Annexure - II

ÇELEBİ

8 September 2014

Sh. Alok Shekhar
Secretary
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport, New Delhi – 110003

Dear Sir,

Sub: Submission of Annual Tariff Proposal for FY 2014-2015 for Çelebi Delhi Cargo Terminal Management (I) Pvt Ltd

1.1 As per directions in the Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft Guidelines 2011 ('Guidelines') issued under Section 15 of The Airports Economic Regulatory Authority of India Act, 2008, we, Çelebi Delhi Cargo Terminal Management (I) Pvt. Ltd. ('Çelebi'), had submitted our Multi Year Tariff Proposal ('MYTP') for the control period starting 1 April 2011 and ending 31 March 2016 to Airports Economic Regulatory Authority ('AERA' or 'Authority') on 30 April 2011 for our cargo facility at the Indira Gandhi International Airport (IGIA), New Delhi.

1.2 AERA in its Order No. 14/2011-12 issued on 7 October 2011 in response to our MYTP decided to adopt a 'light touch' approach for regulation of our services.

1.3 Çelebi, thereupon, submitted its Annual Tariff Proposal (ATP) for first tariff year (FY 2011-12) and second tariff year (FY 2012-13) of the control period for consideration of the Authority. The Authority vide Order no. 11/2012-13 issued on 3 August 2012, determined the tariffs, for first and second tariff years, for cargo handling services provided by Celebi at IGI Airport.

1.4 For the third tariff year (FY 2013-14), AERA vide Order No. 35/2013-14 issued on 6 December 2013 approved Çelebi's proposed tariffs.

1.5 For the fourth tariff year (FY 2014-15), Çelebi had requested for extension of time for submission of its proposed tariffs. In the interim period Çelebi proposed to continue with their existing tariff (approved vide Order No. 35/2013-14 issued on 6 December 2013). The Authority vide Order No. 07/2014-15 issued on 3 June 2014 accepted Çelebi's request.

1.6 In accordance with Section 7.4 of the Guidelines, Çelebi is pleased to submit its Annual Tariff Proposal for the fourth tariff year of the control period (FY 2014-15) to the Authority along with this letter. Please find enclosed **Form B** and **Form 14(b)** prescribed in the Guidelines along with evidence of stakeholders' consultation.

Çelebi Delhi Cargo Terminal Management India Pvt. Ltd. ★ New Delhi

ÇELEBİ DELHI CARGO TERMINAL MANAGEMENT INDIA PVT. LTD.
www.celebidelhicargo.in

Room No.CE-05, First Floor, Import Building II, International Cargo Terminal, IGI Airport, New Delhi- 110037, INDIA Tel.: +91-11-47630900 Fax: +91-11-47630999

1.7 Çelebi would like to mention that the proposed revised charges are intended to come into effect only from 1 November 2014 and would be applicable till 31 March 2015. For the period 1 April 2014 to 31 October 2014, charges approved for FY 2013-14 are being and would continue to be levied.

1.8 Çelebi would like to bring to Authority's attention that it is fully committed to provide seamless experience to users of the cargo terminal. Çelebi has infused significant capital investment to renovate and modernize the complete infrastructure of the brown field terminal and brought in several state-of-the art equipment. It has continued to introduce various improvements in infrastructure and operational processes including faster cargo processing, efficiency improvement, better service and status availability, reduction in cargo damage / pilferage, etc. All this is likely to result in significant time and cost savings for its customers. Some of the recent initiatives include:

i. 'Cool Dolly' services, to extend the cold chain till aircraft,

ii. Dedicated team for documentation management and for expedited import delivery for faster cargo movement

iii. State of art Pharma Logistics Centre for dedicated handling of pharma shipments.

1.9 Çelebi would also like to submit that its costs of operations have increased on account of inflationary pressures and increasing utilities costs such as electricity charges. Even taking into account an increase in tariffs with inflation trends, Celebi's projected revenue would fall short of the AERA approved Aggregate Revenue Requirement (ARR) projections for the control period signifying an insufficient return for its investments.

Particulars	FY 2012	FY 2013	FY 2014	FY 2015
Aggregate Revenue Requirement, ARR (INR million)	3,476	3,953	3,956	3,981
Actual Revenue (INR million)	2,661	2,520	2,375	2,766*
Deficit (INR million)	815	1,433	1,581	1,215
% Deficit *(of Actual over ARR)*	**23%**	**36%**	**40%**	**30.5%**

** Projected revenue for FY 2015*

1.10 Contrary to earlier expectations of growth, DIAL's and Çelebi's cargo volume projections for the year 2014-15 are considerably lower as compared to projections in MYTP. Çelebi has been adversely affected by the above developments. Moreover, Çelebi does not envisage any significantly large increase in volumes in near future and the prevalent volume growth is not sufficient to recover costs or the shortfall in ARR.

1.11 Çelebi would like to submit to the Authority that taking all the above reasons into careful consideration, an increase in tariffs for some of the services being provided at the terminal becomes necessary. The proposed tariffs are shown as part of Form 14(b), included as part of this letter. It is to be noted that Çelebi has proposed to absorb this increase in tariff for first half of this financial year and is proposing the revised tariffs only for the second half of this financial year i.e. 1 November 2014 to 31 March 2015.

1.12 Çelebi would like to point out that even with the revision of tariffs for second half of FY 2015, the expected revenue is approximately 30% lower than the ARR for FY 2014-15 as per the earlier approved MYTP. This lower ARR in combination with the shortfall in revenue for the previous years in this control period highlights the

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. New Delhi

challenges faced by Çelebi in recovering the capital expenditure incurred by it for upgradation and modernization of the terminal.

1.13 Çelebi has undertaken stakeholders' consultation process for the proposed tariffs for FY 2014-15 and has provided evidence of the same with this Annual Tariff Proposal for FY 2014-15. Çelebi has made earnest efforts to address any concerns raised by the stakeholders and to provide just and fair rationale for any proposed revision in the tariffs.

1.14 Çelebi would also like to commit in this submission that it would continue to honor the existing long-term agreements which have been signed with various customers in the past and which are valid for FY 2014-15. The existing tariffs and other terms and conditions for such existing contracts would continue to remain valid for FY 2014-15 unless as highlighted as part of this tariff proposal.

1.15 We request AERA to kindly accept and approve our tariffs proposed in this Annual Tariff Proposal for FY 2014 – 15 at the earliest.

Thanking you,

Yours sincerely,

For Çelebi Delhi Cargo Terminal Management India Pvt Ltd

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. ★ New Delhi

Murali Ramachandran

Chief Executive Officer – India

Email: murali.ramachandran@celebi.in

Tel: +91 11 47630900

Enclosures:

1. Form B
2. Form 14(b)
3. Evidence of stakeholder consultation process with relevant stakeholders regarding this increase

2. Form B: (ref: Section AI.8 of Appendix I)

BEFORE THE AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

AT NEW DELHI

SUBMISSION OF PROPOSAL FOR DETERMINATION OF ANNUAL TARIFF FOR AND ON BEHALF OF:

Çelebi Delhi Cargo Terminal Management India Pvt. Ltd
International Cargo Terminal,
Indira Gandhi International Airport,
New Delhi – 110037

I, **Murali Ramachandran**, aged **45** years resident of **D 503 Palm Springs Sector 54 Golf Course Road Gurgaon** acting in my official capacity as **Chief Executive Officer- India** in Çelebi Delhi Cargo Terminal Management India Pvt. Ltd having its registered office at Room 23, Import Building 3, International Cargo Terminal, IGI Airport, New Delhi – 110037 do hereby state and affirm as under that:

1. That I am duly authorized to act for and on behalf of Çelebi Delhi Cargo Terminal Management India Pvt. Ltd in the matter of making this submission before the Airports Economic Regulation Authority of India, New Delhi ('the Authority');
2. I am competent to make this submission before the Authority;
3. I am making this submission in my official capacity and the facts stated herein are based on official records;
4. The contents of the Annual Tariff Proposal submission which include inter alia

    i. Proposed detailed break-up of Tariff(s) based on Clause 11.2 where the Authority has specified a light touch approach for the duration of the Control Period, pursuant to Clause 3.2, and

    ii. Justifications, are correct and true to my knowledge and belief and nothing material has been concealed there from.

Murali Ramachandran
Chief Executive Officer- India

Çelebi Delhi Cargo Terminal Management India Pvt. Ltd.
New Delhi

Place New Delhi
Date: 4 September 2014

User Consultation & Interaction Meeting with Trade Partners (DACAAI) on Proposed Tariff Revision on 28 August 2014

(Attached in subsequent pages)

Terminal Management
New Delhi
Delhi Cargo
India
Celebi ★ Pvt. Ltd.

Meeting	User Consultation & Interaction Meeting with Trade Partners (DACAAI) on Proposed Tariff Revision of Celebi Delhi Cargo Terminal Management India Pvt Ltd ("CELEBI")			
	Date	28th August, 2014	**Place**	VC Room, First Floor, Import Building II, Celebi Delhi Cargo Terminal, IGI Airport, New Delhi
Attendants	Mr Arvind Nayak		DACAAI	
	Mr Sumeet Sharma		DACAAI	
	Mr Amit Bajaj		DACAAI	
	Mr Manoj Ghuwalewala		DACAAI	
	Mr Murali Ramachandran		CEO – India, CELEBI	
	Mr Ravi Bhatnagar		CFO – CELEBI	
	Mr Anup Nair		Sr Manager – Revenue Control & Process Development, CELEBI	
	Mr Raja Gupta		Manager - Sales & Marketing, CELEBI	
	Mr Himanshu Chandra		KPMG	

Introduction

The stakeholder consultation meeting was held to discuss the proposed tariff revision for domestic cargo handling services provided by Celebi.

Following are the points discussed during the meeting:

1) CELEBI explained agenda of the meeting and its plans to file revised tariffs with AERA for its cargo services.
2) CELEBI presented its proposed revised tariffs to the stakeholders and explained the rationale behind revision in tariffs. Inflationary pressures, capital expenditure incurred in infrastructure development, interest charges and recurring costs have necessitated the revision in tariffs.
3) CELEBI highlighted that the proposed revision in tariffs is expected to be applied for a period of 5 months (Nov'14 –Mar'14) subject to approval of Celebi's tariffs by AERA.As a result, this revision in tariffs would have limited impact in the current fiscal year.
4) CELEBI stated that its actual revenues have fallen considerably short of the Aggregate Revenue Requirement (ARR) projections as per its Multi Year Tariff Proposal (MYTP) for FY 2013-14.
5) CELEBI presented highlights of the upgraded terminal and provided details on improvements in infrastructure and operational processes e.g start of Import "Expedited Delivery", New Projects such as Domestic Terminal, Pharma Logistics Centre, Cool Dolly for benefit of the trade partners. Trade is benefitting from improved facilities and better service levels which would further improve in the future.
6) CELEBI recently installed "Cool Dollies" to extend the cool chain to air side, which trade partners appreciated and mentioned that the step would surely benefit the trade immensely in export of perishables. DACAAI enquired about the usage of cool dollies in domestic

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. ★ New Delhi operations and CELEBI mentioned that cool dolly usage depends completely on user requirement and not limited to only international operations.

7) CELEBI mentioned that it has received RA3 certification, which is a regulatory requirement for European bound shipments and post which Delhi can be used as a transhipment hub. Trade Partners appreciated this step which can help to attract additional tonnages from neighbouring countries such as Sri Lanka, Nepal, Bangladesh etc.
8) DACAAI discussed about few operational issues being faced at the domestic terminal and CELEBI explained that it is currently focussing heavily on domestic operations and is planning huge investments and resources focussed on organising domestic operations and augmenting the business. Also CELEBI mentioned that it has started domestic operations since last 6 months and things are now stabilised than before.
9) DACAAI appreciated CELEBI's commitment for domestic operations and also in principle did not object to the proposed revised tariffs.
10) DACAAI highlighted its concerns regarding the current process of collecting TSP charges directly from agents, since they are facing challenges in reconciliation. Moreover PDA being an auto debit facility, poses obstacle in clearance of shipments sometimes due to paucity of funds.
11) DACAAI informed that it has requested AERA for reinstating the earlier process of billing TSP to the airlines as a pass through charge.
12) In absence of any satisfactory result, DACAAI mentioned that it will move to tribunal for dispute resolution.
13) DACAAI also questioned the existence of TSP charges in domestic operations as a concept since there is lower processing in domestic operations as compared to international operations, on which CELEBI mentioned that TSP in domestic operations is charged as per the prevalent industry practice.
14) DACAAI stated that it does not have any issue with the proposed revision in tariffs by CELEBI. DACAAI wants the charges to be billed to the airline and the current charging pattern of charging TSP directly to agents be revoked.

Concluding Comments: The meeting was a fruitful discussion, where CELEBI explained the rationale behind the proposed revision in tariffs along with a detailed demonstration of improvements made in infrastructure & processes, and its future initiatives. DACAAI appreciated the initiatives undertaken by CELEBI and recognized the need for revision in tariffs. DACAAI highlighted the challenges with the practice of levying TSP charges to its agents. Meeting ended with a vote of thanks to all participants.

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. ★ New Delhi

Consultation & Interaction Meeting with Trade Partners (ACAAI/DCCAA/) on Proposed Tariff Revision on 14th August 2014 and 3rd September 2014

(Attached in subsequent pages)

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. New Delhi

Meeting	User Consultation & Interaction Meeting with Trade Partners (ACAAI, DCCAA, CII) on Proposed Tariff Revision of Celebi Delhi Cargo Terminal Management India Pvt Ltd ("CELEBI")			
	Date	14th August, 2014	**Place**	VC Room, First Floor, Import Building II, Celebi Delhi Cargo Terminal, IGI Airport, New Delhi
Attendants	Mr Mahesh Trikha		Chairman, ACAAI – Northern Region	
	Mr KS Wadhwa		ACAAI	
	Mr CK Govil		ACAAI	
	Mr Raman Sud		President - DCCAA	
	Mr Moti Khanna		Joint Secretary - DCCAA	
	Mr S.K Choudhary		EC Member - DCCAA	
	Mr B.S. Jain		DCCAA	
	Mr J.M Nair		Representative - CII	
	Mr Ravi Bhatnagar		CFO - CELEBI	
	Mr Manoj Sharma		Head of Sales & Marketing, CELEBI	
	Mr Anup Nair		Sr Manager – Revenue Control & Process Development, CELEBI	
	Mr Raja Gupta		AM - Sales & Marketing, CELEBI	

Introduction

The meeting was held to discuss the proposed tariff revision for cargo handling services provided by Celebi

Following are the points discussed during the meeting:

1) CELEBI explained the basic purpose of the meeting and its plans to file with AERA, a proposed increase of 12% in cargo handling tariff with effect from 1st October 2014.
2) Trade Partners questioned the logic behind CELEBI's proposed increase of 12% to which CELEBI cited the prevalent average inflation added by the CAPEX incurred in infrastructure development and cost pressures in the earlier year.
3) Further CELEBI highlighted that the proposed increase of 12% will be ultimately applied for the period of 4 months (Dec'14 – Mar'14) and so will have a net impact of only 3% in the current fiscal year, and this is a justified increase considering the amount of improvements done and rising costs. Celebi also mentioned that in 2013, CELEBI had applied a prospective increase of charges that too applicable from Nov'13 onwards after being approved by AERA.
4) CELEBI made a presentation demonstrating highlights of the upgraded terminal and explained about various improvements in infrastructure and operational processes e.g start of Import "Expedited Delivery", New Projects such as Domestic Terminal, Pharma Logistics Centre,

Celebi Delhi Cargo Terminal Management India Pvt Ltd New Delhi

Cool Dolly for benefit of the trade partners.

5) CELEBI recently installed "Cool Dollies" to extend the cool chain to air side, which trade partners appreciated and mentioned that the step would surely benefit the trade immensely in export of perishables.
6) CELEBI also mentioned that it has received RA3 certification, which is a regulatory requirement for European bound shipments and post which Delhi can be used as a transhipment hub. Trade Partners appreciated this step which can help to attract additional tonnages from neighbouring countries such as Sri Lanka, Nepal, Bangladesh etc.
7) CELEBI also explained about Import Expedited Delivery, and trade body showed interest to this service. They also put forward their view that there should be a dedicated arrangement for this service so that other agents are not affected. CELEBI clarified that this service already has a dedicated arrangement. Also they showed some concern about the actual segregation time taken and CELEBI assured to deliver 100% performance for expedited delivery within the stipulated parameters.
8) CELEBI further shared that the cargo volume projections for the year 2013-14 have fallen short of expectations both in international and in domestic and mentioned that decreasing volumes have eroded margins and the normal volumes are not sufficient to recover costs.
9) Trade body questioned the basis of ARR projections on which CELEBI replied that ARR projections are made on the basis of projections received from various stakeholders which includes airport operator and airlines. CELEBI mentioned that even with proposed increase CELEBI will fall short of its ARR projections.
10) Trade Partners argued that CELEBI should focus on bringing additional clients in domestic operations which can generate additional revenue.
11) CELEBI explained that it cannot reduce its captive cost such as rent, interest, manpower, electricity and other trade facilitation expenses. And with a huge capital expenditure by CELEBI on building infrastructure upgrade and new equipment & machinery, the trade already has started benefitting from improved facilities & more efficient service levels, which will get even better in the future.
12) Trade Partners appreciated CELEBI's initiatives and investments in terms of infrastructure, but at the same time wanted further clarification on operational improvements, especially in previous financial year.
13) Finally Trade Partners sought some time for their internal deliberations and proposed to set up a meeting within one week to further discuss the proposed increase in tariff and arrive at some conclusion.

Concluding Comments: The meeting was a fruitful discussion, where CELEBI explained the rationale behind the proposed increase in tariff along with a detailed demonstration of improvements made in infrastructure & processes, and also its future initiatives. Trade Partners appreciated the infrastructural developments in the terminal with further operational improvements and more detailed description of improvements done. Trade appreciated and pointed out that the presentation was informative. Meeting ended with a vote of thanks to all participants

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. New Delhi

Meeting	User Consultation & Interaction Meeting with Trade Partners on Proposed Tariff Revision of Celebi Delhi Cargo Terminal Management India Pvt Ltd ("CELEBI")			
	Date	03rd September, 2014	**Place**	Board Room, Hotel Four Points by Sheraton, New Delhi - 110037
Attendants	Mr Mahesh Trikha		Chairman, ACAAI – Northern Region	
	Mr Moti Khanna		Joint Secretary - DCCAA	
	Mr S.K Choudhary		EC Member - DCCAA	
	Mr B.S. Jain		EC Member - DCCAA	
	Mr Kailash Gupta		Honourary Secretary - DCCAA	
	Mr Murali Ramachandran		CEO – India, CELEBI	
	Mr Ravi Bhatnagar		CFO - CELEBI	
	Mr Anup Nair		Head – Revenue Control & Process Development, CELEBI	
	Mr Raja Gupta		Manager - Sales & Marketing, CELEBI	
	Mr Himanshu Chandra		KPMG	

Introduction

The meeting was held to discuss the proposed tariff revision for cargo handling services provided by Celebi

Following are the points discussed during the meeting:

1) CELEBI made a presentation demonstrating highlights of the upgraded terminal and explained about various improvements in infrastructure and operational processes e.g Import "Expedited Delivery", New Projects such as Domestic Terminal, Pharma Logistics Centre, Cool Dolly for benefit of the trade partners which trade appreciated.
2) CELEBI also presented a split of CAPEX incurred in infrastructure development for facilitation of trade.
3) CELEBI also mentioned that it has received RA3 certification, which is a regulatory requirement for European bound shipments and post which Delhi can be used as a transhipment hub which was appreciated by trade partners.
4) Further there were discussions on few additional operational matters, on which CELEBI assured trade to sit across and discuss in a separate forum and ensure corrective measures with close monitoring.
5) CELEBI re-explained the basis of ARR projections citing that it has been prepared on the basis of inputs and projections received from published reports such as Mott McDonald and other sources, and based on these projections investment costs have been factored and implemented. CELEBI mentioned that even with proposed increase CELEBI will fall short of its ARR projections.

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. New Delhi

6) Further few revenue heads are on a declining trend due to constant increase in procedural efficiencies.
7) In addition to the above cost pressures have been raising due to inflationary pressures which have a significant impact on payroll expenses, electricity and other expenses etc.
8) CELEBI re-explained the basic purpose of the meeting and its plans to file with AERA, a proposed increase of 12% in cargo handling tariff subject to approval by AERA.
9) CELEBI highlighted that the proposed revision in tariffs is expected to be applied from Nov'14/Dec'14 onwards subject to approval of Celebi's tariffs by AERA. As a result, this revision in tariffs would have limited impact in the current fiscal year and this is a justified increase considering the amount of improvements done and rising costs.
10) CELEBI assured trade that it will continue to enhance the level of service by bringing in up gradation in infrastructure, equipments, automation and procedural efficiencies.
11) Trade Partners appreciated CELEBI's initiatives and investments in terms of infrastructure.
12) Trade Partners had a mixed opinion on increase in tariffs. On one hand, trade appreciated the developments made in the terminal wherein CELEBI has been able to provide a completely different business environment and supported the rationale behind the increase. On the other hand trade was apprehensive of the increase in tariff, since it will increase the cost of supply chain.
13) Finally trade requested CELEBI to share the presentation shown and assured to take up the same in the management committee meeting with positive recommendations.

Concluding Comments: The meeting was a fruitful discussion, where CELEBI explained the rationale behind the proposed increase in tariff along with a detailed demonstration of improvements made in infrastructure & processes, and also its future initiatives which was appreciated by trade. Trade appreciated and pointed out that the presentation was informative. Meeting ended with a vote of thanks to all participants

Celebi Delhi Cargo Terminal Management India Pvt. Ltd.
New Delhi

To,
Mr. C.V. Deepak,
Airports Economic Regulatory Authority of India,
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi – 110 003

Dear Sir,

Subject: **Proposed increase in tariff for the period 2014-15**
Reference: Your letter No. AERA/ 20010/MYTP/ Celebi/C/ Del/2011-12/Vol-I/6560, dated 31 October 2014

Çelebi is committed to provide efficient and modern cargo services to its users resulting in quicker turnarounds, a seamless experience and increased competitiveness for its customers. Çelebi has infused significant capital investment to renovate and modernize the infrastructure of the brownfield cargo terminal at Delhi Airport and has brought in several state-of-the art equipment. It has continued to introduce improvements in infrastructure and operational processes including faster cargo processing, efficiency improvement, better service and status availability, reduction in cargo damage / pilferage, etc. All this is likely to result in significant time and cost savings for its customers.

We would like to submit that Çelebi's costs of operations have increased on account of inflationary pressures and increasing cost of manpower, utilities etc. such as electricity charges. Keeping in view the safety and health of trade partner, the equipment deployed inside our warehouses is operated on electricity instead of carbon fuels thus providing a cleaner and safer working environment, however, this increases our costs. The increased cost of operations have resulted in increased burden on Celebi and its financial health. While we have incurred significant capital expenditure on modernization of the cargo terminal, our revenues are much lower than revenues permitted under the single till regulatory framework. As a result of this shortfall in revenue, Celebi has not been able to generate reasonable return on its investments which are permitted under the regulatory framework.

Even taking into account an increase in tariffs, Celebi's projected revenue would fall short of the AERA approved Aggregate Revenue Requirement (ARR) projections for the control period signifying an insufficient return for its investments.

Particulars	FY 2012	FY 2013	FY 2014	FY 2015
Aggregate Revenue Requirement, ARR (INR million)	3,476	3,953	3,956	3,981
Actual Revenue (INR million)	2,661	2,520	2,375	2,766*
Deficit (INR million)	815	1,433	1,581	1,215
% Deficit *(of Actual over ARR)*	**23%**	**36%**	**40%**	**30.5%**

* *Projected revenue for FY 2015*

Celebi Delhi Cargo Terminal Management (I) Pvt. Ltd.
Authorized Signatory

Contrary to earlier expectations of growth, DIAL's and Çelebi's cargo volume projections for the year 2014-15 are considerably lower as compared to projections in MYTP. Çelebi has been adversely affected by the above developments. Moreover, Çelebi does not envisage any significantly large increase in volumes in near future and the prevalent volume growth is not sufficient to recover the shortfall in ARR.

Çelebi would like to submit to the Authority that taking all the above reasons into careful consideration, an increase in tariffs for some of the services being provided at the terminal becomes necessary.

Çelebi would like to point out that even with the revision of tariffs for second half of FY 2015, the expected revenue is approximately 30% lower than the ARR for FY 2014-15 as per the earlier approved MYTP. This lower estimated revenue for FY2015 in combination with the shortfall in revenue for the previous years in this control period highlights the challenges faced by Çelebi in recovering the capital expenditure incurred by it for upgradation and modernization of the terminal.

Çelebi has undertaken stakeholders' consultation process for the proposed tariffs for FY 2014-15 and has provided evidence of the same with this Annual Tariff Proposal for FY 2014-15. Çelebi has made earnest efforts to address any concerns raised by the stakeholders and to provide just and fair rationale for any proposed revision in the tariffs.

We have provided our responses to the concerns raised by the stakeholders in Annexure-I.

We request AERA to kindly accept and approve our tariffs proposed in the Annual Tariff Proposal for FY 2014 – 15 at the earliest.

Thanking you,
Yours sincerely,
For Çelebi Delhi Cargo Terminal Management India Pvt Ltd

Çelebi Delhi Cargo Terminal Management (I) Pvt. Ltd.
Authorized Signatory

(Ramesh Mamidala)
Chief Executive Officer
Email:
Tel: +91 11 47630900

Enclosures:
Annexure – I

1. **Historical increase in tariffs:**

When Celebi took over the operations of the cargo terminal, the existing tariffs had not been revised for 8 years (2004-12). Celebi had incurred significant expenditure for modernization of the terminal resulting in a nominal increase of tariffs for most services relative to the increase permissible with the amount of capital expenditure.

The increase in tariff has been justified each year it has been applied. Due process including a thorough user consultation process was followed and requisite approvals for the new tariffs were obtained from AERA. The same procedure has been followed for FY 2014-15 as well.

We would again like to highlight that the increase in tariffs still does not provide Celebi with a reasonable return for the investments undertaken by it for the modernization of its terminal.

The following table illustrates the trend in tariff increase by Celebi:

Export Service Type	Unit	Old Tariffs (FY 2011 - 2012)	Old Tariffs (FY 2012 - 2013)	% Increase FY12 to FY13	Current Tariff (FY 2013 - 2014)	% Increase (FY 13 to FY14)	Proposed Tariff (FY 2014 - 2015)	% Increase (FY 14 to FY15)
Terminal Storage and Processing (PDA/CHA)								
General	Rs. Per Kg	0.7	0.9	29%	0.97	8%	1.09	12%
Special	Rs. Per Kg	1.4	1.65	18%	1.78	8%	1.99	12%
Valuable	Rs. Per Kg	1.4	1.65	18%	1.78	8%	1.99	12%
Hazardous	Rs. Per Kg	2.43	2.45	1%	2.65	8%	2.97	12%
Perishables	Rs. Per Kg	2.43	2.45	1%	2.65	8%	2.97	12%
Pharma	Rs. Per Kg				2.65		2.97	12%
Priority Cargo	Rs. Per Kg				TSP + 25%		TSP + 25%	
Demurrage – PDA								
General	Rs. Per Kg per Day	0.72	1	39%	1.08	8%	1.21	12%
Special	Rs. Per Kg per Day	1.43	1.7	19%	1.84	8%	2.06	12%
Valuable	Rs. Per Kg per Day	2.43	2.85	17%	3.08	8%	3.45	12%

Import Service Type	Unit	Old Tariffs (FY 2011 - 2012)	Old Tariffs (FY 2012 - 2013)	% Increase FY12 to FY13	Current Tariff (FY 2013 - 2014)	% Increase (FY 13 to FY14)	Proposed Tariff (FY 2014 - 2015)	% Increase (FY 14 to FY15)
Terminal Storage and Processing (PDA/CHA)								
General	Rs. Per Kg	4.45	5.00	12%	5.40	8%	6.05	12%

Celebi Delhi Cargo Terminal Management India Pvt. Ltd. Authorized Signatory

Perishables	Rs. Per Kg	8.89	9.00	1%	9.72	8%	10.89	12%
Valuable	Rs. Per Kg	8.89	9.00	1%	9.72	8%	10.89	12%
Hazardous	Rs. Per Kg	8.89	9.00	1%	9.72	8%	10.89	12%
Special	Rs. Per Kg	8.89	9.00	1%	9.72	8%	10.89	12%
Priority Cargo	Rs. Per Kg	NA	NA		TSP + 25%		TSP + 25%	
Demurrage (0-120 hours) (PDA/CHA)								
General	Rs. Per Kg per Day	1.30	1.55	19%	1.67	8%	1.87	12%
Special	Rs. Per Kg per Day	2.60	3.10	19%	3.35	8%	3.75	12%
Valuable	Rs. Per Kg per Day	5.20	6.15	18%	6.64	8%	7.44	12%
Demurrage (120-720 hours) (PDA/CHA)								
General	Rs. Per Kg per Day	2.60	3.10	19%	3.35	8%	3.75	12%
Special	Rs. Per Kg per Day	5.20	6.15	18%	6.64	8%	7.44	12%
Valuable	Rs. Per Kg per Day	10.40	12.30	18%	13.28	8%	14.87	12%
Demurrage (>720 hours) (PDA/CHA)								
General	Rs. Per Kg per Day	3.90	4.60	18%	4.97	8%	5.57	12%
Special	Rs. Per Kg per Day	7.80	9.20	18%	9.94	8%	11.13	12%
Valuable	Rs. Per Kg per Day	15.60	18.45	18%	19.93	8%	22.32	12%

Following table illustrates the International Cargo Handled by Celebi vs. projected Cargo as per MYTP while Domestic Cargo has remained almost non-existent

CELEBI Performance - International Cargo	Actual	Projected as per MYTP	Short Fall (%)
FY 12	371062	407681	-9%
FY 13	348491	425918	-18%
FY 14	325507	415716	-22%

2. Introduction of new services:

New Domestic Terminal, Pharma Logistics Centre, Cool Dolly, RA3 Certification, Documentation Handling, Import Expedited Delivery, 100% e-freight compliance and setting up of Solar Plant for reduction of carbon footprint, are services / facilities being provisioned by Celebi with a view of becoming operationally efficient and eco-friendly. For provisioning of these services, Celebi has incurred substantial capital expenditure as part of its overall investment plan.

Çelebi Delhi Cargo Terminal Management (I) P. Ltd. Authorized Signatory

It is to be noted that the increase in tariffs are in relation to the overall investments made by Celebi which include these services. Celebi is facing severe financial constraints as it has not been able to generate reasonable return for its investments. The proposed increase in tariff will enable Celebi to continue to provide better services with the least delays, in-turn reducing demurrages and hence benefiting the trade in the long run and Çelebi would like to highlight that we follow a completely transparent process with respect to levying of demurrage and other charges. Our transparent process of levying of charges is available online to all users.

Celebi Delhi Cargo Terminal Management (I) Pvt. Ltd.
Authorized Signatory

RE: Annual Tariff Proposal for fourth tariff year for cargo handling services at IGI Airport, New Delhi

From: **Ravi Bhatnagar** (Ravi.Bhatnagar@celebiaviation.in)
Sent: 15 January 2015 15:48PM
To: anil saxena (igi1955@hotmail.com)
Cc: Deepak C V (cvdeep@gmail.com); Radhika (radhi_khan@yahoo.co.in); Ramesh Mamidala (Ramesh.Mamidala@celebiaviation.in)

Dear Mr. Saxena

This is in reference to your e-mail dated 13th Jan-15 regarding submission of justification for increase in tariff by 12%.

We would like to submit that Çelebi's costs of operations have increased on account of inflationary pressures and increasing cost of utilities such as electricity cost since all the equipment's operated inside the warehouse are electric powered to minimize the pollution impact and give the user an environment friendly working conditions. The increased costs of operations have resulted in increased burden on Celebi and its financial health. While we have incurred significant capital expenditure on modernization of the cargo terminal, our revenues are much lower than revenues permitted under the single till regulatory framework.

Even after the negative gap in ARR Celebi is committed to provide efficient and modern cargo services to its users resulting in quicker turnarounds, a seamless experience and increased competitiveness for its customers.

Çelebi has invested Rs. 225.17 cr till December 2014 in infrastructure and equipment's to renovate and modernize the facility at cargo terminal at IGI Airport, New Delhi and has brought in several state-of-the art equipment. The breakup of amount incurred in creating the infrastructure is as under:-

Rs. In crore

S.no	Particulars	Amount
1.	**Warehouse up gradation / Building**	151.00
2.	**Equipment (Plant & Machinery)**	64.47
3.	**Computers and office equipment**	8.32
4.	**Furniture and Fixtures**	1.38

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	Total investment in infrastructure till Dec-14	**225.17**

After taking into consideration the proposed increase in tariffs, Celebi's projected revenue would still be lower by more than 30% w.r.t. the AERA approved Aggregate Revenue Requirement (ARR) projections for the control period.

Particulars	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Aggregate Revenue Requirement, ARR (INR million)	3,476	3,953	3,956	3,981
Actual Revenue (INR million)	2,661	2,520	2,375	2,766*
Deficit (INR million)	815	1,433	1,581	1,215
% Deficit *(of Actual over ARR)*	**23%**	**36%**	**40%**	**30.5%**

* *Projected revenue for FY 2015*

Contrary to earlier expectations of growth, DIAL's and Çelebi's cargo volume projections for the year 2014-15 are considerably lower as compared to projections in MYTP. Moreover, we do not envisage any significantly large increase in volumes in near future and the prevalent volume growth is not sufficient to recover the shortfall in ARR.

As a result of the shortfall in revenue, we are not been able to generate reasonable return on its investments which are permitted under the regulatory framework.

We continued to introduce improvements in infrastructure and operational processes including faster cargo processing, efficiency improvement, better service and status availability, reduction in cargo damage / pilferage, etc. All this is likely to result in significant time and cost savings for its customers.

We would like add that we are NOT proposing any increase on air side activity of the terminal i.e. no change in the tariff charged from the airlines except for the x ray charges.

We request AERA to kindly accept and approve our tariffs proposed in the Annual Tariff Proposal for FY 2014 – 15 at the earliest.

Warm Regards,

Ravi Bhatnagar

CFO

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