	<b>297.08</b>	<b>894.96</b>

\*Actual Figures (unaudited).

**8.2 Authority's Examination on the projected Revenue from Operations, Profitability and Taxation at C.P stage:**

8.2.1 The Authority observed that KSIEL in its MYTP submission had considered corporate tax @ 33.34%; accordingly, the Authority proposed to adopt the same Tax Rate for the Third Control Period, as proposed by the ISP at C.P stage.

8.2.2 The Authority noted that KSIEL proposed Tariff increase in the Cargo Handling Services for the remaining tariff years (FY 2023-24 to FY 2025-26) of the current Control Period (as per the Table 19) on the following grounds/ justifications:

- i. As per MoU with AAICLAS, ISP has to pay a 33.3% of its Gross Revenue from the 'Export Cargo' to AAICLAS. After paying the revenue sharing, the balance amount left out is insufficient to meet the entire expenses towards Salaries & Wages, Other Administrative Expenditure, Revision in Security Charges, Utility services etc.
- ii. Tariff Rates were last revised by the AERA for Calicut Air Cargo Complex in 2018 and the same tariff is continuing for the last 05 years.
- iii. For converting the CUDCT facility into RA facility, additional manpower and CISF guard deployed at the CACC which increases the payroll expenses and other Costs such as Fuel, Electricity, Water, Transportation etc.

8.2.3 The Authority observed that in its Tariff Rate Card, KSIEL had proposed Tariff Rates for some new services, viz. services pertaining to 'Special Cargo' (TSP & Demurrage Charges) under the Export and Import Cargo and 'Transshipment Charges' under the Export Cargo; which were not part of the existing Tariff Rate Card.

In response to AERA query, the ISP submitted that the 'Special Cargo' was not in their existing tariff rate card and KSIEL might have lost the business in the same heads. Hence, to avoid the probable loss of business, they had included the Special Cargo as a new item under the TSP & Demurrage Charges, for both Exports and Imports. Further, ISP submitted that they are expecting transshipment of cargo in Export category also.

8.2.4 The Authority noted that generally, other cargo terminal operators also have separate rates for 'Special Cargo' and 'Transshipment Charges' in their Tariff Rate Cards. The rates of new services proposed by the ISP seems reasonable when compared with the rates prevailing at nearby airports, for similar services.





8.2.5 The Authority, noted that projected Revenue for KSIEL in respect of the Third Control Period, at the existing tariff rates, is not sufficient to meet the ARR of the ISP. The Authority, therefore, based on its computation of ARR for the Third Control Period (as per Table 17), proposed to consider 12.35% one-time tariff increase in FY 2023-24, effective from 1<sup>st</sup> November, 2023 for the Third Control Period at C.P stage.

8.2.6 The Authority computed the projected Profitability for KSIEL (after considering the proposed Tariff increase) for the Third Control Period as per Table given below:

**Table 21: Projected Profitability proposed by the Authority in respect of KSIEL (after proposed Tariff increase) for the Third Control Period at CP stage.**

(₹ in Lakhs)

Particulars	FY 2021-22*	FY 2022-23*	FY 2023-24**	FY 2023-24#	FY 2024-25	FY 2025-26	Total
Regulated Revenues	548.81	527.07	403.57	323.86	796.97	821.29	3421.57
Non-Regulated Revenues	27.68	27.74	16.99	12.13	30.58	32.11	147.23
<b>Total Revenues</b>	<b>576.49</b>	<b>554.81</b>	<b>420.56</b>	<b>335.99</b>	<b>827.55</b>	<b>853.40</b>	<b>3568.80</b>
<b>Total O &amp; M Expenditure</b>	<b>364.03</b>	<b>421.57</b>	<b>384.15</b>	<b>284.3</b>	<b>734.54</b>	<b>790.89</b>	<b>2979.48</b>
Profit before Depreciation, Interest & Tax	212.46	133.24	36.41	51.69	93.01	62.51	589.32
Depreciation	33.45	33.69	22.13	15.81	38.61	31.43	175.12
Profit after Depreciation before Interest and Tax	179.01	99.55	14.28	35.88	54.40	31.08	414.20
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	179.01	99.55	14.28	35.88	54.40	31.08	414.20
Tax	59.66	33.18	4.76	11.96	18.13	10.36	138.05
<b>Net Profit</b>	<b>119.34</b>	<b>66.37</b>	<b>9.52</b>	<b>23.92</b>	<b>36.27</b>	<b>20.72</b>	<b>276.15</b>

\*Actual Figures (unaudited).

\*\*At existing Tariff.

#At revised Tariff.

8.2.7 From the above Table, the Authority noted that the ISP had earned reasonable profits during the first two tariff years of the Control Period (FY 2021-22 & 2022-23). Thereafter, there is a decline in the projected profitability during FY 2023-24 as compared to previous years. The projected decrease in profitability during the FY 2023-24 is mainly on account of significant increase in operating expenses of the ISP, after it got the status of RA Facility. The Authority expects that ISP will maintain a reasonable level of profitability for the Control Period as a whole.

### 8.3 Stakeholders' Comments on the projected profitability & proposed Tariff Rates for the Third Control Period.

#### Comment of FIA

In its comment regarding proposed hike in Tariff rates for the Third Control Period, FIA submitted that "We, Federation of Indian Airlines ('FIA'), submit that the tariff proposed by AERA for FY 2023-



24 in Annexure-II of the Consultation Paper no. 10/2023-24 dated 23<sup>rd</sup> August 2023 for determination of tariff Cargo handling services for KSIEL at Calicut International Airport, Kozhikode for the Third Control Period (FY 2021-22 to FY 2025-26) ('CP'), for export and import international cargo operations have reflected an increase of 13%, over and above the existing 5% increase in interim approved rates provided by AERA on export cargo handling services vide AERA order no. 42/2022-23 dated 23<sup>rd</sup> March 2023, in comparison with the proposed AERA rates in this CP.

In this regard, it is submitted that such increase in tariff twice in one financial year of approx. 18% (eighteen percent) for services such as x-ray usage, screening and certification in FY 2023-24, will degenerate the growth of air cargo operation and negatively impact the airlines to generate the load from the Calicut International Airport.

In view of the above, we request AERA to not implement and approve such proposed hike in tariff, during this Control Period, which would precipitate adverse financial impact on the airlines."

#### 8.4 **Counter Comments of the KSIEL:**

8.4.1 In response to FIA's comments on the proposed hike in Tariff Rates for the Third Control Period, ISP submitted that "We are in receipt of the comments from Federation of Indian Airlines vide their letter of 13<sup>th</sup> September 2023 submitted to you, on the consultation paper issued by AERA on 23.8.2023 notifying the proposed tariffs for Airport Cargo services at Calicut Airport for the control period 2022-2026.

In this connection we wish to submit our counter comments as follows.

- a. **The tariff revision has been proposed after a period of FIVE years, wherein during that period KSIE was absorbing the annual increase in wages, operational costs etc. This was done in order to support the industry during the COVID and ensuing period. The cumulative impact of the short fall in revenue as well as increase in expenditure is to be recovered over a period from future operations. The proposed tariff increase which is only in the range of 12.5 to 13% is therefore reasonable.**
- b. **The broad percentage of increase in tariffs proposed for the control period will yield a Fair rate of return of only 10.14%, which when compared to other Cargo Handling agencies at other Airports and according to the Industry standards is low as shown in the Table below, wherein the FRoR approved by AERA is all above that of 10.14%.**

MENZIES AVIATION (BENGALURU) PRIVATE, LIMITED (MABPL).	12.01
GMR HYDERABAD AIR CARGO (GHAC) AT RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD.	12.08
M/s CELEBI DELHI CARGO TERMINAL MANAGEMENT INDIA PVT. LTD. (CDCTMIPL) AT INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI.	13.47

The following observations of AERA in the Consultation paper referred above are quite explicit and supportive of the proposed tariff revision.

The Authority further notes that KSIEL has proposed FRoR at 10.14%, considering the Cost of Equity at 12%, which is lower than the Cost of Equity generally considered by the Authority for other ISPs. As regard to Cost of Debt, the Authority from ISP's submission





*infers that there is no external debt availed by the ISP for its Calicut operations. Considering the above, the FRoR proposed by the ISP for the Third Control Period seems reasonable.*

- c. ***The main factors contributing to the proposed increase are the additional Capital expenses and the increase in security cost, manpower to meet the new services and better services to the clients. The comments of AERA in the consultation paper is reproduced below for further clarity.***

*Considering the impact of proposed increase in manpower numbers by 113% and taking into account the impact of annual salary increments, increase in minimum wages, increase in statutory components like EPF etc., the 121% increase proposed by the ISP in payroll costs seems reasonable.*

- d. ***KSIE is projecting only reasonable profit from the Cargo handling operations as depicted in the financials presented and verified by AERA as evidenced in the comments contained in the Consultation Paper. Further in the case of new services, the comments of AERA may be reproduced here:***

*The Authority notes that generally, other cargo terminal operators also have separate rates for 'Special Cargo' and 'Transshipment Charges' in their Tariff Rate Cards. The rates of new services proposed by the ISP seems reasonable as compared to rates prevalent at nearby airports, for similar services*

***KSIE was able to obtain an ad hoc revision during June 2023 which was made operational in July 2023 to tide over the financial losses and the same is now being only regularized and hence the impact is only to compare with the five year stagnant rates."***

#### **8.5 Authority's analysis of the Stakeholders' comments on the projected Profitability & proposed Tariff Rates for the ISP:**

8.5.1 The Authority notes the comments of FIA, wherein the stakeholder has requested the Authority not to implement and approve the proposed 12.35% hike in the Tariff Rates, over and above the existing 5% increase in interim tariff rates, approved by AERA on export cargo handling services for the ISP, vide AERA Order no. 42/2022-23 dated 23<sup>rd</sup> March 2023.

- (a) In this regard, the Authority observes that at the time of approval of Ad-hoc Tariff Rates by the Authority vide AERA Order no. 42/2022-23 dated 23<sup>rd</sup> March 2023, the Authority did not consider 5% increase in tariff rates, as commented by the FIA. The Authority, vide aforesaid Order, approved the tariff rates of 'RA related additional services' for the ISP, which were based on the prevailing tariffs for similar services provided by the Cargo Operators at the nearby major airports.
- (b) Further, it is informed that the Authority, while proposing tariff increase for the ISP (at CP stage), had analyzed various regulatory building blocks, including the projected CAPEX, OPEX, Traffic Volume etc. Further, the Authority, wherever felt necessary, had sought the required clarifications/ additional information pertaining to the various regulatory building blocks etc. Based on the extensive review/ analysis of the MYTP etc., the Authority had also rationalized the projection relating to CAPEX, Depreciation, few other components of Operating Costs etc. Thus, the Authority, at CP stage, had done the required due diligence & had proposed tariff increase for KSIEL accordingly, after considering the relevant factors, including CAPEX (₹ 223.98 lakhs for





the Control Period), OPEX, Cargo Volumes etc., projected by the ISP.

(c) Further, subsequent to completion of consultation process, the Authority has considered the comments/ views of the stakeholders, including the counter comments of the ISP, relating to the proposed tariff increase & profitability etc., before finalizing revision in tariff rates for the ISP.

(d) It is also pertinent to mention that the Tariff Rates for the service provider (KSIEL), at Calicut Airport, was last revised about 5 years back.

In view of the above, the Authority has decided to consider one-time increase in the Tariff Rates @ 12.35% for the various Cargo Handling Services provided by the ISP at Calicut Airport, so as to meet its projected Revenue Requirement for the First Control Period, based on the revised ARR computed by the Authority (refer Table no. 17).

8.5.2 As regard to KSIEL's comments relating to projection of reasonable returns by the ISP and the referred 'verification' thereof by the AERA inferred by the service provider (refer para no 8.4.1, point no. 'd'); it is clarified that the AERA has considered/ relied on the financial figures, based on the MYTP submission, including of historical figures (actuals but un-audited) furnished by the service provider. Further, it is the sole responsibility of the ISP to maintain the books of accounts as per the standard accounting principles and statutory compliances.

**8.6 Authority's decision regarding projected Revenue, Profitability Statement and Tariff for the ISP in respect of the Third Control Period.**

Based on the material before it and its analysis, the Authority decides:

8.6.1 To consider total Revenue (after Tariff increase) & Profitability Statement in respect of the ISP, for the Third Control Period, as per Table 21.

8.6.2 To consider the Tariff Rate Card for Cargo Handling Services (after Tariff increase) in respect of the KSIEL, Calicut for the Third Control Period, as per **Annexure-I**.





## CHAPTER 9: SUMMARY OF AUTHORITY'S DECISIONS

The below mentioned summary provides the Authority's decisions relating to relevant chapters regarding the tariff determination process for KSIEL, providing Cargo Handling Services at Calicut International Airport, Kozhikode.

Chapter	Para	Summary of Authority's decisions	Page No.
Chapter No.2	2.9.1	The Authority decides to determine the Tariffs for the Cargo Handling Services provided by KSIEL at CCJ, Kozhikode, for the Third Control Period, under the ' <b>Light Touch Approach</b> '.	8
Chapter No.3	3.4.1	The Authority decides to consider the Cargo Volume projected by KSIEL for the Third Control Period as per Table 3.	11
Chapter No. 4	4.8.1	The Authority decides to consider Additions to RAB (CAPEX) for the Third Control Period as per Table 5.	17
	4.8.2	The Authority decides to consider the Depreciation for the Third Control Period as per Table 7.	
	4.8.3	The Authority decides to consider Average RAB for the Third Control Period as per Table 9.	
Chapter No. 5	5.6.1	The Authority decides to consider the OPEX in respect of the KSIEL for the Third Control Period as per Table 13.	23
Chapter No. 6	6.3.1	The Authority decides to consider 30% lower TSP Charges for all category of BUPs (Export & Import Cargo) pertaining to AFS Cargo, during the Third Control Period, except in case of 'Other than General Cargo' BUPs under Imports where 50% lower TSP Charges have been considered, as per the Tariff Rate Card placed at <b>Annexure-I</b>	26
Chapter No. 7	7.5.1	The Authority decides to consider the ARR in respect of KSIEL for the Third Control Period as per Table 17.	29
Chapter No. 8	8.6.1	The Authority decides to consider total Revenue (after Tariff increase) & Profitability Statement in respect of the ISP, for the Third Control Period, as per Table 21.	35
	8.6.2	The Authority decides to consider the Tariff for Cargo Handling Services (after Tariff increase) in respect of the KSIEL for the Third Control Period as per <b>Annexure-I</b> .	






## CHAPTER 10: ORDER

Upon careful consideration of the material before it, the Authority, in exercise of powers conferred by Section 13(1) (a) of the Airport Economic Regulatory Authority of India Act, 2008, hereby orders that:

- (i) The services relating to Cargo Handling being provided by KSIEL at Calicut International Airport, Kozhikode, for the Third Control Period, is deemed 'Not-Material'. Accordingly, the Authority has determined the Tariff for the Third Control Period, in respect of KSIEL at Calicut International Airport, Kozhikode, under the 'Light Touch Approach'.
- (ii) KSIEL is allowed to levy the revised Tariff in respect of the Cargo Handling Services, for the Third Control Period (FY2021-22 to FY 2025-26), as per the **Annexure-I**, effective from **20.11.2023**.
- (iii) Tariff determined hereinunder is the maximum Tariff to be charged to Users. No other charge(s) is to be levied over and above the approved Tariff Rates.
- (iv) The Tariff Rates approved hereinunder are excluding of all applicable taxes, if any.
- (v) M/s KSIEL, at the end of each tariff year, shall submit the Annual Compliance Statement (ACS), including annual audited accounts, separately for its Air Cargo Operations at the Calicut International Airport, in accordance with the AERA CGF Guidelines, 2011 (Clause 11.4).
- (vi) The Airport Operator shall ensure the compliance of this Order.

By the Order of and in the Name of the Authority

  
(Suyash Narain)  
Secretary

To

**Mr. Jayaraj. P.V,**  
Head of Department (Air Cargo Complexes),  
M/s Kerala State Industrial Enterprises Limited,  
St. Joseph Press Building, Cotton Hill,  
Thiruvananthapuram-695014.

### Copy for information to:

1. Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport New Delhi-110003.
2. Chairman, Airports Authority of India, Rajiv Gandhi Bhawan, Safdarjung Airport New Delhi-110003.
3. S. Suresh, Airport Director, Airports Authority of India, Calicut International Airport, Calicut Airport (PO), Malappuram District, Kerala State – 673647.
4. Shri Ajay Bhardwaj, Chief Executive Officer, AAICLAS, Safdarjung Airport, New Delhi – 110003.





**APPROVED TARIFF RATE CARD FOR KSIEL FOR THE THIRD CONTROL PERIOD  
(FY 2021-22 TO FY 2025-26) IN RESPECT OF THE CARGO HANDLING SERVICES  
PROVIDED AT CALICUT INTERNATIONAL AIRPORT, KOZHIKODE.**

**Revised Tariff is effective from 20.11.2023**

Rates in INR

Sno.	Services	Unit	FY 2023-24	FY 2024-25	FY 2025-26
A	<b>EXPORT CARGO</b>				
<b>1) Terminal Storage &amp; Processing Charges (TSP)</b>					
a)	Perishable Cargo	Per Kg	0.79	0.79	0.79
		Minimum Charges/AWB	140	140	140
b)	General Cargo	Per Kg	0.90	0.90	0.90
		Minimum Charges/AWB	169	169	169
c)	Newspaper	Per Kg	0.79	0.79	0.79
		Minimum Charges/AWB	140	140	140
d)	Valuable Cargo	Per Kg	6.74	6.74	6.74
		Minimum Charges/AWB	1124	1124	1124
e)	Special Cargo	Per Kg	2.25	2.25	2.25
		Per Consignment	393	393	393
f)	<b> BUP Charges-AFS Cargo</b>				
	<b>General Cargo</b>				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	1000	1000	1000
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	2000	2000	2000
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	4284	4284	4284
	<b>Other than General Cargo</b>				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	878	878	878
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	1756	1756	1756
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	3760	3760	3760
<b>2) Demurrage Charge - Export Cargo</b>					
a)	Perishable Cargo	Per Kg Beyond 36 hours	0.79	0.79	0.79
		Minimum Charges/AWB	140	140	140
b)	General Cargo	Per Kg Beyond 36 hours	0.90	0.90	0.90
		Minimum Charges/AWB	169	169	169
c)	Newspaper	Per Kg Beyond 36 hours	0.79	0.79	0.79





		Minimum Charges/AWB	140	140	140
d)	Valuable Cargo	Per Kg Beyond 36 hours	11.24	11.24	11.24
		Minimum Charges/AWB	1685	1685	1685
e)	Special Cargo	Per Kg Beyond 36 hours	2.25	2.25	2.25
		Per Consignment	393	393	393
3	X-ray Machine Usage Charge*				
	For all types of Cargo	Per Kg	1.69	1.69	1.69
		Minimum Charges/AWB	169	169	169
4	Screening and Certification Charge*				
	For all types of Cargo	Per Kg	1.69	1.69	1.69
		Per Consignment	118	118	118
5	Export Documentation Charges**		Per Flight	562	562
6	Handling Charges <sup>#</sup>	Per Kg	1.92	1.92	1.92
		Per. Consignment	454	454	454
B	IMPORT CARGO				
1	Terminal Storage & Processing Charges (TSP)				
a)	Commercial Cargo / Un-accompanied Baggage (1-7 Days)	Per Kg	4.49	4.49	4.49
		Minimum Charges/AWB	208	208	208
b)	Special Cargo	Per Kg	11.24	11.24	11.24
		Minimum Charges/AWB	337	337	337
c)	Valuable Cargo	Per Kg	6.74	6.74	6.74
		Minimum Charges/AWB	1124	1124	1124
d)	BUP Charges-AFS Cargo				
	General Cargo				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	4991	4991	4991
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	9979	9979	9979
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	21372	21372	21372





	<b>Other than General Cargo</b>				
	BUP Charge (up to LD3) Capacity-1588 Kgs	Per Unit	5352	5352	5352
	BUP Charge (above LD3 - lower deck pallet) Capacity-3175 Kgs	Per Unit	10700	10700	10700
	BUP Charge (above LD3 - main deck pallet) Capacity-6800 Kgs	Per Unit	22916	22916	22916
<b>2</b>	<b>Demurrage Charges</b>				
<b>a</b>	<b>Commercial Cargo /Un- accompanied Baggage</b>				
		Per Kg	1.01	1.01	1.01
i)	From 8 to 14 days	Minimum Charges/AWB	298	298	298
		Per Kg	1.24	1.24	1.24
ii)	From 15 to 21 days	Minimum Charges/AWB	298	298	298
		Per Kg	1.40	1.40	1.40
iii)	22 <sup>nd</sup> day onwards	Minimum Charges/AWB	298	298	298
<b>b</b>	<b>Special Cargo</b>				
		Per Kg	2.25	2.25	2.25
i)	From 8 to 14 days	Minimum Charges/AWB	337	337	337
		Per Kg	4.49	4.49	4.49
ii)	From 15 to 21 days	Minimum Charges/AWB	337	337	337
		Per Kg	6.74	6.74	6.74
iii)	22 <sup>nd</sup> day onwards	Minimum Charges/AWB	337	337	337
<b>c</b>	<b>Valuable Cargo</b>				
		Per Kg	6.74	6.74	6.74
i)	From 8 to 14 days	Minimum Charges/AWB	1685	1685	1685
		Per Kg	11.24	11.24	11.24
ii)	From 15 to 21 days	Minimum Charges/AWB	1685	1685	1685
		Per Kg	11.24	11.24	11.24
iii)	22 <sup>nd</sup> day onwards	Minimum Charges/AWB	1685	1685	1685
		Per Kg	0.56	0.56	0.56
d)	De-stuffing Charges/ De- palletisation/ De-Unitization Charges of all types of Import Cargo	Minimum Charges/AWB	34	34	34
<b>3</b>	<b>Transshipment Charges</b>				
	<b>Import:</b>	Per Kg	3.37	3.37	3.37
a	International to International/Domestic	Minimum Charges/AWB	281	281	281
	<b>Export:</b>	Per Kg	2.25	2.25	2.25





	International to International/Domestic	Minimum Charges/AWB	281	281	281
	The above Transshipment Charges is to be borne by the Exporter/Agent (which includes Terminal Storage & Processing & Transshipment Charges) However, Payment toward X-ray Machine Usage, Screening and Certification and Handling Charges are to be borne by Airlines.				

\* To be paid by Airlines

\*\* To be paid by Airlines for Cargo Manifest and Envelope Services provided.

# Acceptance of Cargo, Stacking, Feeding into X-ray Machine and to Pallets/ULDs after Screening. To be paid by Airlines.

**Notes:**

1. For the purpose of calculations of Demurrage Charges on Export/ Import Cargo, the free period shall be governed as per the Orders of Ministry of Civil aviation, issued from time to time.
2. Consignments of Human Remains, Coffins including unaccompanied Baggage of deceased and Human Eyes will be exempted from the purview of the TSP and Demurrage charges.
3. The Charges will be levied on "Gross Weight" or "Chargeable Weight" whichever is higher. Wherever there is a misdeclaration of the Gross or chargeable weight on the AWB, the actual Gross weight or Actual Chargeable weight will be used for the charges whichever is higher.
4. All bills will be rounded to the next INR 1 as per rules.
5. Valuable Cargo consists of Gold Bullion, Currency Notes, Shares, Share Coupons, Traveler's Cheque, Diamonds (including Diamonds for industrial use), Diamond Jewelry, Watches made of silver, Gold, Platinum, and items valued at USD. 1000/KG and above.
6. Special Cargo Consists of Live Animals, Hazardous goods, Ornamental Fish, Chicks etc.
7. For consolidation of TSP Cargo - TSP charges will be levied to all types of cargo, in addition to Transshipment charges mentioned above. Demurrage Charges will be applicable per General Cargo Tariff.
8. All statutory taxes as per government will be charged extra.

