



KERALA STATE INDUSTRIAL ENTERPRISES LTD.

(A Government of Kerala Undertaking)

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Schedule

This Schedule contains the various specified forms that relate to specific Clause(s) of the Guidelines or Section(s) of the Appendix, as the case may be.

Form A: (ref: Section A1.1 of Appendix I)

BEFORE THE AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA
AT NEW DELHI

SUBMISSION OF MULTI YEAR TARIFF PROPOSAL FOR AND ON BEHALF OF

M/S. KERALA STATE INDUSTRIAL ENTERPRISES LIMITED
(PERTAINING TO TRIVANDRUM AIR CARGO TERMINAL)

I, FEBI VARGHESE, aged 43 years, resident of Thiruvananthapuram, acting in my official capacity as MANAGING DIRECTOR in M/s. KERALA STATE INDUSTRIAL ENTERPRISES LTD having its registered office at St. Joseph's Press Buildings, Cotton Hill, Thiruvananthapuram-695014 do hereby state and affirm as under that:

5. That I am duly authorized to act for and on behalf of M/s. Kerala State Industrial Enterprises Ltd in the matter of making this submission before the Airports Economic Regulatory Authority of India, New Delhi ('the Authority');
6. I am competent to make this submission before the Authority;
7. I am making this submission in my official capacity and the facts stated herein are based on official records;
8. The contents of this submission which include inter alia (i) Business Plan (ii) information relating to the Regulatory Building Blocks; (ii) Competition Assessment; (iv) Historical and Forecasted Volumes, and (v) Historical Revenues, are correct and true to my knowledge and belief and nothing material has been concealed there form.

Place: Thiruvananthapuram

Date: 20/5/2011


(FEBI VARGHESE)
MANAGING DIRECTOR

EXECUTIVE SUMMARY

- Revenue-wise, growth in business is assumed at 10% annually on the basis of anticipated tariff increase. Volume-wise, increase in perishable export from Trivandrum is assumed at around 5% only from 2014-15 onwards. Similarly, increase in UB import is also assumed below 10% only from 2012-13 onwards. These assumptions are based on reports that there is likely to be some stagnation in the near future in the Non Keralite population in Gulf countries, which will have indirect impact in the perishable export as well as UB import business through Trivandrum Airport.
- Revenue loss on account of possible reduction in volume is expected to be recouped by entering into other Airport ground handling related activities, courier cargo handling etc in association with Airports Authority of India and revision of the tariffs.
- CAPEX of Rs.15 crores is proposed during 2011-12 and Rs.10 crores during 2012-13 for shifting the facility to the new Trivandrum International Airport Terminal side.
- Improvement in cargo handling efficiency is proposed, to handle higher volumes with existing man power.
- Addition to man power is not envisaged, regular increments and wage revision is considered in the financial projections.
- Annual increase in expenditure is assumed as per past trend.



INTRODUCTION

Kerala State Industrial Enterprises Ltd is a fully owned Company of Kerala Government and has been operating an Air Cargo Complex at Trivandrum , since 1979. KSIE is also operating another Air Cargo Complex at Calicut Airport. A Business Plan has been prepared to position the air cargo handling activities in line with the Government policies and also the growing need of the importers, exporters and other users of the cargo facilities at the Airports. This Business Plan is based on the past performance of the Company and the projections made on that basis. These are estimates and actual performance may depend on the volume of business and other economic parameters.

LOCATION

Thiruananthapuram, the jewel in the emerald necklace that Kerala is for the Indian sub-continent, must surely have been a "must see" destination for ages, long before National Geographic Traveller classified it as one. Surely long before Sage Parasurama , according to local legend, threw his divine battle axe from Kanyakumari to Gokarnam to wrest Kerala, God's own land, from the Varuna the Sea God; before the times of Mahabali the democratic and just ruler of this wonderful land who was sent down to the netherworld through deceit. It doesn't take any flights of fancy to imagine that this land fired the imaginations of intrepid travellers and explorers like Columbus, Vasco de Gama, Marco Polo, Fa Hien, and quite possibly, countless others from the pages of history, recorded or not.



Trivandrum Air Cargo Complex

Thiruvananthapuram, or Trivandrum, as it was conveniently re-christened by the English, is the southern-most district and Thiruvananthapuram city is the district headquarters as well as the State capital of Kerala. Thiru Anantha Puram, or the city of the Holy Anantha, is named after Ananthan, the cosmic serpent with a thousand heads, on whose coils Lord Mahavishnu reclines. This iconic representation is the chief deity in the Sri Padmanabhaswamy Temple. The temple was built by King Marthanda Varma of the Travancore Royal family when, in 1745, he shifted the Travancore capital from Padmanabhapuram in the south (today in the neighbouring State of Tamil Nadu) to Thiruvananthapuram and started reigning as 'Padmanabha Dasa', the servant and representative of Lord Padmanabha--perhaps a nobler variant of the 'Divine Right Theory' that the West is familiar with. The vast temple complex, with its tall 'Gopuram' decorated with detailed carvings reflected in the huge temple tank, is today a centre of attraction for the pious, the tourist and the merely curious.

Thiruvananthapuram, built on seven hills, has today grown into a sprawling metropolis; but thankfully the city still retains her past glory and charm, and in spite of the frenetic pace of modern life, perhaps it is the most sedate of the big cities of the State. The people too have retained their friendliness and hospitality, and communicating in English, Hindi or Tamil is as easy as it is in the native Malayalam, whether one is talking to a retired professor or to the man in the street. But be prepared for a 'dose' of highly individualistic observations though-- a hallmark of the Malayali that has enabled him to adapt and to survive the Tsunamis of alien cultures and ideas, and all things 'modern'. The old quarter of the city clusters in and around the East Fort, a protected landmark that dates back to the Royal days. The rightly famous Sri Padmanabhaswamy temple, the Navarathri Mandapam, where the annual musical fest is held as an offering to Saraswati, the Goddess of Learning, Kuthira Malika, a uniquely wonderful example of traditional architecture and



Trivandrum Air Cargo Complex

the venue of the annual Swathi Thirunal music festival honouring the composer-king of Travancore are the best among the traditional structures that adorn the Fort enclave. The Mahatma Gandhi Road, the chief artery of the city, is lined by traditional mansions that proclaim the grandeur of the times past and modern high-rises that testify to the city's newfound affluence and a brashly commercial taste --red tile and timber vying with concrete and glass. What perhaps is special about the ambience of Thiruvananthapuram is the wonderful blend of the strongly traditional, the nostalgically Colonial and the outright modern elements, be it in architecture, in food or in the dress and manners of her people. The city's spirit of 'live and let live' is nowhere more evident than at Palayam (the Garrison, the seat of the old Cantonment), where three centers of worships of three faiths rub shoulders--the ancient Ganapathy Temple of the Hindus (ostensibly built by the Maharajah for worship by the soldiers of old Cantonment), the Palayam Juma Masjid of the Muslims and the Palayam St. Joseph Cathedral of the Christians with its distinctive Gothic tower.

Blessed with a pleasant climate virtually throughout the year, Thiruvananthapuram city sparkles after the monsoon rains. After the 'hot' summers, which thankfully pale in comparison to the 'hotspots' of India, the welcome summer showers augur the festival season when Kerala decks herself out, and traditional colours and rhythms and characters straight from the pages of her ancient lore entice the visitor to another world. The festivities are crowned by Onam , the Spring harvest festival, today marked by traditional fare throughout the State, including the spirited race of the picturesque and majestic snake boats , the grand elephant parade, when hordes of caparisoned pachyderms lend an air of fantasy to the setting, and the special presentations of Kathakali , Mohiniyattom , Koodiyattom and other traditional arts of Kerala. etc etc



Location and Boundaries

Thiruvananthapuram district is situated between north latitudes 8° 17' and 8° 54' and east longitudes 76° 41' and 77° 17'. The southern most extremity, 'Parasala', is 56 kms away from Kanyakumari, the "land's end of India". The district stretches along the shores of the Arabian sea for a distance of 78 kms.

District boundaries are:

East:Thirunalveli District, Tamilnadu.

South:Kanyakumari District, Tamilnadu

West:The Arabian Sea.

North:Kollam District.

District Area:2192 km².

Taluks:4.

Villages:116.

Main Towns:Thiruvananthapuram

City, Neyyattinkara,Nedumangad, Attingal,Varkala.

Population:3234356(as per 2001 census).



KERALA STATE INDUSTRIAL ENTERPRISES LTD

Kerala State Industrial Enterprises Ltd (KSIE), Government of Kerala Undertaking, was incorporated on 25th January 1973. The main activities of KSIE at present are:

- Management of Air Cargo Complexes at Trivandrum and Calicut Airports
- Marketing / Trading and E-Commerce
- Functioning as the Virtual Office of APEDA in Kerala.
- Managing Kerala Soaps Unit at Calicut.
- Setting up of a Container Freight Station at Kalamassery, Cochin.

Management of Air Cargo Complexes

In 1979, Government of India took a decision that Air Cargo Complexes should be set up at suitable locations by the concerned State Governments. These Complexes were intended to bring Export and Import activities under one roof. To begin with, Thiruvananthapuram was identified as a suitable location and the Government of Kerala appointed Kerala State Industrial Enterprises Ltd. (KSIE) as the Operating Agency for setting up and running Air Cargo Complexes in the State. Accordingly, KSIE had established three Air Cargo Complexes, one each at Thiruvananthapuram, Kochi and Calicut. It is worth mentioning that KSIE has managed these Cargo Complexes efficiently and succeeded in operating them profitably. However, the cargo operations at Kochi were terminated when the Cochin International Airport Ltd was commissioned.



Marketing / Trading

Besides the above activities, KSIE has Showroom-cum-Sales Outlets with the objective of assisting Government owned companies to market their products. KSIE is also successful in establishing, managing and efficiently operating the three sales emporia located at:

- Thiruvananthapuram
- Kochi and
- Calicut

Virtual Office of APEDA

KSIE is also functioning as the Virtual Office of the Agricultural and Processed Food Products Export Development Authority (APEDA), in the State of Kerala.

E-Commerce

KSIE ventured into e-business through its e-com portal www.keralarcade.com, which was set up during 1999-2000. KSIE is the first State PSU to venture into such a business. It has tie-up with ICICI Bank for on-line payment solutions on business taking place through the site. The business through the site has been on the increase. The Company is offering “Kerala Special” products through the site as well as products manufactured by large and medium scale industries both in the Public and Private sectors.

A unique service provided by the Company through its portal is the on-line cargo tracking system. Passengers/Customers who send their Un-accompanied Baggage and other cargo through our cargo complexes can log-in to our site and check whether their cargo has arrived or not. If arrived, the date of arrival, number of pieces etc are also displayed.



Trivandrum Air Cargo Complex

Kerala Soap Unit: Kerala Soaps & Oils Ltd, Kozhikoide was a prestigious PSU owned by the Government of Kerala, well known for its brand products like Kerala Sandal, Thrill, Vep, Wash Well, Coaltar etc. This Company was defunct for many years and its winding up proceedings are in progress. As desired by Government of Kerala, KSIE has restarted a new Unit “Kerala Soaps” at Kozhikode and re-launched many branded products of erstwhile Kerala Soaps & Oils Ltd. KSIE has invested around Rs.800 lakhs in this venture.

Container Freight Station at Kalamassery, Cochin:

In order to tap the potential of sea cargo business after commissioning of the Vallarpadam International Container Transshipment Terminal, the Company has started setting up of a Container Freight Station at Kalamassery, Cochin at a total project cost of ₹32.23 crores. The project is in advanced stage and getting ready for launching its operations.

Organizational Set-up

KSIE is a Government owned Company and the management of KSIE vests with the Board of Directors appointed by the Government. The Managing Director is responsible for carrying out all the activities of the Company. He is assisted by General Manager (Air Cargo Complexes), General Manager (Marketing), General Manager (Development), Secretary & General Manager (Finance), and General Manager (HR). The organization has the capability to undertake and manage projects of any size and operational flexibility. The Air cargo complex at Trivandrum is staffed by experienced and capable persons.

Financial performance of the Company

KSIE has been a profit making and dividend paying Company since 1999-2000 onwards. The turn over and profits shown in the table are gross for the



Trivandrum Air Cargo Complex

company including other activities undertaken by KSIE. The financial performance of the Company since 2005-06 onwards is given below:

(in Rs. Lakhs)

Year	Total turnover	Gross profit	Net profit
2005-06	1039.27	388.43	267.15
2006-07	1216.95	501.36	330.95
2007-08	1367.07	573.97	360.53
2008-09	1885.75	561.48	377.06
2009-10	2017.10	622.82	410.36
2010-11	2584.51	622.24	410.74

TRIVANDRUM AIR CARGO TERMINAL

During the period 1978-79, Government of India took a policy decision that Air Cargo Complexes should be set up at suitable locations in the country, other than metro airports, by the concerned State Governments. These complexes were intended to bring all Export/Import activities under one roof. In Kerala, Thiruvananthapuram was identified as a suitable location and the Government of Kerala nominated Kerala State Industrial Enterprises Ltd. as the Operating Agency for setting up Air Cargo Complex attached with Trivandrum Airport.

Export operations from Trivandrum commenced in 1979. A full fledged Trivandrum Air Cargo Terminal (TACT) was established by KSIE at Shanghumugham from where full fledged Import/Export activities commenced from July 1984 onwards. The Commissioner of Customs had appointed KSIE as the Custodian of all Import/ Export goods landed at Trivandrum Airport in accordance with the provisions of chapter viii of the Customs Act, 1962.



Trivandrum Air Cargo Complex

In the year 1991 Trivandrum Airport was declared as an International Airport and the Air Cargo Operation was with the Airports Authority of India for nearly 2 years. In 1993 the custodianship of the cargo complex was again entrusted with KSIE.

KSIE had carried out two major expansion projects at TACT. It has also obtained quality certification from the Bureau of Indian Standards as per IS:ISO 9001-2000 standards, as early in the year 2003. TACT is the major center for export of perishables from South India. Nearly 75 MT per day of vegetables, fruits and other perishables like meat, fish, flowers etc. are exported from TACT. Spices, handicrafts, textiles etc. are also uplifted. As regards Import, TACT has now capacity to handle upto 75MT of Import cargo per day on an average.)

International flights from Trivandrum Airport stands shifted to new Airport Terminal commissioned by the AAI with effect from 01.03.2011. Along with this, KSIE has created necessary infrastructural facilities near the new Airport terminal at Chackai to carry out export operations smoothly. (AAI had leased out around 4000 sqm. land to KSIE for this purpose. This arrangement will continue for the time being until the dream project of KSIE to construct a new cargo terminal of international standard in 10 to 15 acres of land to be allotted to KSIE by the Government of Kerala. A capex of Rs.15 crores is proposed during 2011-12 towards this.)

The Machinery/Equipment and Material Handling system include:

- X-ray screening machines
- Weigh Bridges & Platform Scales
- Cold storage



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- Strong room for precious cargo
- Computer network
- Material handling equipments viz. Fork-lift, Trolleys etc.

Export Cargo handled :

The cargo exported through TACT is of two types:

- Perishables
- Non-perishables

Perishables

This includes fresh vegetables, fruits, fish and meat, flowers, etc. However, the quantum of fish, meat and flowers at present is not very significant. Vegetables form the major share of exports from Trivandrum. The export of vegetables and fruits are from the small-scale sector and the destinations are mainly to the Middle East. It is to meet the requirement of NRK/NRI population working in such places. They prefer only the fresh vegetables and fruits and hence any further processing is not required, particularly for Middle East destinations.

Major vegetables moving from Trivandrum Airport are Banana of which Kerala Nentran is in bulk quantities, bitter gourd, long beans, curry leaves, etc. These items also come direct from the farms as the buyers want only very fresh items.

Non-Perishables

Non-perishables (also referred as General Cargo) include mainly commercial cargo viz. engineering products, textile items such as ready-made garments,



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etc. Besides this, small quantities of spices like Cardamom, etc. are also exported. Around 5% of the total export cargo constitutes Non-perishables. The total tonnage of export cargo through TACT from 2005-06 onwards is given in table below:

Quantity of Export Cargo Handled at Trivandrum Air Cargo Complex

Year	Tonnage
2005-06	18649
2006-07	22132
2007-08	22879
2008-09	22144
2009-10	24970
2010-11	27389

Import Cargo handled:

The import cargo handled through TACT can be mainly categorised into two:

- Unaccompanied Baggage (UB) or Personal effects
- Commercial Cargo.

Unaccompanied Baggage:

Almost 95% of the import consignments at TACT are personal effects (UB) of NRIs based in Gulf countries. UB also include electronic equipments like computers, TV etc and items like washing machines, fridge, air conditioners etc brought by majority of the Gulf returnees.



*Trivandrum Air Cargo Complex***Commercial Cargo:**

This forms electronic spares and other equipments imported by BPL and other IT Companies based in Kerala, especially at the Techno Park, Trivandrum, and also machineries and spares imported by ISRO, major Hospitals and other industrial units. This also includes some quantity of valuable cargo.

Quantity of import cargo handled at TACT from 2005-06 onwards is given in table below:

Year	Tonnage
2005-06	8981
2006-07	12811
2007-08	12883
2008-09	11728
2009-10	12732
2010-11	17426

Growth Trends of Air Cargo

The total tonnage of import and export cargo through Trivandrum during 2008-09, 2009-10 and 2010-11 and the revenue earned are given below. The trend exhibited and the market conditions have been taken into consideration while preparing the projections for the business plan.

Past performance

Year	Tonnage	Revenue (Rs lakhs)
2008-09	33872	557.07
2009-10	37402	636.79
2010-11	44815	740.09



Future projections

Year	Tonnage	Revenue (Rs lakhs)
2011-12	49800	814.10
2012-13	56750	895.51
2013-14	62000	985.06
2014-15	65800	1083.57
2015-16	69700	1191.92

Projected Financials

The estimated profit and loss account, balance sheet, projected cargo movement etc, for the cargo handling operations at Trivandrum are attached herewith . The basic assumptions underlying this are:

- Revenue is projected to grow at 10 % per year.
- Revenue includes rent and other income.
- General Expenditure, including staff cost is anticipated to move up 16 to 20% annually as per the past trend.
- Head Office share of expenses is assumed to increase by 10% every year.
- Depreciation is charged on WDV basis.
- Income tax is estimated at 30.9% every year

Statements attached

- Profit and Loss account _ Annexure 1
- Projected Balance Sheet - Annexure 2
- Projected Cargo Movement-Annexure 3
- Historical Tariffs and Revenue _Annexure 4



Conclusion

To sum up, KSIE's aim is to continue to provide optimum service at competitive rates at the two Air Cargo Complexes managed by us. The policies and strategies so far followed by us has helped us not only to retain but also to increase the volume of business in spite of Cochin International Airport Ltd coming up in a big way.

Major exports through ^{these} our Cargo Complexes are perishable items like vegetables, fruits, marine products etc, catering to the needs of NRI population in Gulf Countries, especially Keralites. Similarly, over 95% of the import through our Cargo Complexes is Personal Effects (Unaccompanied baggage) which, again, is dependent on the NRI population in Gulf countries. Unconfirmed reports are there that there is likely to be some stagnation in the migration to Gulf Countries in the near future. Naturally, this will have negative impact in future in the volume of export / import business through our Cargo Complexes also, leading to revenue loss. To recoup this future reduction in revenue loss, efforts are going on to expand our Airport / Cargo related activities in association with the Airports Authority of India. Negotiations with Airports Authority of India for setting up of a separate courier terminal, bonded cargo trucking operation etc are in progress.

A state-of-the-art international standard Air Cargo hub at Trivandrum Airport is our dream project. The Company has already moved the State Government for allocation of 10 to 15 acres of land for this purpose. Location has since been identified in consultation with the AAI, to ensure that the operations of future Cargo Hub synchronizes with the new Airport Terminal. CAPEX of Rs.25 crores is proposed, Rs. 15 crores during the financial year 2011-12 and Rs.10 crores during the next year respectively.)



Air Cargo Complex_Trivandrum_KSIE limited

Annexure 3

Form f12(a)-Historical and Projected Cargo Volumes in tonnes (ref: Section A16 of Appendix 1)

Year	Domestic								International								
	Loaded				Unloaded				Loaded				Unloaded				
	General	Perishable	Valuable	Other	General	Perishable	Valuable	Other	General	Perishable	Valuable	Other	General	Perishable	Valuable	Other(UB)	
2003-04									380	18123			11	798			7177
2004-05									296	14553			32	759			7099
2005-06									441	18200			7	608			8373
2006-07									197	20873			36	536			12275
2007-08									218	22619			37	532			12351
2008-09									276	21868			34	551			11177
2009-10									421	24515			33	476			12256
2010-2011	Not applicable since Domestic Cargo is not handled a								466	27092			36	563		2	16863
2011-2012									500	29800			40	650		3	20000
2012-2013									550	32750			45	750		3	24000
2013-2014									600	36000			50	900		3	26000
2014-2015									650	37800			55	1100		4	28000
2015-2016									700	39700			60	1300		4	30000
2016-2017									750	41700			65	1500		4	32000
2017-2018									800	43800			70	1750		5	34000
2018-2019									850	46000			80	2000		5	37000
2019-2020									900	48300			90	2300		5	40000



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Air Cargo Complex_TRV_KSIE_Aggregate Revenue Reqmnt

<u>Air Cargo Complex Trivandrum</u>	Tariff year					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
RAB for calculating ARR	298.39	1185.56	2480.70	2824.53	2677.80	2539.58
Fair rate of Return	13.52%	13.52%	13.52%	13.52%	13.52%	13.52%
RAB* FRoR	40.33	160.23	335.27	381.74	361.91	343.23
Depreciation	25	119.85	161.14	151.19	142.28	134.16
Operation and Maintenance expenditure	218.23	278.20	331.80	396.16	473.49	566.44
Interest	0	90.00	215.36	258.22	215.36	172.51
Tax	167.81	116.61	75.30	74.66	99.12	121.74
Other revenues	46.27	50.90	55.99	61.59	67.75	74.52
Aggregate revenue requirement	497.71	815.79	1174.85	1323.56	1359.90	1412.60



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