



Ref No: ALIAL/CO/AERA-MYTP/2021/1

31<sup>st</sup> July, 2021

To,  
**The Chairperson,**  
Airports Economic Regulatory Authority of India,  
AERA Building, New Administrative Block,  
Safdarjung Airport,  
New Delhi- 110003.

**Sub: Submission of Multi Year Tariff Proposal (MYTP) for Adani Lucknow International Airport Limited (ALIAL) for Third Control Period**

Dear Sir,

The Authority vide order No. 49/2020-21 dated 29<sup>th</sup> October 2020 had approved the existing tariff for Lucknow airport till 31<sup>st</sup> March 2021 and same was further extended till 30<sup>th</sup> September 2021 vide order No. 65/2020-21 dated 24<sup>th</sup> March 2021.

We hereby submit the Multi Year Tariff Proposal for Chaudhary Charan Singh International Airport (CCSIA) for the Third Control Period starting from 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2026 for kind consideration and approval of the Authority, We shall be pleased to provide any further information that Authority may require in this regard.

Thanking you

Yours truly,  
**For Adani Lucknow International Airport Limited,**

**Manoj Chanduka**  
**Authorized Signatory**

**Enclosures : -**

1. Multi Year Tariff Proposal along with annexures
2. Financial Model in Excel format

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**Multi Year Tariff Proposal for Adani Lucknow  
International Airport Limited (ALIAL) for Third  
Control Period (FY21-22 to FY25-26)**

**31<sup>st</sup> July, 2021**

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## List of Abbreviations

AAHL	Adani Airport Holdings Limited
AAI	Airports Authority of India
	Airports Authority of India Cargo Logistics and Allied Services
AAICLAS	Company Limited
AEL	Adani Enterprises Limited
AERA	Airports Economic Regulatory Authority of India
ALIAL	Adani Lucknow International Airport Limited
ARR	Aggregate Revenue Requirement
ASQ	Airport Service Quality
ATM	Air Traffic Movements
AUCC	Airports Users Consultative Committee
CGF	Cargo, Ground handling, and Fuel
COD	Commercial Operations Date
CoD	Cost of Debt
CoE	Cost of Equity
CPI	Consumer Price Index
CWIP	Capital Work In Progress
F&B	Food and Beverages
FCP	First Control Period
FIDS	Flight Information Display Systems
FRoR	Fair Rate of Return
GoI	Government of India
IMF	International Monetary Fund
ITB	Integrated Terminal Building
IXE	Mangaluru International Airport, Mangaluru
LoA	Letter of Award
MoU	Memorandum of Understanding
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NCAP	National Civil Aviation Policy
Pax	Passengers
R&M	Repair and Maintenance

RAB	Regulatory Asset Base
SPV	Special Purpose Vehicle
TCP	Third Control Period
UK	United Kingdom
WDV	Written Down Value Method

**BEFORE THE AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA**

**AT NEW DELHI**

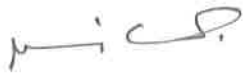
**SUBMISSION OF MULTI YEAR TARIFF PROPOSAL FOR AND ON BEHALF OF:**

**M/S ADANI LUCKNOW INTERNATIONAL AIRPORT LIMITED (ALIAL)**

I, Manoj Chanduka aged 55 resident of Gujarat, India acting in my official capacity as authorized signatory in M/s Adani Lucknow International Airport Limited having its registered office at Adani Corporate House, Shantigram, S G Highway, Ahmedabad, 382421 do hereby state and affirm as under that :-

1. That I am duly authorized to act for and on behalf of M/s Adani Lucknow International Airport Limited in the matter of making this submission before the Airports Economic Regulatory 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 this submission which include (i) Business Plan; (ii) Information pertaining to physical assets; (iii) Information relation to the Regulatory Building Blocks; (iv) Historical and Forecasted Volumes; and (v) Historical Revenue, are correct and true to my knowledge and belief and nothing material has been concealed there from.

For Adani Lucknow International Airport Limited,



Manoj Chanduka

Authorized Signatory

Place: Mumbai

Date: 31.07.2021

## 1. Background

- 1.1. Lucknow is the capital city of the state of Uttar Pradesh, which is the most populous state in India. In addition to being the administrative centre, Lucknow is hub for major industries such as IT, automotive, distillery, chemicals and garments. It is also amongst India`s top cities in terms of contribution to GDP. Besides, Lucknow is a centre for research and development.
- 1.2. The Government of India (GoI), in an attempt to bring expertise, enterprise, professionalism, investments, and efficiency in service delivery to airports, decided to privatize the operations, management, and development of Chaudhary Charan Singh International Airport (CCSIA), Lucknow.
- 1.3. Accordingly, the Airports Authority of India (hereinafter referred to as “AAI”) invited proposals, through a global competitive bidding process, for the operations, management, and development of CCSIA, while prescribing technical and commercial terms and conditions. In a competitive bidding, Adani Enterprises Limited (AEL) emerged as the highest bidder to operate, manage, and develop CCSIA.
- 1.4. Having evaluated the bids and having received security clearance from the Ministry of Home Affairs, GoI, AAI accepted the bid of Adani Enterprises Limited, and issued a Letter of Award (LOA)<sup>1</sup>. As per the Concession Agreement, Adani Enterprises Limited has promoted and incorporated the Special Purpose Vehicle (SPV) – Adani Lucknow International Airport Limited (ALIAL), as the concessionaire under the Companies Act, 2013. ALIAL signed the Concession Agreement with AAI on 14<sup>th</sup> February 2020 for exclusive right to operate, manage and develop Lucknow Airport for a period of 50 (fifty) years from the Commercial Operations Date (COD).
- 1.5. Subsequently, AEL has incorporated a 100% subsidiary named Adani Airport Holdings Limited (AAHL). As on date, AEL holds 100% shareholders equity in ALIAL, directly or indirectly through AAHL.

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<sup>1</sup> LoA No. AAI/KID/PPP/06 APTS/LOA/Lucknow/2019 on 15<sup>th</sup> July 2019

- 1.6. ALIAL has achieved Commercial Operations Date (COD) on 02<sup>nd</sup> November 2020.
- 1.7. The Concession Agreement between AAI and ALIAL (refer Annexure – A) and Memorandum of Understanding between Gol and ALIAL (refer schedules in Annexure – A) provide ALIAL the right to levy aeronautical and non-aeronautical charges from various users effective from the COD.
- 1.8. With respect to ALIAL’s right to demand User Fees for aeronautical and non-aeronautical services, the Concession Agreement<sup>2</sup> states that:

*“On and from COD and till the Transfer Date, the Concessionaire has the sole and exclusive right to demand, collect and appropriate Fees from the Users for the provision of the Aeronautical Services and Non-Aeronautical Services, including the airlines and passengers, in accordance with the provisions of the Regulatory Framework and this Agreement including the terms set out in Schedule R (Memorandum of Understanding), provided that the Concessionaire may determine and collect Fees at such lower rates as may be agreed with the Users or any category of Users in accordance with the Applicable Laws and Applicable Permits.”*

Additionally, the Memorandum of Understanding<sup>3</sup> entitles ALIAL to levy, collect and appropriate aeronautical charges from the COD, from the users of the CCSIA, Lucknow at the tariff rates approved by AERA.

- 1.9. In accordance with the same, AAI issued notification dated 09<sup>th</sup> November 2020 to all the stakeholders of the Lucknow Airport informing that ALIAL, from 02.11.2020 commenced operation of the Lucknow Airport and shall be entitled to demand and collect fees in accordance with the provisions of the Concession Agreement.
- 1.10. As mentioned above, ALIAL has an exclusive right to demand, collect and appropriate fees from COD onwards at the rates determined by AERA. As an interim measure, ALIAL applied to AERA vide letter with reference no. ALIAL/CO/AERA-IT/2020/1 dated 17<sup>th</sup>

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<sup>2</sup> Clause 28.1.1. of the Concession Agreement

<sup>3</sup> Clause 2.2.5 of the Memorandum of Understanding



September, 2020 to allow the existing rates at CCSIA from the COD till 31<sup>st</sup> Mar 2021. Subsequently, AERA vide order No. 49/2020-21 stated the following: -

- (i) *The Airport Operator, Adani Lucknow International Airport limited (ALIAL) is allowed to continue to levy and collect the existing tariff as applicable as on 01.11.2020 w.e.f. 02.11.2020 to 31.03.2021.*
- (ii) *The Airport Operator shall submit MYTP for the 3<sup>rd</sup> Control Period well in time as per the provisions of AERA Regulatory Guidelines*
- (iii) *Airport Operator shall ensure compliance of the Order.*

1.11. Subsequently ALIAL has asked for an extension of existing rates till 30 September 2021 and received approval from the Authority as per Order No. 65/2020-21<sup>4</sup> dated 24<sup>th</sup> March 2021.

1.12. In addition to Airport activities, ALIAL is also providing the Cargo Handling services at the CCSIA, Lucknow. AERA vide order no. 51/2020-21 allowed ALIAL to levy the existing charges for Cargo Handling Services at Lucknow airport till 31<sup>st</sup> March 2021. Further, in order to avoid a regulatory vacuum, AERA vide Order No. 67/2020-21 dated 25<sup>th</sup> March 2021 allowed ALIAL continuation of existing rates for the Cargo facility till 30<sup>th</sup> September 2021.

1.13. ALIAL through this document aims to submit a detailed Multi Year Tariff Proposal (MYTP) for the 3<sup>rd</sup> Control Period from 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2026 (TCP) of CCSIA, Lucknow, as directed by the Authority in the Order No. 49/20-21, order no. 51/20-21 and Order No. 65/20-21 respectively. This MYTP appropriately includes the true-up for the interim period between 02<sup>nd</sup> November (COD) and 31<sup>st</sup> March 2021.

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<sup>4</sup> Refer Annexure - F

## Confidential Information

- 1.14. With reference to this MYTP, ALIAL will make various submissions/providing information, including but not limited to the information being submitted along with this MYTP, from time to time to the Authority.
- 1.15. ALIAL would request the Authority to maintain the confidentiality of financial information and commercial agreements by not sharing any such information in the public domain. ALIAL would not have objections with the Authority publishing documents that should be available to public under any other law or are already under public domain. ALIAL's MYTP business plan containing financials are requested not to be placed in public. The following legal agreements which contain commercially sensitive data for which parties have the responsibility to maintain confidentiality and/or are the property of parties signing them should not be published for common access:
- Concession Agreements (along with Schedules)
  - Any communication between AEL/AAHL/ALIAL and AAI/Authority
  - Chartered Engineer Reports
  - Cost of Equity Report
  - Commercial arrangements with Non-Aero concessionaires

### Features of the Airport:

1.16. CCSIA is situated on southern edge of Lucknow, on Lucknow-Kanpur National Highway (NH 27) about 11 km south of Lucknow Railway Station which is located in centre of the city. CCSIA is an international airport serving this capital city and is one of the three international airports in Uttar Pradesh, the other being Varanasi International Airport in Varanasi and Kushi Nagar International Airport in Gorakhpur. Known as Amausi Airport when it was commissioned in 1986 for domestic operations, Lucknow airport got a new Terminal T1 in 1996. It was formally named as Chaudhary Charan Singh Airport on 17th July 2008. In view of increasing air traffic demand, the Union Cabinet granted it international status on 3<sup>rd</sup> October 2012, and it has since been known as Chaudhary Charan Singh International Airport (CCSIA).

1.17. The traffic handled by CCSIA between 2016-17 and 2020-21 is given in the table below:

Year	Dom. Pax	Int. Pax	Total Pax	Dom. ATMs*	Int. ATMs	Total ATMs
2016-17	3,307,351	661,599	3,968,950	24,540	4,816	29,356
2017-18	4,013,891	739,030	4,752,921	31,231	5,182	36,413
2018-19	4,697,121	835,698	5,532,819	36,258	5,494	41,752
2019-20	4,696,669	737,088	5,433,757	33,593	4,901	38,494
2020-21	2,026,608	414,429	2,441,037	19,572	3,382	22,954

\*Above table includes total domestic ATMs, which comprise of ATMs less than 80-seater and ATMs more than 80-seater. Less than 80-seater aircraft movements have accounted for 5%-10% of total domestic ATMs. ALIAL requests AERA to kindly take cognizance of the fact.

1.18. Technical and Terminal building details of CCSIA are provided in the table below:

Particulars	Details
Total airport area	1,258.8 acres
Total covered area of Terminal Building (ITB)	Terminal 1 - International-8,965 sqm Terminal 2 - Domestic-20,850 sqm
Existing Passenger Capacity	4.3 mppa (T2-3.5 mppa, T1-0.8 mppa)
Main Runway orientation and length	Runway 09/27, dimension 2,744m x 45m

	Code E compliant
Apron	19 nos. stands
Taxiway	7
Boarding Bridges	2 numbers
Security checks	Domestic - 8 & International - 3

## 2. Methodology to determine Aggregate Revenue Requirement (ARR)

- 2.1. The Concession Agreement<sup>5</sup> defines the regulator and regulatory framework as the following:

*“Regulator” means AERA or any other entity as may be designated by GoI for determination of Aeronautical Charges for the Airport as per Applicable Laws, as the case may be.”*

*“Regulatory Framework” means the framework adopted by the Regulator as per the Applicable Laws, including the AERA Act and Airports Economic Regulatory Authority (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011.”*

- 2.2. As per the Concession Agreement<sup>6</sup>:

*“The GOI has, through the National Civil Aviation Policy, dated June 16, 2016, approved, (“Shared-Till Approval”) the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement.”*

- 2.3. As per clause 13 (1) of the AERA Act, 2018, the authority shall determine the tariff for aeronautical services taking into consideration “the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise.”

- 2.4. The methodology adopted by the Authority to determine tariff is based on AERA Act, 2008 (AERA Act) and the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28<sup>th</sup> February 2011 (Tariff Guidelines).

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<sup>5</sup> As per definitions of Concession Agreement

<sup>6</sup> Clause 28.3.2. of the Concession Agreement

2.5. Further, tariff is based on ‘hybrid till’ method wherein 30% of non-aeronautical revenues is used to cross-subsidize ARR (Order No. 14/ 2016-17 “In the matter of aligning certain aspects of AERA’s Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy-2016 (NCAP-2016) approved by the Government of India” dated 12.01.2017).

2.6. The Authority shall determine the ARR for the current control period on the basis of the following Regulatory Building Blocks:

- Regulatory Asset Base (RAB)
- Depreciation (D);
- Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB);
- Operation and Maintenance Expenditure (O);
- Taxation (T);
- Revenue from services other than aeronautical services (NAR).

2.7. Based on the building blocks provided above, the formula for determining ARR under Hybrid Till is as follows:

$$ARR = \sum_{t=1}^5 (ARR_t) \text{ and}$$

$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - 30\% \text{ of } NAR_t$$

Where:

- ‘t’ is the Tariff Year in the Control Period;
- $ARR_t$  is the Aggregate Revenue Requirement for year ‘t’;
- FRoR is the Fair Rate of Return for the control period;
- $RAB_t$  is the Regulatory Asset Base for the year ‘t’;
- $D_t$  is the Depreciation corresponding to the RAB for the year ‘t’;
- $O_t$  is the Operation and Maintenance Expenditure for the year ‘t’, which includes all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandate operating costs;

- $T_t$  is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and
- $NAR_t$  is revenue from services other than aeronautical services for the year 't'

2.8. ALIAL has adopted a similar approach for determination of aeronautical revenues as stated in the guidelines of AERA, as also in line with AERA Act and as mandated under the Concession Agreement.

2.9. A true up of all regulatory blocks in the next control period is required as per AERA methodology. In respect to the true-up till COD, it is to be provided by AAI to AERA for consideration. Further ALIAL has done calculations of true-up of the period from COD to 31<sup>st</sup> March 2021 which is submitted along with this MYTP.

2.10. ALIAL has capitalised financing allowance using the formula provided by the Guidelines, 2011:

$$\text{Financing Allowance} = R_d \times \left( WIPA_{t-1} + \frac{\text{Capex} - SC - CA}{2} \right)$$

Where

- (i)  $R_d$  is the cost of debt determined by the Authority
- (ii) SC are the capital receipts
- (iii) CA are the commissioned assets

### 3. Impact of Covid-19

- 3.1. The Covid-19 virus has spread worldwide without acknowledging borders. Spread of this virus has disrupted the internal and international trade activities of various economies thereby distorting their economic growth. Several countries across the world have, in the past year announced travel restrictions, and continue to do so this year, besides partial or complete lockdown to contain the spread of virus and to avoid the pandemic to escalate. The outbreak simultaneously disrupted the supply chains and sharply curtailed demand in various industries. The wide geographical spread of the virus has resulted in challenges for some industries and opportunities for other industries to adapt and improve their business models and to prepare themselves to be resilient to such shocks.
  
- 3.2. The Indian economy was rattled, at the onset of the financial year 2020-21 as the entire country went into a complete lockdown for 21 days in the first phase and continued partially till end-May 2020. Different states followed different lockdown protocols thus affecting travel and tourism for longer period. All business activities barring few essentials came to a grinding halt abruptly and caused severe damages to the consumption and new investments. The extended three-month lockdown period witnessed an adverse impact on industries as also the economy. The gradual reopening of activities across the country has seen some improvement in the economy, though the impact continues in 2021-22. Resurgence of cases all across the country through a second wave and full/partial lockdowns in several states starting mid-April 2021 casts doubts on the speed and timing of the anticipated recovery.
  
- 3.3. As per estimates of International Monetary Fund (IMF), recovery of economic activities will take anywhere between 12 to 24 months. This is expected to be revised further as key indicators denote that the recovery period may take longer time.
  
- 3.4. As per IMF's April 2021 Economic Outlook, the expected medium-term output losses from the pandemic are substantial with output for the world in 2024 expected to be lower than the anticipated pre-pandemic levels. IMF's Economic Outlook emphasizes on how sectoral spill overs have been less severe compared to previous financial crises.



However, the COVID-19 shock has made sectoral spill overs sizeable and amplified the disruption. Additionally, IMF states that given the nature of the pandemic, emerging and developing economies will have deeper scars than advanced economies. Various economic growth drivers such as production, financial markets, supply chains, demand/consumption, labour markets etc. are in disarray and are only slowly picking up. Further, resumption of activities and eventual recovery are expected to be different for different segments. Therefore, transformed business continuity plans and adaption of the new normal will be key to get back to pre-Covid-19 levels across industries.

### **Impact on Aviation Industry**

- 3.5. The airlines and airports industries have been one of the worst effected sectors due to Covid-19 as countries across the World have been imposing travel restrictions and going into complete lockdown in different phases. The second wave has led to more travel restrictions. Restricted passenger movement, therefore, is putting pressure on financials of both airlines and airports simultaneously.
  
- 3.6. Although the expected recovery when the pandemic struck global markets was 1-2 years, Fitch Ratings' latest quarterly Global Airport Tracker report forecasts that it may not be before Q4 2023 to 2025 that we return to 2019 air traffic levels<sup>7</sup>. The global aviation industry has witnessed certain fundamental shifts because of the pandemic – one of which is a reduction in business travel. With changing business dynamics, it may take even more time for business travel to catch up to pre-pandemic levels – if it fully recovers at all.

### **Impact on Traffic in India**

- 3.7. India's aviation sector faced an unprecedented situation in March 2020, when the government grounded all scheduled domestic and international air services. While it took two months for domestic operations to recommence (domestic operations recommenced on 25<sup>th</sup> May 2020), international travel recommenced largely on

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<sup>7</sup> <https://www.fitchratings.com/research/us-public-finance/global-airport-traffic-rebounds-full-recovery-still-years-away-13-04-2021>

account of repatriations, chartered, and bubble flights by both Indian and foreign operators still leaving travel operations out of ambit. Further, in 2021 the Central Government has put restrictions on operations of international flights upto 31<sup>st</sup> August 2021. Some international scheduled flights will be allowed by competent authority on selected routes on a case-to-case basis.

- 3.8. As per CAPA, total passenger traffic at Indian airports fell by 66.3% annually in FY2021 to 115 million passengers, a level last seen in FY2008, which comprised of 105 million domestic airport passengers and 10 mn international pax.
- 3.9. CAPA analysis suggests that discretionary domestic travel segments (business, institutional, MICE, leisure and foreigners travelling on domestic network) accounted for approximately 55% (fifty five percent) of the market before the pandemic. It is estimated that most of the abovementioned segments have diminished and are unlikely to return to the pre-pandemic figures until the pandemic is under greater control or until widespread use of vaccine is administered. Current shortage of supply of vaccines in India may extend by 5-6 months thus adversely impacting discretionary travel.
- 3.10. The abovementioned discretionary travel segments are likely to face an impact not only of the pandemic, but also of the economic conditions as a result of pandemic. While the impact of the pandemic on various travel segments can already be seen, the full impact of the economic conditions is perhaps likely to be yet felt.
- 3.11. Although, it was estimated that an increase in business and leisure traffic would be noticed from end of calendar year 2020, the second wave in 2021 and an anticipated third wave (by doctors and virologists) coupled with economic slowdown are likely to impact a number of travel segments and the aviation sector as a whole. Emergence of the second wave with different variants of the virus and wider population still uncovered by vaccination suggests that business and leisure segments must wait longer.
- 3.12. International Air Transport Association's (IATA) air passenger market analysis confirms that January 2021 experienced a renewed weakness in air travel was caused by new

variants of the coronavirus. According to the report, an increase in new cases in India witnessed in March 2021 along with a compounded economic impact from the second wave will delay the return to strong growth rates of the recent past. Additionally, the report states that in the Asia-Pacific region, improvement in international travel is unlikely in the coming months due to slower vaccination rates.

- 3.13. With respect to the outlook for cargo activity, IATA identified that the operating backdrop for air cargo depended on the robustness of the manufacturing sector. Despite improvements in international cargo traffic, Asia-Pacific region's cargo traffic is still lower than what it was in the same month of the previous year.
- 3.14. ALIAL has considered necessary impact for Covid-19 on various building blocks and projections while preparing this MYTP.**

## 4. Passenger Traffic, Air Traffic Movements (ATMs) and Cargo forecasts

- 4.1. The traffic at CCSIA, Lucknow increased at a CAGR of 16.44% to 5.43 mn in FY 2020 from 1.18 million passengers in FY 2011. Of the total traffic in FY 2020, 86% was domestic. **However, due to the impact of Covid-19 in FY 2021, CAGR may not be a good indicator to gauge the growth of passenger traffic.**
- 4.2. Passenger, ATM, and Cargo traffic have been adversely impacted because of Covid-19 in FY 2020-21. Total ATMs at CCSIA, Lucknow between FY20-21 were 40% less than ATMs of the same period in FY19-20. Similarly, total passenger traffic at CCSIA, Lucknow in FY20-21 was 55% less than that of the same period in FY19-20. Considering the Covid-19 impact, historical benchmarking growth methodology may not be applicable. The following table illustrates the adverse impact that the pandemic had on CCSIA's traffic:

Particular	April 2019 - March 2020	April 2020 - March 2021	% Change
Passenger Traffic	5,433,757	2,441,037	-55.08%
Air Traffic Movements (ATM)	38,494	22,954	-40.37%
Cargo (in MT)	14,882	9,968	-49.30%

- 4.3. Given that discretionary travel segments account for a significant portion of the market, air traffic is unlikely to achieve its pre-pandemic levels. It is estimated that most of the abovementioned segments have diminished and are unlikely to return to the pre-pandemic figures until the pandemic is under greater control or until a widespread use of vaccine is administered.
- 4.4. The abovementioned discretionary travel segments are likely to face an impact not only from the pandemic, but also from the economic conditions. While the impact of the pandemic on various travel segments can already be seen, the full impact of the economic conditions is perhaps likely to come.

4.5. Additionally, it was also estimated that though an increase in business and leisure traffic would be noticed from November 2020 onwards, the increase would be marginal. However, the second wave has faded the hope of increase in business and leisure traffic.

4.6. Traffic projections submitted by ALIAL are based on a study by CAPA Centre for Aviation. It is to be noted that the impact of Covid-19 on the aviation sector and traffic has been incorporated into the study.

4.7. As per the aforementioned CAPA study<sup>8</sup>, the traffic growth rates and traffic forecasts for the TCP for CCSIA, Lucknow are as follows:

**Air Traffic Movements (ATM) and ATM growth rate forecasts for CCSIA for TCP**

ATM						
Year	Dom	Intl	Combined	Dom	Intl	Combined
2021-22	22,084	2,175	24,259	13%	-36%	6%
2022-23	31,283	3,543	34,826	42%	63%	44%
2023-24	38,402	5,468	43,870	23%	54%	26%
2024-25	46,374	6,533	52,907	21%	19%	21%
2025-26	55,076	7,708	62,784	19%	18%	19%

**Traffic and traffic growth rates forecasts for CCSIA for TCP**

Passengers						
Year	Dom	Intl	Combined	Dom	Intl	Combined
2021-22	3,100,000	330,000	3,430,000	53%	-20%	40%
2022-23	4,400,000	540,000	4,940,000	42%	64%	44%
2023-24	5,412,000	837,000	6,249,000	23%	55%	26%
2024-25	6,548,520	1,004,400	7,552,920	21%	20%	21%
2025-26	7,792,739	1,190,214	8,982,953	19%	19%	19%

4.8. Further it is to be noted that CCSIA, Lucknow handles certain volumes of ATM which are less than 80-seater capacity , some of which are under RCS category. Based on

<sup>8</sup> Refer Annexure - B

historical trend, less than 80-seater capacity category ATMs has been considered for approx. 3%-5% of domestic ATMs .

4.9. ALIAL appreciate the RCS scheme initiated by government to boost the regional connectivity whereby no landing charges are charged to Airlines and also no UDF is charged to the departing passenger. Secondly ATMs having less than 80-seater capacity are also exempted from landing charges. Lastly, there are certain categories of passengers which are exempted from user charges being infant, transit etc.

4.10. Therefore, while calculating the revised aeronautical charges, the ATM and Passenger traffic is suitably adjusted to account for only billable ATMs and billable Passengers. The adjusted billable ATM and Passengers after excluding exempted categories are as follows:

**Adjusted Billable Air Traffic Movements (ATM) forecasts for CCSIA for TCP:**

<b>Year</b>	<b>Dom</b>	<b>Intl</b>	<b>Combined</b>
<b>2021-22</b>	20,980	2,175	23,155
<b>2022-23</b>	30,032	3,543	33,575
<b>2023-24</b>	37,250	5,468	42,178
<b>2024-25</b>	44,983	6,533	51,516
<b>2025-26</b>	53,424	7,708	61,132

**Adjusted Billable Pax Traffic forecasts for CCSIA for TCP**

<b>Year</b>	<b>Dom</b>	<b>Intl</b>	<b>Combined</b>
<b>2021-22</b>	3,038,000	323,400	<b>3,361,400</b>
<b>2022-23</b>	4,312,000	529,200	<b>4,841,200</b>
<b>2023-24</b>	5,303,760	820,260	<b>6,124,020</b>
<b>2024-25</b>	6,417,550	984,312	<b>7,401,862</b>
<b>2025-26</b>	7,636,884	1,166,410	<b>8,803,294</b>

4.11. The following table summarizes the Cargo forecasts for CCSIA, Lucknow for TCP:

<b>Year</b>	<b>Domestic</b>	<b>Intl</b>	<b>Combined</b>	<b>Domestic</b>	<b>Intl</b>	<b>Combined</b>
<b>2021-22</b>	12,119	1,957	14,076	34%	118%	41%
<b>2022-23</b>	13,125	3,189	16,314	8%	63%	16%
<b>2023-24</b>	14,215	4,350	18,565	8%	36%	14%
<b>2024-25</b>	15,338	5,067	20,405	8%	16%	10%
<b>2025-26</b>	16,534	5,904	22,438	8%	17%	10%

4.12. ALIAL is expected to process certain cargo volumes out of the total volume on its own as discussed in Chapter 12.

## 5. Airport Service Quality

- 5.1. With respect to the Airport Service Quality, the Concession Agreement states in relation to the obligations of ALIAL that they have been defined “as set forth in Annex I of Schedule H;” (Annexure – A).
- 5.2. These service qualities have been summarized on the basis of performance indicators, measures, measurement mechanisms and measurement frequency. ALIAL is committed to abide by the following ASQ performance indicators mentioned in Annex I of Schedule H:

S. No.	Performance Indicator	Performance Measure	Minimum Performance Standard
1	Car Parking	a) Average time taken to find parking space including the time taken for payment of parking fee or collection of ticket b) Average time from parking slot to the exit gate including the time for payment of parking fee	a) 95% of drivers take less than 5 minutes b) 95% of drivers take less than 5 minutes
2	Security Check	Waiting time in queue	95% of the Peak Hour passengers wait less than 5 minutes
3	Check-in	Waiting time in queue	a) 95% of business class passengers wait less than 5 minutes b) 95% of economy class passengers wait less than 20 minutes
4	Immigration	Waiting time in queue	95% of passengers wait less than 10 minutes
5	Baggage delivery domestic	Time taken for baggage delivery from aircraft arrival	a) First baggage will arrive on baggage belt within 10 minutes of aircraft on blocks time, and b) Last baggage will arrive on baggage belt within 30 minutes for Code C aircraft



			45 minutes for Code E of aircraft on-blocks time
6	<b>Baggage delivery domestic</b>	% time available	Each baggage belt should be available at least 95% of the time
7	<b>Baggage delivery international</b>	Time taken for baggage delivery from aircraft arrival	a) First baggage will arrive on baggage belt within 15 minutes of aircraft onblocks time, and b) Last baggage will arrive on baggage belt within 40 minutes for Code C aircraft 45 minutes for Code E of aircraft on-blocks time
8	<b>Baggage delivery international</b>	% time available	Each baggage belt should be available at least 95% of the time
9	<b>Passenger arrival process</b>	Time taken from aircraft arrival to kerbside	a) International – 95% of passengers take less than 45 minutes b) Domestic – 95% of passengers take less than 35 minutes
10(a)	<b>Passenger boarding bridges</b>	Percentage time available	Each Passenger boarding bridge should be available at least 95% of the time
10(b)		Availability for % of aircraft movements to meet airline request	The Passenger boarding bridges should be available to 90% of international passengers and to 90% of domestic passengers travelling on aircrafts B737/A320 or larger unless not required by airlines.
11	<b>Parking bays</b>	Percentage time available	Each parking bay stand should be available at least 99% of the time.
12	<b>Availability of Flight Information Display Systems (FIDS)</b>	Percentage time available	Each FIDS should be available at least 98% of the time.
13	<b>Availability of baggage trolleys</b>	Percentage time available	Baggage trolleys should be available 100% of the time.

14	<b>Passengers requiring wheel chairs</b>	Waiting time for provision of assistance	100% of departing Passengers, needing a wheel chair, should not wait longer than 5 minutes
15	<b>Transit/transfer Passengers</b>	Minimum connect time for transit/transfer Passengers (i) domestic / domestic or (ii) domestic / international or (iii) international / international	<ul style="list-style-type: none"> <li>a) Minimum connect time to be not more than 60 minutes for 80% of the domestic / domestic Passengers ,</li> <li>b) Minimum connect time to be not more than 75 minutes for 80% of the domestic / international Passengers</li> <li>c) Minimum connect time to be not more than 60 minutes for 80% of the international / international Passengers</li> </ul>
16	<b>Escalators, elevators, &amp; travellers</b>	Percentage time availability	Escalators, elevators & travellers should be available 98% of the time.
17	<b>Automated services</b>	Percentage time availability	Automated services should be available 98% of the time. "Automated services" shall include but not limited to inbound baggage system, outbound baggage system, X-Ray machines and public announcement system.
18	<b>Information /complaint desks</b>	Availability of personnel at the information/ complaint desk	Information/complaint desks should be manned 100% of the time.
19	<b>Ambient conditions in the Passenger Terminals</b>	Maintenance of ambient conditions in the Passenger Terminals	<ul style="list-style-type: none"> <li>a) Temperature range in a Passenger Terminal to be 21-25 degree Celsius during operational hours in the Passengers areas, and</li> <li>b) Relative humidity levels – correlated relative humidity to specified temperature range</li> </ul>
20	<b>Runway operational safety</b>	Number of runway incursions	Recording, investigating and minimizing runway incursions
21	<b>ARFF</b>	Response time to incident	<ul style="list-style-type: none"> <li>a) As specified by ICAO achieve a response time not exceeding 3 minutes to any</li> </ul>

			<p>point of each operational runway, and to any other part of the movement area in optimum visibility and surface conditions</p> <p>b) Any other vehicles required to deliver the amounts of extinguishing agents should arrive no more than 1 minute after the first responding vehicle(s) (i.e. no more than 4 minutes after the first call) so as to provide continuous agent application.</p>
22	<b>Availability of taxi</b>	Waiting time in queue	Queuing time for taxis will not be more than 5 minutes for 95% of the passengers.
23	<b>Handling of complaints</b>	Percentage of complaints responded within specified time	100% of complaints responded within 2 working days.
24	<b>Repair completion Time</b>	Percentage of repairs done within specified time	<p>a) 95% of high priority repair works should be addressed within 4 hours,</p> <p>b) 95% of others should be addressed within 24 hours</p>
25	<b>Cleanliness</b>	Ratings during cleanliness surveys	Achieve a satisfactory cleanliness rating for 95% of all inspections
26	<b>Gate lounges</b>	Seating availability	As per IATA Optimum Level of Service
27	<b>Buggy Services</b>	Availability of buggies	Buggy service should be available 98% of the time

5.3. **It is expected that adherence and maintenance of these standards will require a creation of significant infrastructure, ramp-up of human resources and increase in operations and maintenance costs. ALIAL has considered the cost implications suitably while preparing future projections as provided in this MYTP submission.**

5.4. ALIAL has been accredited in the Airports Council International (ACI) Airport Health Accreditation (AHA) programme in Jan 2021. The ACI programme enables airports to

demonstrate to passengers, staff, regulators, and governments that they are prioritising health and safety standards in a measurable and established manner.

## 6. Initial Regulatory Asset Base (RAB) and CWIP taken from AAI

### **Disclaimer**

ALIAL had received invoices from AAI for Estimated Deemed Initial RAB and Initial Non-Aeronautical Investments, and CWIP inclusive of GST dated 31<sup>st</sup> March 2021 and 04<sup>th</sup> December 2020 respectively. ALIAL has contested the GST amount based on various opinions obtained from independent tax consultants. Subsequently, AAI had also taken legal opinion and based on the said opinion, AAI requested ALIAL to provide necessary indemnity bond in case in future GST amount is payable by AAI to tax authorities on RAB and CWIP invoices. ALIAL submitted the necessary indemnity bonds and accordingly, AAI has raised the revised invoices dated 30<sup>th</sup> June 2021 after excluding GST. If in future, AAI is required to bear the GST, which based on indemnity bond inter-alia will be recovered by AAI from ALIAL, the GST amount will be added to the Initial RAB and CWIP. For the time being, the Initial RAB and CWIP numbers provided in this MYTP are exclusive of GST. ALIAL hereby, reserves the right to include the GST and to revise the Initial RAB and CWIP and thereby the MYTP, depending on the future outcome of the matter.

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### **Initial Regulatory Asset Base:**

As per the provisions of the Concession Agreement, ALIAL needs to pay to AAI the amount of WDV (Written Down Value Method of Depreciation) of assets as on COD. The amount to be paid for assets as at 31<sup>st</sup> March 2018 (Deemed Initial RAB) is INR 143 Crores for Aeronautical Assets and INR 4.93 Crores for Non-Aeronautical Assets (the relevant provisions of Concession Agreement are provided below).

- 6.1. The Concession Agreement<sup>9</sup>, with respect to ALIAL's liability towards AAI states: per clause 28.11 of the Concession Agreement:

*“(a) It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the*

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<sup>9</sup> Clause 28.11. of the Concession Agreement

*Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment (“**Deemed Initial RAB**”).*

*(b) The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on March 31, 2018 is Rs. 143,00,00,000 (One hundred forty three crores) (“**Estimated Deemed Initial RAB**”). It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD*

*Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following (“**Adjusted Deemed Initial RAB**”):*

*(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or*

*(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.*

*The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.*

*Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.*

*(a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.*

*(b) The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc.*

*For the purpose of this Clause 28.11, “Control Period” and “Regulatory Asset Base” shall have the meaning set forth in Airports Economic Regulatory Authority (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011.”*

- 6.2. The Concession Agreement<sup>10</sup>, with respect to ALIAL’s liability towards AAI states: per clause 28.12 of the Concession Agreement:

*“It is agreed by the Parties that the Concessionaire shall pay to the Authority an amount equivalent to the estimated depreciated value of investments made by the Authority in the Airport as of the COD towards development of Non-Aeronautical Assets (“Initial Non-Aeronautical Investments”).*

*The estimated depreciated value of investments made by the Authority towards development of the Non-Aeronautical Assets at the Airport as on March 31, 2018 is Rs. 4,93,00,000 (Rupees Four Crore and Ninety Three Lakh) (“Estimated Initial Non-Aeronautical Investments”). It is agreed by the Parties that the Estimated Initial Non-Aeronautical Investments shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.*

*28.12.3 Pursuant to the payment of the Estimated Initial Non-Aeronautical Investments, and upon the final determination by the Independent Engineer of the quantum of the Initial Non-Aeronautical Investments, any surplus or deficit amount(s) to be paid by the Authority to the Concessionaire or the Concessionaire to the Authority, as the case may be, shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination.*

*28.12.4 The amount(s) to be paid by the Authority or Concessionaire pursuant to Clause 28.12.3 shall be the present value of the same, calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of such amount(s).*

- 6.3. **Further ALIAL has received Estimated Fixed Asset Register as on COD which accounts for tentative addition / deletions / depreciation & amortization from 31<sup>st</sup> March 2018 till COD.** As per Concession Agreement, this is subject to reconciliation, true-up and

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<sup>10</sup> Clause 28.12 of the Concession Agreement

determination of final amount of Initial RAB by AERA as on COD. Following is the summary of the Estimated Fixed Asset Register as on COD for the assets transferred from AAI to ALIAL:

S No.	Particulars (INR crore)	As on COD i.e. 02 <sup>nd</sup> Nov 2020	Additions from 02 <sup>nd</sup> Nov 2020 till 31 <sup>st</sup> Mar 2021	Depreciation / Amortization for the period from 02 <sup>nd</sup> Nov 2020 till 31 <sup>st</sup> Mar 2021	As on 31 <sup>st</sup> March 2021
1	Terminal Building (Aero)	87.83	0.20	(4.45)	83.57
2	Runway, Taxiway and Apron	19.54		(0.88)	18.66
3	Software		0.68	(0.03)	0.66
4	IT equipment	0.03	0.66	(0.02)	0.67
5	Plant and Machinery	53.75		(7.90)	45.84
6	Terminal Building (Non- Aero)	4.93	0.01	(0.25)	4.69
7	Furniture & fixtures	0.53	0.47	(0.08)	0.93
8	Vehicles	5.39		(0.67)	4.72
9	Office equipment	1.90	0.66	(0.41)	2.15
10	Intangible Assets		41.18	(2.41)	38.77
11	<b>Total</b>	<b>173.90</b>	<b>43.87</b>	<b>(17.11)</b>	<b>200.66</b>

6.4. AEL itself or through its subsidiary AAHL has incurred expenses till COD. The expense incurred till COD have been apportioned as provided below in point 14.4.5 and 14.4.6. ALIAL has capitalised these expenses as Intangible Assets as they have contributed in the planning and execution of the proposed capital expenditure plan of CCSIA, Lucknow. Apart from this, ALIAL since incorporation has itself incurred expenses till COD which includes expenses relating to employee cost, project management, travelling, various consultancies, etc to the tune of INR 4.14 Crores which are necessary for team creation and seamless transition of Lucknow Airport from AAI to ALIAL. These are also capitalised as Intangible Assets in the books of accounts as per applicable accounting principles.

6.5. While preparing the MYTP, **Initial Regulatory Asset Base** has been comprising of following components: -

6.5.1. Estimated Fixed Asset Register obtained from AAI as on COD.



- 6.5.2. Add: - Assets, both tangible and intangible, capitalised during the period from COD till 31<sup>st</sup> March 2021
- 6.5.3. Less : - Depreciation and amortization on the above assets from COD till 31<sup>st</sup> March 2021.

The same can be referred from the assets as on 31<sup>st</sup> March 2021 in the audited financial statements. Refer Annexure - J for the audited financial statements.

- 6.6. ALIAL requests AERA to kindly perform the requisite reconciliation to arrive at the final RAB as on COD which will accordingly change the Initial Regulatory Asset Base.

**Capital Work in Progress (CWIP):**

- 6.7. With respect to ALIAL's obligations to pay AAI any amount incurred by AAI as on COD with respect to the contracts related to works-in progress, the Concession Agreement states the following<sup>11</sup>:

*“Notwithstanding anything to the contrary in this Clause 6.4, the Concessionaire shall be liable to pay to the Authority such amounts as may have been incurred by the Authority as on the COD in respect of the contracts relating to works-in-progress as have been set forth in Schedule T. Such amounts shall be intimated by the Authority with supporting documents and details within 30 (thirty) days of COD and shall be due and payable by the Concessionaire to the Authority within a period of 90 (ninety) days thereon.*

*The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works , and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress. The Concessionaire shall be responsible to incur any additional cost towards completion of such work-in-progress assets after COD.*

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<sup>11</sup> Clause 6.4.5. of the Concession Agreement

*Upon reimbursement by the Concessionaire to the Authority, of amounts as may have been incurred by the Authority as on the COD for such work-in-progress assets as provided for above, and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport.*

*The amounts reimbursed by the Concessionaire to the Authority and additional amounts incurred by the Concessionaire for completion of such work-in-progress assets shall be considered as investments made by the Concessionaire in creation of such assets for the purpose of determination of Aeronautical Charges by the Regulator. In the event that any part of the amounts reimbursed by the Concessionaire to the Authority pursuant to this Clause 6.4.5 are not considered for pass-through by the Regulator due to any act or omission on the part of the Authority, the adjustment towards any differences in the amounts reimbursed by the Concessionaire to the Authority and the amounts considered for pass-through by the Regulator shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the determination of the Aeronautical Charges by the Regulator.”*

- 6.8. ALIAL received the CWIP invoice<sup>12</sup> from AAI totalling INR 502 Crores (excluding GST) (as per the above clause it will be paid to AAI). Capital Works in Progress of INR 521.06 Crores as on 31<sup>st</sup> March 2021 largely consist of the obligated CWIP under concession agreement and further CWIP created during the period from COD till 31<sup>st</sup> March 2021. Apart from the ongoing work-in-progress assets, there will be new capex as per the master plan, which is detailed in the Capital Expenditure chapter.

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<sup>12</sup> Annexure - H

## 7. Capital Expenditure

### **Disclaimer**

ALIAL is required to pay the stamp duty and registration charges on the Concession Agreement. ALIAL would be required to bear the stamp duty and registration charges based on decision of the state authorities, and it will be added to the capital expenditure. For the time being, the numbers provided below for capital expenditure are exclusive of stamp duty and registration charges for the purpose of this MYTP calculation. ALIAL hereby, reserves the right to include the stamp duty and registration charges and revise the Capital Expenditure.

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- 7.1. The objectives of ALIAL for the development of CCSIA are summarised below:
- Deliver additional airfield, terminal and landside capacity in a timely way to accommodate increasing passenger growth.
  - Improve the passenger experience to deliver a competitive offer, that includes best in class processes, a modern terminal ambience and a range of services that meets the needs of all passenger groups.
  - Improve the sustainability credentials of the airport such as efficient resource management.
- 7.2. The main focus of the development strategy is to provide additional terminal and airside capacities (and the airport supporting infrastructure for safe operations) in a cost-effective way to meet the forecasted demand.
- 7.3. Schedule T and U of the Concession Agreement (Annexure – A) provides a list of works proposed by AAI that are in execution and/ or planning stages. As per the Concession Agreement, ALIAL is obligated to complete the works proposed in Schedule T and U of the Concession Agreement<sup>13</sup>.

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<sup>13</sup> Clause 4.1.3. of the Concession Agreement

7.4. Following is the summary of the proposed works that ALIAL is obligated to carry out as per the abovementioned clause of the Concession Agreement (the list is indicative for major projects mentioned in Schedule T and U, there are other various projects which are awarded by AAI but not part of the Schedules) :-

<b>Proposed Work</b>	<b>Schedule U/T</b>
Construction of New Integrated Passenger Terminal Building Terminal 3, at C.C.S. International Airport, Lucknow.	Schedule – T
Appointment of PMC for Terminal 3	Schedule – T
Construction of 8 Aprons Code 4C	Schedule – T
Construction of new Fire Station, Sub Fire Station	Schedule – T
Shifting of CCR systems, provision of 33 KV service connection, provision of HT panel	Schedule – T
Baggage Handling Systems for new Terminal 3	Schedule – T
Construction of interim cargo complex	Schedule – T
Construction of boundary wall	Schedule – T
Construction of drainage in operational and non-operational areas	Schedule – T
Furniture & Fixtures for Terminal 3	Schedule – U
CUPPS, Cute and other IT infra system for new Terminal 3	Schedule – U
Art work at new Terminal 3	Schedule – U

\*As on COD i.e. 02<sup>nd</sup> November 2020, ALIAL has received CWIP invoice of totalling INR 502 Crores (excluding GST) from AAI which majorly includes capital expenditure towards construction of new Integrated Terminal 3. It is evident that when ALIAL took over the operations of the Airport from COD onwards, the construction of new Integrated Terminal-3 has achieved significant progress. As per Master Plan of ALIAL, Terminal-3 will be completed in two phases i.e. Phase 1 by FY2023 and Phase 2 by FY2024. ALIAL expects the terminal Phase 1 and Phase 2 will be operational from Apr-2023 and from Apr-2024 respectively after necessary testing, operation readiness and trial operations are completed.

7.5. CCSIA presently has two operating passenger terminals; T1 is international terminal and T2 is domestic terminal. The single level Terminal T1 is the older terminal, which was originally commissioned in 1986 for domestic operations, but was later converted into international terminal. Terminal T2 was commissioned in 2012 for integrated operations. However, due to capacity constraints, Terminal 1 was re-commissioned for international operations with effect from December 2012, while domestic operations were retained in T2. Terminal T2 has five departure gates. Both the existing terminals at CCSIA have been operating at capacity, therefore AAI, erstwhile Airport operator, initiated development of new Integrated Terminal - T3 in September 2018 with

capacity of 10 MPPA, with intention to retain Terminal T2 in operation in addition to new Terminal T3. This proposal would have led to split passenger operations with duplication of processes, higher cost of manpower and maintenance, apart from inconvenience to passengers, airlines, and other stakeholders.

- 7.6. In view of the above, to un-lock the benefits of integrated terminal and to enhance the terminal capacity, ALIAL re-visited the earlier proposal of Terminal T3 holistically, and has updated/modified the terminal layout and its landside to accommodate domestic and international operations in single, integrated Terminal T3, thus avoiding the need to retain passenger operations at Terminal T2. This has led to enhancement of capacity of Terminal T3 from earlier 10 MPPA to approx. 13 MPPA. Completion of on-going Terminal T3 project, with required modifications is essential, as a significant amount of construction work has already been completed, and delay in its completion may lead to cost escalation. Therefore, major part of the proposed capex for TCP is directed towards completion of Terminal T3 project and associated works on Landside and airside.
- 7.7. Under the Concession Agreement, ALIAL is mandated to adhere to the best-in-class standards, safety & security of passengers and convenience of user communities. ALIAL has done a detailed analysis of the various gaps at Lucknow Airport in terms of safety, security, passenger processing and convenience. In addition to on-going works inherited from AAI, ALIAL will be undertaking additional capital expenditure (PMC and Design, Insurance, Preliminaries, contingencies, interest during construction etc. will be extra) over the period of next 5 years.
- 7.8. The key infrastructure works, including but not limited to on-going works, proposed in TCP are summarized in the table below :-

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
1.	<b>Airside Improvement Works totalling INR 429 Crores</b>	<p>The proposed Airside Improvement Works included in the 3rd Control Period for CCSIA are very important to ensure operational compliance, safety of operation and retaining capacity. Firstly, all on-going airside projects initiated by AAI need to be completed. In addition to ongoing projects few other urgent airside improvements work required to ensure safety, efficiency and capacity of airside operations need to be implemented in this Control Period.</p>	<p><b><u>ONGOING WORKS INITIATED BY AAI</u></b></p> <ul style="list-style-type: none"> <li>• <i>Apron Work :Construction of Apron for 8 Nos Code 4C type Aircraft along with two link taxiways</i></li> <li>• <i>Construction of New Sub Fire Station (CAT-IV) and (Cat IX), Emergency Medical Centre and E&amp;M workshop</i></li> <li>• <i>CCR building only civil work</i></li> <li>• <i>Apron work: Shifting and Diversion of Cables</i></li> <li>• <i>Apron Work: Shifting and Diversion of Cables</i></li> </ul> <p><b><u>AS PER Schedule T / U – WORKS YET TO BE AWARDED</u></b></p> <ul style="list-style-type: none"> <li>• <i>Apron Work: Provision of High Mast</i></li> <li>• <i>Apron Work: Providing of CAT-III B Lighting</i></li> <li>• <i>Apron work: Augmentation of Power Supply</i></li> <li>• <i>Construction of New Integrated Passenger Terminal Building at CCS International Airport, Lucknow.</i></li> <li>• <i>SH: Through Contingency Fund (Shifting of CCR System, Provision of 33 KV Service Connection, Provision of HT Panel at Trminal-2 Substation and other Miscellaneous works</i></li> <li>• <i>Construction of Drain in operational &amp; Non-Operational area i/c survey work at CCSI Airport Lucknow.</i></li> </ul>	<p>To be completed by FY2022</p> <p>To be completed by FY2022</p>

			<p><b><u>NEW WORKS IDENTIFIED</u></b></p> <ul style="list-style-type: none"> <li>• <b>Runway Improvement Works</b> <ul style="list-style-type: none"> <li>• <i>Development of RESA for RWY 09</i> - Provision of full RESA 240 x 90m for RWY 09 is required for DGCA compliance and to ensure safety of flight operations.</li> </ul> </li>   <li>• <b>Taxiway Improvement Works</b> <ul style="list-style-type: none"> <li>• <i>Construction of Link Taxiway between Runway and New Apron –</i></li> <li>• <i>Construction of Code E Part Parallel Taxiway – East Side</i> This is part of ongoing airside project, proposed to ensure connectivity between runway, existing &amp; new apron (being constructed near new AAI Cargo Complex) for aircraft movement, as well as to avoid conflict/bottleneck between arriving and departing aircraft movement on new apron.</li>   <li>• <i>Construction of Code E 2nd Parallel Taxiway - East Side –</i> This is work is part of ongoing airside project proposed to ensure connectivity between new apron and runway for aircraft operations. The same will be part of 2nd parallel taxiway, in line with overall Master Plan development.</li> </ul> </li> </ul>	<p>To be completed by FY2023</p> <p>To be completed in two phases, first by FY2023 and second by FY2026</p>
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			<ul style="list-style-type: none"> <li>• <i>Construction of Code D Taxiway for Cargo Apron</i> Code D Taxiways are required to ensure connectivity from runway to new cargo apron, through new apron &amp; proposed parallel taxiway, for movement of wide body aircrafts</li> <li>• <i>Entry/Exit Taxiway (West)</i> To enhance connectivity between runway and associated taxiway system, as well as between new T3 west apron and runway.</li> <li>• <b>Apron Improvement Works</b></li> <li>• <i>Construction of T3 West Apron–</i> This apron development is required to provide aircraft parking near T3, to retain apron capacity once T3 is operational and existing apron is under upgradation for expansion / laying of new fuel hydrants etc.</li> <li>• <i>Expansion Of Existing Apron</i> Expansion of existing apron is required to accommodate code E MARS contact stands for T3, and to develop HOS road. Currently, the area required for this apron expansion &amp; HOS road is in footprint of existing T1 and its airside area.</li> <li>• <i>New Apron</i></li> </ul>	<p>To be completed in two phases, first by FY2023 and second by FY2025</p> <p>To be completed by FY2023</p>
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			<p>This work is part of ongoing airside project for additional Code C remote aircraft parking stands.</p> <ul style="list-style-type: none"> <li>• <i>Apron for Cargo Complex</i> Provision of Code D freighter aircraft parking is required for new ALIAL cargo complex. Currently there are no dedicated cargo stands.</li> <li>• <b>Construction of New Airside Gate-2</b> A new Airside Security Gate is required on west side of T3 to ensure security and access to the newly constructed airside area of T3, the west apron.</li> <li>• <b>Construction of New ARFF-1</b> This work is part of ongoing airside projects and its required as the existing Fire Station comes in the footprint of new taxiway development.</li> <li>• <b>Construction of CCR-1</b> This work is part of ongoing airside projects and is an absolute essential facility to maintain LKO CAT-3 operations</li> <li>• <b>Provision of In-to Plane Facility</b> In-to Plane Facility is presently not existing and is required for Refuelers</li> <li>• <b>Development of Fuel Hydrant</b></li> </ul>	<p>To be completed by FY2023</p> <p>To be completed by FY2023</p> <p>To be completed in two phases, first by FY2023 and second by FY2025</p> <p>To be completed by FY2025</p> <p>To be completed by FY2023</p>
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			<p>Airport presently does not have this facility, but it is required to enhance efficiency of airside operations, reduce turn-around time, and airside vehicular movement. This shall be implemented in phases.</p> <ul style="list-style-type: none"> <li>• <b>Construction of Airside Boundary Wall</b> Airport presently does not have this facility, but it is required to enhance efficiency of airside operations, reduce turn-around time, and airside vehicular movement. This shall be implemented in phases.</li> <li>• <b>Development of GSE Staging Area</b> As the existing GSE staging area comes under apron development and considering upcoming demand, new GSE staging facility is required.</li> <li>• <b>Construction of Airside Fuel station (West)</b> This facility is required to ensure compliance with safety and environment regulations</li> <li>• <b>Airside Vehicle Parking</b> Currently there is no such facility on airside. To avoid random parking of vehicles on airside and to ensure limited number of airside vehicles are permitted to go outside airside, organized parking for airside vehicles is required.</li> </ul>	<p>To be completed by FY2023</p> <p>To be completed by FY2025</p> <p>To be completed by FY2025</p> <p>To be completed by FY2023</p>
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2.	<b>Terminal Improvement Works totalling INR 1,938 Crores</b>	<p>Airport Authority of India (AAI) initiated development of new Integrated Terminal - T3 in 2018 with capacity of 10 MPPA, with intention to retain Terminal T2 in operation in addition to new Terminal T3. This new integrated terminal building (T3) with area of approx. 138,500 sq.m. (including basement) is now under construction. Terminal 3 is planned to be built in two phases. Phase 1 construction was started by AAI in Sep 2018. As of June 2021, 48 % progress has been achieved in Phase 1 development of T3, while its Phase 2 is planned to be completed within one year after commissioning of Phase 1. At present, RCC superstructure and roof steel works are under progress for phase 1.</p> <p>The current proposal of T3, including its phasing, would have led to split passenger operations due to retention of T2 with new T3, resulting in duplication of passenger processes, higher cost of manpower and maintenance, apart from inconvenience to passengers, airlines,</p>	<p><b>ONGOING WORKS INITIATED BY AAI</b></p> <ul style="list-style-type: none"> <li>• <i>New Integrated Terminal T3 with the modification and improvements identified by ALIAL</i></li> </ul> <p>ALIAL has identified proposed improvements and its need as listed in below table to address issues in current design and to capture full potential of the terminal building from functional, operational, sustainability, longevity and maximizing value perspective</p> <ul style="list-style-type: none"> <li>▪ <b>Enhancement of Terminal 3 capacity from 10 MPPA to approx. 13 MPPA</b> To maximise the utilization of T3 and avoid split domestic operation between T3 and T2. Same will enable processing of both T1 and T2 traffic under one roof in T3 up to 2030 in-line with traffic forecast</li> <li>▪ <b>Straightening Check-in hall, realigning and reconfiguring Check-in counters and adding Self-bag-drops (SBDs)</b> To avoid crowding near entrance vestibule, cross flows, wayfinding complexities &amp; underutilization of space leading to passenger inconvenience. To upgrade the processing by replacing 20 nos. traditional counters by</li> </ul>	<p>Phase 1 for capacity for 8 mppa to be completed by FY2023 and Phase 2 for ultimate combined capacity of 13 mppa to be completed by FY2024</p>
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		<p>and other stakeholders. Therefore, to un-lock the benefits of integrated terminal, to enhance the terminal capacity and to improve process and flow improvements for vehicles, passengers, visitors, staff, baggage, goods and waste, ALIAL re-visited the earlier proposal of Terminal T3 holistically (airside, terminal and landside of T3), and modified the terminal layout and its landside to accommodate domestic and international operations in single, integrated Terminal T3, thus avoiding the need to retain passenger operations at Terminal T2.</p> <p>The proposed modifications to the design of (under construction) T3 including revised phasing approach, have led to enhancement of capacity of Terminal T3 from earlier 10 MPPA to approx. 13.0 MPPA, induced synergy in operations, and also optimized cost of manpower and maintenance. The proposed modifications have also made the terminal building more energy efficient, providing better passenger and user experience,</p>	<p>SBD's and adding required CUSS kiosks.</p> <ul style="list-style-type: none"> <li>▪ <b>Reconfiguration of the Emigration &amp; International Security check. Replacing conventional lanes by ATRS.</b> To build in future flexibility, expandability, creating space for adding ATRS lanes and most importantly providing unilateral passenger flow.</li> <li>▪ <b>Relocating and combining all Domestic Security Check lanes. Replacing conventional lanes by ATRS.</b> To enable unified processing and avoid split domestic security which would otherwise cause inefficient flow and complicate wayfinding. And to make space provision for installing ATRS.</li> <li>▪ <b>Swing provision in contact gates.</b> Provision to swing additional contact gates to meet the revised peak demand in existing number of contact gates.</li> </ul>	
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		<p>maximized throughput, and enhanced operational efficiency. Completion of on-going Terminal T3 project. The proposed improvements / modifications to design of T3 are being done concurrently with its on-going construction to minimize rework. Major part of the proposed capex for TCP is directed towards completion of Terminal T3 project and associated works on Landside and airside. Both, Phase 1 and 2 of T3 development will be completed in TCP.</p>	<ul style="list-style-type: none"> <li>▪ <b>Making provision for domestic Bus Gates in Phase 1</b> Domestic Bus Gates were initially envisioned in Phase 2. However, there will be a need for the same in Phase 1 itself due to shifting of all domestic traffic from T2 in to T3</li> <li>▪ <b>Enhancement in Immigration Hall</b> To provide unobstructed flow and faster processing, immigration counter numbers need to be enhanced.</li> <li>▪ <b>Optimization of domestic baggage reclaim carousels</b> To maximize the utilization of the domestic, reclaim carousels, reduction of 1 carousel is considered leaving provision for future addition</li> <li>▪ <b>Adding provision of domestic transfers</b> To maximize the utilization of the domestic, reclaim carousels, reduction of 1 carousel is considered leaving provision for future addition</li> <li>▪ <b>Other layout improvements for better functionality and flows</b></li> </ul>	
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			<p>To provide seamless functionality and flows for all the airport stakeholders and facilitate smooth and efficient operation.</p> <ul style="list-style-type: none"> <li>▪ <b>Covering scope gaps and improvements in Baggage Handling System (BHS)</b> To address scope gaps and improve BHS system redundancies, baggage sortation methodology, control philosophy and avoid single point of failure.</li> <li>▪ <b>Covering scope gaps and improvements in ICT</b> Critical ICT systems are missed out which are either scope gaps or were planned to be added later. These need to be included and improvements in existing systems are required for better technology performance.</li> <li>▪ <b>Extension of roof facia (bulkhead) on north &amp; south façade and addition of Glass canopy.</b> To provide weather protection at the kerbside and to reduce heat gain through the south</li> </ul>	
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			<p>facade glazing area, extension of the bulkhead is inevitable.</p> <ul style="list-style-type: none"> <li>▪ <b>Daylight harvesting by relocation of skylights</b> To enhance sustainability and maximize the utilization of the skylights, disseminated relocation is proposed within the terminal building instead of the forecourt area.</li> <li>▪ <b>Ease of maintenance by adding façade maintenance unit and using robust materials</b> To reduce regular replacements or mitigate issues related to maintenance of façade and finishes present in high traffic/ impact prone areas.</li> </ul>	
3	<b>Landside Improvement Works totalling INR 446 Crores</b>	Landside works, which have been initiated by AAI, such as elevated departure road & arrival roads to provide direct vehicular accessibility to Terminal T3 and the surface car parking to meet the parking demand of passengers and staff, are currently ongoing.	<p><b><u>ONGOING WORKS INITIATED BY AAI</u></b></p> <ul style="list-style-type: none"> <li>• <i>Elevated Departure Road &amp; Arrival Roads</i> To provide direct vehicular accessibility to Terminal T3 , the Elevated Roadway and At-grade roads is required. This is part of on-going T3 landside project</li> <li>• <i>Car Parking</i> To meet the parking demand of passengers and staff, the surface car parking areas shall be required. This is part of on-going T3 landside project.</li> </ul>	<p>To be completed by FY2023</p> <p>To be completed by FY2023</p>

		<p>The works associated with Terminal T3 Phase 1 and Phase 2 are expected to be completed in line with Terminal works completion.</p> <p>In addition to above, new works, to be implemented in Phase 1, like expansion of main access entrance road (Road No 1) Shaheed Path connector &amp; other landside roads (Road no 2, 3, 4, 6B), and North side perimeter road (Road no 6, 6A) planned, associated boundary wall and external landscape works shall be commenced by January'22 and completed by Mar 23 in phased manner. In Phase 2, landside roads (Road no 8 &amp; 9) and South side perimeter road (Road no 07) along with associated boundary wall construction will commence in April' 23 and shall be completed in phased manner by March'26 based on land availability.</p>	<p><b><u>NEW WORKS IDENTIFIED</u></b></p> <ul style="list-style-type: none"> <li>• <b>Construction of Skywalk &amp; balance at grade roads around plaza</b> The Skywalk is proposed to meet the requirement of direct connectivity for passengers and staff between Metro Station and Terminal T3 Departure Level as well as Arrival Level.</li> <li>• <b>Airport Main Entrance Road expansion</b> To meet the growing traffic demand at LKO airport, it is required to increase the number of lanes in the Main Entrance Road.</li> <li>• <b>Entrance Signage/Landscape development</b> In view of expanded main airport access road in Phase 2, appropriate signage and landscape along with junction improvement is proposed. This is part of on-going landside project.</li> <li>• <b>Shaheed Path connector Road</b> To meet the growing traffic demand at LKO airport, the state PWD has constructed an express connection from Shaheed Path to airport boundary.</li> <li>• <b>North Landside Perimeter Road</b></li> </ul>	<p>To be completed by FY2023</p> <p>To be completed by FY2023</p> <p>To be completed by FY2023</p> <p>To be completed in two phases, first by FY2023 and second by FY2026</p> <p>To be completed by FY2023</p>
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			<p>To meet the requirement of better airport connectivity and accessibility, the North Landside Perimeter Road is required.</p> <ul style="list-style-type: none"> <li>• <b>South Landside Perimeter Road</b> As the South Airport Area does not have any connectivity from Main Road, so this road shall provide direct connectivity for development of south airport areas.</li> <li>• <b>Construction of Landside Airport Compound Wall</b> To meet the security needs to the airport, the overall airport area is proposed to be secured with Airport Security wall. Currently, the wall exists in a very dilapidated form, and it requires to be constructed in full.</li> </ul>	<p>To be completed by FY2026</p> <p>To be completed in two phases, first by FY2023 and second by FY2026</p>
4	<b>Utility Improvement Works totalling INR 15 Crores</b>	<p>Various utility improvements to support the overall infrastructure at the Lucknow Airport. It will help to ensure environment regulations and will bring in culture of sustainability for the Airport.</p> <p>these works are located at different locations within the airport site</p>	<p><b><u>NEW WORKS IDENTIFIED</u></b></p> <ul style="list-style-type: none"> <li>• <b>Rainwater Harvesting ponds</b> Airport does not have Municipal water supply; therefore, rainwater needs to be harvested for non-potable uses at Airport as well as to ensure compliance with environment regulations.</li> <li>• <b>Cargo Water supply (Pumps &amp; Tube well)</b> To ensure water reliability to Cargo complex</li> </ul>	<p>To be completed by FY2023</p> <p>To be completed by FY2023</p>

			<ul style="list-style-type: none"> <li>• <b>Solid Waste Facility</b> This facility is required to ensure compliance with safety and environment regulations.</li> <li>• <b>Package Sewage Treatment for Cargo</b> This facility is required to ensure compliance with environment regulations as well as to reduce burden on freshwater requirement.</li> <li>• <b>Triturator</b> This facility is required for safe and hygienic disposal of waste from aircrafts toilets and is also necessary to ensure compliance with safety and environment regulations.</li> <li>• <b>Hazardous Waste Storage</b> CCSIA currently does not have this facility, which is essential for safe airport operations, and is also essential to ensure compliance with safety and environment regulations. This unit is required as per UPPCB requirement. Hazardous waste like used paint, used oil &amp; rubble needs to be stored &amp; later taken away by UPPCB authorized vendors.</li> </ul>	<p>To be completed by FY2023</p> <p>To be completed by FY2023</p> <p>To be completed by FY2025</p> <p>To be completed by FY2023</p>
5.	<b>Development of ALIAL Cargo Facility totalling INR 42 Crores</b>	<b>NEW WORKS IDENTIFIED</b> This is discussed in detail in separate chapter 12 of this MYTP. Kindly refer the same.		To be completed by FY2024



		<p>upgradation of AOCC and Apron Control.</p>	<p>requirement.</p> <ul style="list-style-type: none"> <li>• <b>Crash fire tender</b> Existing 3nos Rosenbauer-Panther 6X6 were procured in the year of Feb'2010 and as per useful life of 10 years, their life lasted till Feb'2020. Currently, these Crash fire Tender are being maintained by the original. equipment manufacturer to extend its useful life. Accordingly, replacement is considered</li> <li>• <b>PIDS with CCTV Camera</b> The Perimeter at the CCSIA mainly consist of a Perimeter wall of 8 ft. high with a concertina coil overhang of 1½ ft. The existing perceived threat is that the intruder will scale the wall to gain access to the airport facility; therefore, specific Electronic System is required to provide a stable Perimeter Intruder Detection with alarm. BCAS in their Audit report of 2019 has highlighted that "PIDS have not been installed by the airport operator to prevent intrusions into the airport thought perimeter or any of the perimeter access points."</li> <li>• <b>Terminal Plaza</b> The Terminal Plaza has been planned in order to enhance passengers' experience through transit services, and to reflect the local cultural ethos</li> </ul>	<p>To be done during FY2024 and FY2025</p> <p>To be done from FY2024 to FY2025</p> <p>To be done during FY2023</p>
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			<p>through art, craft, food and retail at the land side.</p> <ul style="list-style-type: none"> <li>• <b>Widening of Perimeter Road</b> The perimeter road at present is not suitable only for one-way traffic and as such is not suitable for rapid intervention and reinforcement during emergency therefore the perimeter road is proposed for widening.</li> <li>• <b>Passenger Baggage Trolleys</b> Mandatory requirement for the passenger's facilitation, the existing baggage trolleys are old /outdated and are without braking systems, hence new trolley are proposed as per the international standards with antiskid and braking systems.</li> <li>• <b>Disable Aircraft Removal Kit</b> This is the mandatory requirement to cater to disabled aircraft. Since this airport has only one runway these kits are essential to resume operations at the earliest by being able to remove an aircraft disabled due to any reasons on the runway.</li> <li>• <b>Upgradation of IT System</b> Introduction of world class terminal catering to 13 million passengers would</li> </ul>	<p>To be done during FY2023</p> <p>To be done during FY2023</p> <p>To be done during FY2023</p>
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			<p>necessitate appropriate IT systems to support operations and passenger processes including integration of various passenger processing systems.</p> <ul style="list-style-type: none"> <li>• <b>Miscellaneous (more than 100 items each project less than Rs 10 Crores)</b> In order to ensure to safety and security of aircraft and passengers, and to comply with DGCA / BCAS requirement various works have been planned. This also includes the expenses for upgradation of passenger facilitation.</li> </ul>	<p>To be done throughout the TCP</p> <p>Majorly to be done by F2023</p>
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7.9. CCSIA has a single runway, which is in 09/27 orientation, measuring 2,742 m in length and 45m in width. It can handle a wide range of aircrafts, from narrow-body Code C (A320/B737) to wide-body Code E (B787/A350). Although the airport has been designated as Code 4D but also can handle Code E aircrafts with prior intimation. The runway length of 2,742m enables all narrow body aircraft to operate without commercial weight restrictions. However, for wide body aircrafts there are payload restrictions. (i) A runway extension is required to mitigate these operational impacts. (ii) Development of mandatory Runway End Safety Area (RESA) of airport, at the end of runway, beyond existing eastern boundary wall of airport is another essential compliance requirement. (iii) Similarly, development of full-length parallel taxiway is another important necessity for CCSIA to enhance its runway capacity and to improve operational efficiency. (iv) It is essential to ensure required mandatory clear distance from runway centerline up to airport boundary wall. Development of a full-length northern parallel taxiway for runway 09/27, by acquiring required land outside current airport boundary, is a critical project for CCSIA.

In order to take up these projects, erstwhile Airport Operator i.e. AAI had initiated discussion with local state authorities for the purchase of approx. 68 Acres of land. After privatization, ALIAL has actively carried forward those discussions with the state authorities (refer Annexure - K attached)

ALIAL acknowledges that land acquisition is time consuming. It involves multiple stakeholders, various processes and procedures which have variability on the timing of the purchase of land. Considering these factors, ALIAL has not considered the costs of land acquisition and necessary construction works as part of the capital expenditure in this MYTP. Therefore, ALIAL request the AERA to kindly consider the necessary true-ups for the same in the next control period, to provide for eligible return on land acquisition cost and associated construction works, along with carrying cost, in case it gets fructified during the TCP. ALIAL will keep AERA informed on the developments of the matter from time to time.

7.10. The total Project Cost is proposed to be financed at a debt equity ratio of 65%:35%, which is in line with funding plan generally considered by various institutions for infrastructure assets.

7.11. Following is the Capital Work In Progress (CWIP)

S. No	Particulars (INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
1	<b>Opening balance</b>	<b>521.05</b>	<b>1372.66</b>	<b>1766.74</b>	<b>561.70</b>	<b>89.35</b>	<b>521.05</b>
2	Additions to CWIP	1132.20	1511.95	704.06	180.24	131.02	<b>3659.48</b>
3	Transfer to gross block	(280.59)	(1117.87)	(1909.10)	(652.59)	(220.38)	<b>(4180.53)</b>
4	<b>Closing block</b>	<b>1372.66</b>	<b>1766.74</b>	<b>561.70</b>	<b>89.35</b>	-	-

7.12. Following is the summary of capital expenditure (additions to CWIP) of first control period for the airport as prepared by in-house experts:

S. No.	Particulars (INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
1	Terminal Building (Aero)	547.44	880.30	549.66	27.29	3.48	<b>2,008.17</b>
2	Runway, Taxiway and Apron	130.24	101.32	49.76	52.66	40.00	<b>373.97</b>
3	Cargo building	6.04	25.11	-	-	-	<b>31.14</b>
4	Cargo Equipment	6.32	8.73	-	-	-	<b>15.05</b>
5	Boundary wall	0.02	22.03	2.15	5.36	7.45	<b>37.01</b>
6	IT equipment	4.05	1.60	2.40	2.40	2.40	<b>12.85</b>
7	Security equipment	4.59	45.66	12.46	28.76	11.36	<b>102.83</b>
8	Plant and Machinery	163.25	71.59	13.18	12.64	3.50	<b>264.16</b>
9	Other Buildings	179.03	143.76	6.56	7.62	1.60	<b>338.59</b>
10	Access Road	17.94	78.38	17.09	43.41	61.22	<b>218.04</b>
11	Terminal Building (Non-Aero)	25.65	41.05	24.85	0.10	-	<b>91.66</b>
12	Fuel Farm	47.63	92.43	25.96	-	-	<b>166.01</b>
13	<b>Total</b>	<b>1,132.20</b>	<b>1,511.95</b>	<b>704.06</b>	<b>180.24</b>	<b>131.02</b>	<b>3,659.48</b>

7.13. Total capitalised amount (deletions from CWIP)

S. No.	Particulars (INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
1	Terminal Building (Aero)	(73.85)	(122.44)	(1,743.33)	(484.24)	(5.38)	<b>(2,429.24)</b>
2	Runway, Taxiway and Apron	(113.64)	(180.66)	0.00	(102.41)	(40.00)	<b>(436.71)</b>
3	Cargo building	0.00	(31.14)	0.00	0.00	0.00	<b>(31.14)</b>
4	Cargo Equipment	(4.22)	(10.83)	0.00	0.00	0.00	<b>(15.05)</b>
5	Boundary wall	0.00	(28.93)	0.00	(0.14)	(14.82)	<b>(43.89)</b>



6	Software	(0.31)	0.00	0.00	0.00	0.00	<b>(0.31)</b>
7	IT equipment	(4.05)	(1.60)	(2.40)	(2.40)	(2.40)	<b>(12.85)</b>
8	Security equipment	(4.59)	(45.66)	(12.46)	(28.76)	(11.36)	<b>(102.83)</b>
9	Plant and Machinery	(23.23)	(218.14)	(9.08)	(7.42)	(12.82)	<b>(270.69)</b>
10	Other Buildings	(37.97)	(284.82)	(1.65)	(2.36)	(11.78)	<b>(338.59)</b>
11	Access Road	0.00	(96.32)	0.00	0.00	(121.72)	<b>(218.04)</b>
12	Terminal Building (Non-Aero)	0.00	0.00	(89.51)	(24.85)	(0.10)	<b>(114.47)</b>
13	Furniture	(0.42)	0.00	0.00	0.00	0.00	<b>(0.42)</b>
14	Vehicle	(0.30)	0.00	0.00	0.00	0.00	<b>(0.30)</b>
15	Fuel Farm	(18.00)	(97.34)	(50.68)	0.00	0.00	<b>(166.01)</b>
<b>15</b>	<b>Total</b>	<b>(280.59)</b>	<b>(1,117.87)</b>	<b>(1,909.10)</b>	<b>(652.59)</b>	<b>(220.38)</b>	<b>(4,180.53)</b>

**Airport Users Consultative Committee (AUCC):** ALIAL conducted Airports Users Consultative Committee with all relevant stakeholders on 19<sup>th</sup> July 2021. The need and costs for all the projects above INR 10 Crores ( minimum of 5% of opening RAB, 50 Cr whichever is lower) were discussed in AUCC. The minutes of the meeting of AUCC are being submitted as Annexure – M.

## 8. Allocation Methodology

### Common Assets Fixed Asset Allocation:

- 8.1. ALIAL has appointed a chartered engineer whose report will be the basis for allocation of common assets into aeronautical and non-aeronautical categories. The area in terminal has been bifurcated based on the chartered engineer's report where commercial area in the terminal has been identified (refer to Annexure – C).
- 8.2. The technical evaluation process followed to summarize current possession status of the area within the terminal building is as follows:
- 8.2.1. Physical inspection and measurements of area occupied by tenants
  - 8.2.2. Detailed discussions with the Projects, Finance & Engineering and Maintenance teams
  - 8.2.3. Verification of space occupied by outlets
  - 8.2.4. Understanding and experience of the independent technical consultant
- 8.3. Based on the report of the chartered engineer, a list of areas classified under commercial area and sub-categorized with location in airport premises has been provided in Annexure - C:

Category	Terminal 1	Terminal 2	Total
	Area in sq. mtr.		
Food and beverages	9.75	604.82	614.57
Space Rentals	13.4	166.05	179.45
Services	48.53	184.45	232.98
Retail	46	292.67	338.67
Proposed Vacant area		166.3	166.3
<b>Total commercial area</b>	<b>117.68</b>	<b>1,414.29</b>	<b>1,531.97</b>
<b>Total Built-up area</b>	<b>8,965</b>	<b>20,850</b>	<b>29,815</b>
<b>% of commercial area</b>	<b>1.3%</b>	<b>6.8%</b>	<b>5.1%</b>

- 8.4. Accordingly, ALIAL has considered 5.1% of terminal area as non-aeronautical for MYTP submission purposes.

### Operating Expense Allocation:

- 8.5. Based on the above allocation of fixed assets and common area into aeronautical and non-aeronautical percentages, the following allocation strategy will be adopted to segregate operating expenses into aeronautical and non-aeronautical expenses:

Expenses	Aero Opex Allocation	Basis
<b>Manpower expenses (ALIAL)</b>	90.0%	Based on department wise cost
<b>Manpower expenses (AAI)</b>	100%	It is an obligated cost as per concession agreement (Clause 6.5 of CA)
<b>Utility expenses (net of recovery)</b>	100%	Aeronautical expense
<b>IT expenses</b>	96.7%	As per Initial RAB ratio*
<b>Rates &amp; Taxes</b>	94.9%	As per terminal area
<b>Security expenses</b>	96.7%	As per Initial RAB ratio*
<b>Corporate Allocation</b>	96.7%	As per Initial RAB ratio*
<b>Administrative Expenses</b>	96.7%	As per Initial RAB ratio*
<b>Insurance</b>	96.7%	As per Initial RAB ratio*
<b>R&amp;M</b>	94.9%	As per terminal area
<b>Others</b>	94.9%	As per terminal area
<b>Runway Recarpeting</b>	100%	Aeronautical expense

\*Initial RAB ratio means ratio calculated by dividing aero assets mentioned under the Concession Agreement worth INR 143 Crores by total assets of INR 147.9 Crores received from AAI (as on 31<sup>st</sup> March 2018).

## 9. Fair Rate of Return

### **Equity Contribution**

- 9.1. The entire equity requirement for the Project will be arranged through a mix of equity share capital and other equity linked instruments.
- 9.2. ALIAL believes that, CCSIA, Lucknow, being a relatively small international airport is more susceptible to various risks and external shocks than larger airports. Perceived risks are as given below:

### **Risks:**

- 9.3. Construction Risk: Delays in completion of expected capital expenditure (both CWIP and Capex) may adversely impact revenues.
- 9.4. Traffic Risk: Volatility in traffic is expected to be higher than the pre-pandemic years. It is expected to take years for pre-pandemic trends in passenger traffic and ATM to return. This may also adversely impact revenues.
- 9.5. Event Risk: Unforeseen events, for instance the Covid-19 pandemic may severely impact the cash flows of CCSIA, Lucknow. The Covid-19 pandemic is expected to be a continuous risk as discoveries and research regarding new strains of the virus have adversely impacted various economic forecasts as also confidence levels in the market.

### **Cost of Equity (CoE)**

- 9.6. ALIAL is of the opinion that a foundation has to be laid through a well-defined systematic approach for defining reasonable rate of CoE and suggests that CoE should be allowed at 17.30% for ALIAL for the TCP, based on report by PWC<sup>14</sup> which recommended CoE at 17.11% - 17.28%.

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<sup>14</sup> Refer Annexure D

9.7. The methodology used to compute the Cost of Equity of the Lucknow Airport is the Capital Asset Pricing Model (CAPM). The three components to be estimated in the CAPM are (a) the beta of the Lucknow Airport, (b) the risk-free rate and (c) the equity risk premium. The process is elaborated in the table below:

Estimated parameter	Methodology/Approach	Result
Beta	<p><u>Identification of comparable airports:</u> Various airports were identified which are listed on stock exchanges across the globe or have regulated betas. A set of airports were removed from the list because of either lack of data for the required time period or unreliable data.</p>	-
Beta	<p><u>Determination of equity and asset beta for the selected airports:</u> Beta is indicative of the systematic risk of the project. In order to calculate this, the analysis regresses the movement of the stock prices (of respective airports) on the movement of an index representing the market portfolio. The beta values pertaining to this regression are called the 'equity' betas.</p> <p>Once the equity beta is calculated, the analysis 'un-levers' the beta (i.e., purges off the effects of the capital structure) by using the Hamada equation:</p> $\beta_U = \frac{\beta_L}{(1+(1-t)(\frac{D}{E}))}$ <p>where <math>t</math> is the tax rate, <math>D</math> and <math>E</math> are debt and equity respectively. This unlevered beta is called the 'asset' beta for the respective airports.</p>	-
Beta	<p><u>Computing the proximity scores for each airport and asset beta of Lucknow airport:</u> Once the asset betas have been computed, quantifiable assessment has been undertaken for identified airports to determine the proximity/ relevance scores. All the airports have been compared with Lucknow airport based on the following airport characteristics:</p> <ul style="list-style-type: none"> <li>a) Regulatory Environment</li> <li>b) Operational Structure</li> <li>c) Payment Structure</li> <li>d) Ownership Structure</li> </ul> <p>Numeric values of 1 to 3 have been assigned to each factor wherein lower the score, more comparable is the airport to the Lucknow Airport.</p>	0.80 to 0.81

	Furthermore, an inverse of the proximity scores are used to calculate the 'asset' beta the Lucknow Airport.	
	<u>Re-lever the asset beta to obtain the equity beta:</u> The asset beta of the Lucknow Airport is relevered using the Hamada equation to obtain the equity (re-levered) beta. As the re-levered beta is a function of D/E or gearing ratio, the beta value changes whenever the D/E or gearing ratio changes. A gearing ratio of 48:52 is considered. This has been derived from the gearing ratios set by the regulators at different comparable international airports.	1.35- 1.38
Risk Free Rate	An average of daily yield for 10 years of the 10-year Government of India security has been considered as the risk-free rate.	7.57%
Equity Risk Premium	To avoid any bias, an average of equity risk premiums computed by a list of studies and standard market indices are taken for the analysis. The list of the same is provided as follows: <ul style="list-style-type: none"> <li>▶ Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds.</li> <li>▶ Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds.</li> <li>▶ Forward looking ERP of India as estimated in a study conducted in April 2019 by Grant Thornton</li> <li>▶ ERP published by Incwert Valuation Chronicles in June 2020</li> <li>▶ ERP computed based on Nifty 50</li> <li>▶ ERP computed based on Sensex.</li> </ul>	7.06%

9.8. After computing the parameters as mentioned in the table above, the inputs are fed into the CAPM:

$$R_e = R_f + \beta * (R_m - R_f)$$

Where,

$R_e$  is the Cost of Equity

$R_f$  is the risk-free rate

$\beta$  is the equity beta of Lucknow Airport

$(R_m - R_f)$  is the equity risk premium

9.9. After incorporating the above estimated figures in the CAPM equation, the computed CoE is 17.11% - 17.28%. The following table summarizes the sensitivity of the gearing ratio:

Gearing Ratio	CoE
48:52	17.11%-17.28%
60:40	19.55%-19.76%
65:35	21.06%-21.29%
70:30	23.07%-23.34%

### Cost of Debt

9.10. Debt requirement of the Project is proposed to be arranged mainly through debts provided by the banks or by the shareholders. The tenure of a loan is expected to be over 15 years with a bullet repayment at the end of the tenure. The debt is expected to carry an interest of 12% p.a.

### FRoR

9.11. The following table summarizes the FRoR at ALIAL for TCP. ALIAL has calculated FRoR/WACC on the basis of a debt-equity ratio of 48:52 which is consistent with debt-equity ratio considered as a base case scenario in the computation of Cost of Equity by an independent consultant.

Particulars	FY22	FY23	FY24	FY25	FY26
Cost of Debt	12.0%	12.0%	12.0%	12.0%	12.0%
Cost of Equity	17.30%	17.30%	17.30%	17.30%	17.30%
D/E Ratio	48:52	48:52	48:52	48:52	48:52
FRoR	14.76%	14.76%	14.76%	14.76%	14.76%



## 10. Regulatory Base for the Airport Related Assets for the Control Period

10.1. After considering the financing allowance and necessary fixed asset allocation methodology, following is the summary of the RAB for the airport related assets:-

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26
Opening RAB	191.17	431.06	1,484.58	3,163.25	3,573.68
Closing RAB	431.06	1,484.58	3,163.25	3,573.68	3,496.44
<b>Average RAB</b>	<b>311.12</b>	<b>957.82</b>	<b>2,323.91</b>	<b>3,368.46</b>	<b>3,535.06</b>

## 11. Fuel

- 11.1. With respect to ALIAL's obligations towards providing aircraft fuelling services, the Concession Agreement<sup>15</sup> states that:

*“The Concessionaire shall provide, or cause to be provided, the infrastructure required for operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice.”*

- 11.2. Previously, when the airport was operated by AAI various OMCs were providing fuelling services at the airport using their own respective infrastructure.

- 11.3. As mandated by the CA, ALIAL will be required to build an open access facility. Further ALIAL plans to provide Into-Plane Services (ITP) at CCSIA, Lucknow. Operations are likely to start by 01<sup>st</sup> November 2021.

- 11.4. In order to start Open Access, ALIAL needs to create Fuel Farm/Tank Farm and also needs to have a fleet of bowsers for carrying out refuelling. In order to make proper utilization of existing assets and optimizing them, the plan is to acquire the existing assets of OMCs and start Open Access. The discussions for same has already started with IOCL. ALIAL is also mulling to take over the assets of other OMCs operating at the Airport. The cost of purchase of the existing facilities is expected to be around INR 15 Crores. The existing IOCL fuel facility located within the Airport has a storage capacity of approx. 800 KL.

- 11.5. Based on traffic and demand requirement, current facility will be sufficient to cater to the requirement of airport users only for the next 2 years. In order to cater to the increased demand, ALIAL will also start working on the construction of Green-field facility (having a capacity of 5,000 KL) at Lucknow airport which is expected to be operational by FY24. A new Hydrant Refuelling System having total length of 4,050

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<sup>15</sup> Clause 19.3. of the Concession Agreement

meters will also be laid and commissioned along with the new Green-Field facility. Cost of new facility is expected to be around INR 152 Crores (contingencies, preliminaries and insurance, PMC and design, interest during construction etc. will be extra).

11.6. Running two facilities at an airport will result in higher operating costs and will not be in the interest of airport users. Hence upon commissioning of new facility, old facility will be discarded. Consequently written down value of the asset has been reduced from Gross asset and transferred to Profit & Loss account.

11.7. Operations for 1.5 years of operations (till FY23) are based on internal estimation exercise undertaken by ALIAL and all expenses except manpower costs for future years are expected to increase with fuel throughput volumes. Manpower expenses for fuel operations have been assumed to increase by 10% per annum.

11.8. Following is the summary of fuel farm operation and maintenance costs as per ALIAL for the TCP:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
<b>Fuel Farm expenses</b>	3.48	9.98	20.98	13.80	15.77	<b>64.00</b>

11.9. The Fuel throughput forecast has been ascertained using ATM traffic forecast by CAPA. Following are the expected fuel throughput volumes (y-o-y):

Particulars (in KL)	FY22	FY23	FY24	FY25	FY26	Total
<b>Total</b>	28,958	99,900	127,800	151,700	177,400	<b>585,758</b>

## 12. Cargo

- 12.1. ALIAL, as airport operator of Chaudhary Charan Singh International Airport is also providing cargo handling services from the existing common user cargo terminal.
- 12.2. AERA vide order no. 51/2020-21 dated 04<sup>th</sup> Nov 2020 approved the levy of existing cargo handling charges approved by the Authority for AAICLAS vide order no. 41/2020-21. Existing tariffs were further extended by the Authority vide order no. 67/2020-21 till 30<sup>th</sup> Sep 2021.
- 12.3. Current facility is very small in size (approx. 1,000 sq mtr with annual handling capacity of 5,000 tons) which is not sufficient to meet the future demand of air cargo in the Lucknow and catchment markets. Also, it is coming in the footprint of future expansion of passenger terminal. Therefore, ALIAL plans to develop and operate a new Integrated Cargo Terminal at Lucknow airport. New Integrated Cargo Terminal (ICT) facility at Lucknow airport is expected to be commissioned by October 2023 and facility will have approx. 5,826 sq. mtr. of office and warehouse space dedicated for cargo operations. The equipment of ICT shall be state of art, meeting the needs of the cargo operations and regulations, that include battery operated forklifts, tractors, cargo dedicated dollies, weighing scales (that are integrated with Warehouse Management System, build/ break workstations, etc. The security systems will include regulatory compliant dual view X-ray machines in both international and domestic terminals, ETDs, CCTV, etc. The facility will be well equipped with the required firefighting equipment and systems that will be fully integrated with the airport systems. It will have annual cargo handling capacity of approx. 30,000 tons. The facility will further be scaled up based on future demand of cargo. Cost of new facility is expected to be around INR 42 Crores (contingencies, preliminaries and insurance, PMC and design, interest during construction etc. will be extra).

12.4. ALIAL's cargo operating expenses are projected to be as follows:

Operating expense (INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Insourced salary	2.36	3.26	4.08	4.93	5.96	<b>20.59</b>
Outsourced salary	2.66	3.66	4.58	5.54	6.70	<b>23.15</b>
Utility Charges	0.34	0.47	0.59	0.71	0.86	<b>2.98</b>
Administrative Expenses	0.42	0.58	0.73	0.88	1.07	<b>3.69</b>
O&M Expenses	0.15	0.20	0.25	0.31	0.37	<b>1.28</b>
Others	0.51	0.70	0.87	1.05	1.27	<b>4.40</b>
Customs Cost Recovery	0.89	0.98	1.08	1.18	1.30	<b>5.43</b>
<b>Total</b>	<b>7.33</b>	<b>9.85</b>	<b>12.18</b>	<b>14.61</b>	<b>17.54</b>	<b>61.52</b>

12.5. Following table summarises the cargo volumes to be handled by ALIAL itself during TCP:-

Volume (MT)	FY22	FY23	FY24	FY25	FY26	Total
Domestic cargo	8,959	11,224	12,773	14,039	15,435	<b>62,429</b>
International cargo	1,458	1,827	2,079	2,285	2,513	<b>10,163</b>
<b>Total cargo</b>	<b>10,417</b>	<b>13,051</b>	<b>14,852</b>	<b>16,324</b>	<b>17,948</b>	<b>72,592</b>

## 13. Ground Handling

13.1. Ground handling (GH) activity has been outsourced by ALIAL as per the Ground Handling Regulations . There are currently two service providers for Ground Handling services at the airport, namely; GSEC Bird Airport Services Limited (BWFS lead member of consortium) and Air India Airport Services Limited (AIASL). These providers make two payments:

1. Land Rentals; and
2. Revenue Share expressed as a percentage of GH revenue

13.2. Revenue Share payable is based on concession contract with Ground Handling service providers and are fixed until the end of concession term. The revenues from Ground Handling services to ALIAL are in the table as follows:

Revenue (INR crores)	FY22	FY23	FY24	FY25	FY26	Total
Ground Handling Revenues	2.44	3.75	4.97	5.91	6.95	<b>24.03</b>

13.3. Lease Rentals and revenue share paid by ground handling service providers have been considered as Aeronautical revenues for tariff determination.

## 14. Operation & Maintenance

### 14.1. Introduction

14.1.1. ALIAL is committed to abide by the provisions of the Concession Agreement in totality and ensure a smooth transition and transformation of CCSIA, Lucknow from AAI to ALIAL.

14.1.2. With respect to the O&M obligations of ALIAL, the Concession Agreement<sup>16</sup> states that:

*“...the Concessionaire shall operate and maintain the Airport in accordance with this Agreement, Applicable Laws and Applicable Permits, either by itself, or through O&M Contractors and if required, modify, repair or otherwise make improvements to the Airport to comply with the provisions of this Agreement, Applicable Laws and Applicable Permits, and conform to Specifications and Standards and Good Industry Practice. The obligations of the Concessionaire hereunder shall include but not limited to:*

- (a) ensuring to provide the Aeronautical Services, Non-Aeronautical Services and such other services, as are required as per the terms of this Agreement and Good Industry Practice;*
- (b) permitting safe, smooth and uninterrupted movement of Users and flow of traffic on the Airport, including prevention of loss or damage thereto, during normal operating conditions;*
- (c) collecting and appropriating the Fee;*
- (d) minimising disruption to the operation of the Airport, including airside, Terminal Building and land side, in the event of accidents or other incidents affecting the safety and use of the Airport by providing a rapid and effective response and maintaining liaison with emergency services of the State;*
- (e) carrying out periodic preventive maintenance of the Airport;*
- (f) ensuring that the Aeronautical Assets, including Runway, taxiways, aprons and approach areas are maintained and operated in accordance with the provisions*

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<sup>16</sup> Clause 18.1. of the Concession Agreement

*contained in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes;*

*(g) ensuring that Runway, including the strips, shoulders, stop way and runway end safety area for Runway and strips and shoulders for taxiways and isolation bays are maintained in accordance with the provisions contained in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes;*

*(h) ensuring that the obstacle limitation surfaces of the Airport and the approach and take-off areas are free from obstructions or that the obstructions shall be limited to the permissible limits specified in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes;*

*(i) undertaking routine maintenance including prompt repairs of cracks, joints, drainage systems, embankments, structures, buildings, pavement markings, signaling systems, communication systems, lighting, signage and other equipment;*

*(j) undertaking major maintenance such as repairs to structures, repairs and refurbishment of equipment, signaling and communication system and major overhaul of equipment;*

*(k) ensuring that the sensitive and critical areas, as identified by the Authority or the Designated GOI Agency, as the case may be, for the operation of CNS/ATM Equipment and facilities shall be maintained free of any obstructions and that no obstruction which may hamper the safety or functioning of these equipment and facilities or endanger the safety of aircraft operations shall be permitted;*

*(l) ensuring that appropriate arrangements and precautions have been undertaken at the Airport to prevent bird and animal nuisance in and around the Airport, in accordance with the Applicable Laws and Good Industry Practices;*

*(m) maintaining the Airfield Lighting System and the main and standby power supply systems in accordance with the standards prescribed in Applicable Laws and relevant ICAO Documents and Annexes, and DGCA Civil Aviation Requirements, as may be issued or updated from time to time, and relevant codes and standards;*

*(n) preventing, with the assistance of the concerned law enforcement agencies, any encroachments on, unauthorised entry to or unauthorised use of the Airport;*

*(o) protection and conservation of the environment and provision of equipment and materials therefor;*



- (p) *operation and maintenance of all communication, control and administrative systems necessary for the efficient operation and management of the Aeronautical Services and Non-Aeronautical Services;*
- (q) *maintaining a public relations unit to interface with and attend to suggestions from the Users, Government Instrumentalities, media and other agencies in accordance with the Applicable Laws, for providing the requisite information;*
- (r) *complying with Safety Requirements in accordance with Article 18;*
- (s) *operation and maintenance of all Project Assets diligently and efficiently and in accordance with Good Industry Practice;*
- (t) *maintaining punctuality and reliability in operating the Airport;*
- (u) *maintaining a high standard of cleanliness and hygiene on the Airport including disposal of all kinds of waste at an appropriate location;*
- (v) *taking all measures relating to fire precautions in accordance with relevant ICAO standards or appropriate international guidelines, Applicable Laws, Applicable Permits and Good Industry Practice;*
- (w) *providing all the requisite information, data, operating statistics, etc., as may be required by the Authority, any of the Government Instrumentality, DGCA, State Government or GOI, from time to time.”*

14.1.3. Additionally, with respect to ALIAL’s obligations towards *IATA Level of Service Optimum*, the Concession Agreement<sup>17</sup> states that:

*“Commencing from the date which is 1 (one) year from the COD, the Concessionaire agrees and undertakes to achieve IATA Level of Service Optimum at the Airport. In the event it is observed that the level of service is inferior to IATA Level of Service Optimum during Peak Hours in any quarter and the Concessionaire does not cure the same within 90 (ninety) days from the occurrence of such degradation of level of service in any Concession Year, the Concessionaire shall pay Damages to the Authority which shall be determined at the rate of 0.5% (zero point five percent) of the total revenue from Fees for the immediate preceding quarter.”*

*Where,*

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<sup>17</sup> Clause 19.6.9. of Concession Agreement

*“IATA Level of Service Optimum” means the minimum service requirements at various airport subsystems as set out in the ‘Optimum’ category in the 10th edition of IATA’s Airport Development Reference Manual, as may be amended, modified or supplemented from time to time, and shall, for the avoidance of doubt, mean any similar level of service framework in the event of IATA discontinuing publication of the Airport Development Reference Manual;”*

14.1.4. In addition to the abovementioned clause, the Concession Agreement further elaborates on the service level monitoring obligations of ALIAL. The Concession Agreement<sup>18</sup> states that:

*“The Concessionaire shall:*

*(a) throughout the Concession Period, regularly monitor traffic flows at the Airport and regularly examine levels of service at the Airport;*

*(b) after achieving the COD, regularly monitor and count Peak Hour passengers enplaning to and deplaning from aircraft at the Airport;*

*(c) by the 7th (seventh) day after the end of each quarter, provide to the Authority, a detailed report: (i) confirming that the levels of service at the Airport over the preceding quarter (or part thereof) never fell below IATA Level of Service Optimum or describing the dates on or periods of time during which the levels of service at the Airport fell below IATA Level of Service Optimum, and (ii) setting forth its analysis (along with any and all supporting data) of the level of service anticipated at the Airport over the reporting quarter, including any period of time when the level of service at the Airport is projected to fall below IATA Level of Service Optimum; and*

*(d) promptly advise the Authority in writing, if it otherwise determines that the level of service at the Airport is projected to fall or has fallen below IATA Level of Service Optimum at any time and provide to the Authority any and all data related to such determination along with the mitigation plan for such deficiency.”*

14.1.5. The abovementioned clauses of the CA illustrate ALIAL’s obligations towards maintaining superior service standards. In addition to these obligations, expected commencement of Terminal 3 (T3) building area and development of additional

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<sup>18</sup> Clause 21.3. of the Concession Agreement

facilities, warrants an increase in ALIAL’s O&M expenses. **O&M expense estimates take into consideration the obligations of ALIAL as per the Concession Agreement as well as the expected expansion in overall terminal area due to upcoming Terminal 3.**

14.1.6. In this MYTP, ALIAL has adopted following aspects and principles to determine efficient aeronautical operating and maintenance cost:

14.1.6.1. Upcoming expansion at Lucknow Airport: As explained in Chapter 7, Lucknow Airport is going ahead with construction of Terminal 3 as obligated under the Concession Agreement which has already achieved significant progress. Terminal 3 is expected to be operational in two phases. Terminal 1, which has already lived its useful life is coming under the footprints of Terminal 3 and is expected to get demolished to make way for the construction of Terminal 3. In order to consolidate the operations all the passenger traffic from T1 and T2 will be moved to Terminal 3. Year wise increase in operational terminal area is tabled below. Accordingly, there will be correspondingly increase in costs of various services like manpower, IT, Security, Utility, Housekeeping, Others etc.

Area in sq mtrs						
	T1	T2	T3 Phase 1 (expected to be completed by end of FY23)	T3 Phase 2 (expected to be completed by end of FY24)	Total	YoY % Increase in Area
FY21-22	8,965	20,850			29,815	-
FY22-23	8,965	20,850			29,815	-
FY23-24			111,788		111,788	275%
FY24-25			111,788	36,473	148,261	33%
FY25-26			111,788	36,473	148,261	-

14.1.6.2. Inflationary Increase: ALIAL has considered inflationary increase of 5% towards all expenses which is considered basis the projections provided in Chapter 15 below.

14.1.6.3. Real Increase: Considering the current economic scenario, concession agreement obligations and upcoming expansion ALIAL has considered 10% real increase in the expenses.

14.1.6.4. Base Year: FY22 considered as the base year and applied relevant growth percentages over it.

**14.1.6.5. Airports have high fixed costs associated with the provision and maintenance of infrastructure and services such as safety and security. These are incurred regardless of traffic levels. Airport operators, therefore, have limited scope to curtail costs when facing a downturn in demand.**

## 14.2. Employees Cost

14.2.1. Manpower is a crucial resource of service-oriented industries such as airports. ALIAL considers manpower as its biggest asset. Total employee costs covered under this section include salaries, wages and bonuses, contribution to PF, gratuity expenses, and staff welfare and training costs.

### **AAI Employees**

14.2.2. With respect to ALIAL's obligations towards AAI employees, the Concession Agreement states the following<sup>19</sup>:

*“With the exception of the Select Employees, the Concessionaire shall have no obligations in relation to the existing employees of the Authority serving in connection with the Airport.”*

*Where,*

*““Select Employees” shall mean those employees of the Authority as set forth in Schedule S<sup>20</sup> (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period.”*

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<sup>19</sup> Clause 6.5.2. of Concession Agreement

<sup>20</sup> Annexure - A

14.2.3. With respect to the obligations of ALIAL towards Select Employee Costs, the Concession Agreement<sup>21</sup> states that:

*“The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period.*

*... the Concessionaire shall pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority to the Select Employees.”*

*Where,*

*““Joint Management Period” shall mean the period commencing from the COD and ending on the date which is 1 (one) calendar year after the COD.”*

*And,*

*““Deemed Deputation Period” shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom.”*

14.2.4. With respect to ALIAL’s association with AAI’s senior personnel, the Concession Agreement<sup>22</sup> states that:

*“The senior management staff of the Authority of the rank of deputy general manager and above (“Senior Personnel”) shall remain deputed at the Airport for a period not exceeding 3 (three) months from the COD.*

*(i) On the expiry of such 3 (three) month period, the Senior Personnel shall be transferred out of the Airport and redeployed by the Authority.*

*(ii) It is clarified that the Concessionaire shall not be liable to bear any costs in respect of the Senior Personnel, which costs shall be borne entirely by the Authority.”*

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<sup>21</sup> Clauses 6.5.4. and 6.5.5.

<sup>22</sup> Clause 6.5.3. of the Concession Agreement

14.2.5. There are 169 Select Employees<sup>23</sup> (as on date 167<sup>24</sup> employees) from AAI at CCSIA (level of AGM and below) whose employee costs are to be incurred by ALIAL as stated in the abovementioned clauses of the Concession Agreement. In addition to this, a growth assumption of annual escalation of salaries was taken at 15% (real growth 10% plus inflation 5%).

14.2.6. With respect to ALIAL's retention obligations of during the Joint Management Period, the Concession Agreement<sup>25</sup> states that:

*"At any time during the Joint Management Period, but no later than 90 (ninety) days from the COD, the Concessionaire shall make offers of employment ("Employment Offers") to a minimum of 60% (sixty percent) of the Select Employees.*

(i) *It is clarified that, in the event of reduction in the number of Select Employees in the manner set forth in Clause 6.5.1, the minimum number of Select Employees to whom Employment Offers are required to be made shall stand correspondingly reduced, with any fractions thereof rounded off to the nearest whole number.*

(ii) *The terms and conditions of the Employment Offers shall, in terms of salary, position, etc., be the same as the current employment terms of the Select Employees on an annual cost-to-company basis."*

14.2.7. As per the abovementioned clauses of the Concession Agreement, ALIAL is required to provide offer of employment to at least 60% of Select Employees of AAI. However, it has to bear the cost of 100% of Select Employees of AAI for a period of 3 years. This cost will reduce to 60% of the employees after 3 years of COD in line with provisions of the Concession Agreement.

14.2.8. Moreover, in such a case where less than 60% of the Select Employees accept offers from ALIAL, the Concession Agreement<sup>26</sup> states that:

*"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the "Deficit Employees"), the*

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<sup>23</sup> Schedule – S of Concession Agreement (Annexure – A)

<sup>24</sup> Refer Annexure - E

<sup>25</sup> Clause 6.5.6. of the Concession Agreement

<sup>26</sup> Clause 6.5.10. of the Concession Agreement

*Concessionaire shall, commencing from the expiry of the Deemed Deputation Period, pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the “Deficit Employee Costs”).*

- (i) The Select Employees in respect of which the Deficit Employee Costs are payable shall be mutually identified by the Parties no later than 3 (three) months prior to the expiry of the Deemed Deputation Period.”*
- (ii) The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges.*
- (iii) The provisions of sub-clauses 6.5.5 (i), 6.5.5 (ii), 6.5.5 (iii), and 6.5.5(iv) shall, mutatis mutandis, apply to payment of the Deficit Employee Costs.*
- (iv) The Deficit Employee Costs shall be payable until retirement or other separation from Authority’s services of the Deficit Employees, whichever is earlier.”*

14.2.9. As mentioned in the above clauses of the Concession Agreement, ALIAL is obligated to bear the Deficit Employee Cost as well. As stipulated above, Deficit Employee Cost shall be considered for pass-through in the determination of the aeronautical charges.

14.2.10. On 28<sup>th</sup> January 2021, ALIAL made the offer to all 167 AAI employees with substantial increase in their remuneration packages. The offer was valid till 30<sup>th</sup> Mar 2021. It is noted that none of the AAI employees, except one, have accepted the offer till the validity of the offer date.

14.2.11. Airports are national assets and need to be operated with utmost care and security. It is also a known fact that aviation industry in India is short of skilled manpower (which is also critically mentioned in the Vision 2040 for the Civil Aviation in India<sup>27</sup>). ALIAL is impacted from both the sides i.e. AAI employees want to continue with AAI and there is shortage of skilled manpower in the market. Further due to ongoing pandemic COVID-19, the risk factor of the Aviation sector has substantially increased,

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<sup>27</sup> <https://dag.um.dk/~media/danishaviationgroup/market%20information/vision-2040-for-the-civil-aviation-industry-in-india.pdf?la=en>

as a result people from other industries are hesitant about joining the Aviation industry at the moment.

ALIAL is ramping up its own manpower through all means, irrespective of the adverse circumstances, so that necessary on-the-job-training, know-how transfer and skill enhancement is done before the Joint Management Period and the Deemed Deputation Period (total 3 years from COD) get completed.

### **ALIAL Employees**

14.2.12. In addition to absorbing AAI's Select Employees, ALIAL will also employ its own employees for the airport operations at CCSIA, Lucknow. ALIAL workforce planning is based keeping in mind the following:

- (i) ALIAL is committed to maintain the highest service standards and ensure highest level of user experience;
- (ii) There is a need to hire, train, and maintain a greater number of employees. As explained above, there is uncertainty over the actual number of Select Employees who will be joining ALIAL.;
- (iii) Senior Personnel of AAI will not remain deputed at CCSIA after 3 months from the COD as per the Concession Agreement; therefore, there is a need for ALIAL to replace as also train the replacements;
- (iv) Approx. 400% increase in terminal area (from 29,815 sq. mtr. to 148,261 sq. mtr.) and over 200% increase in capacity (from 4.3 mppa to 13 mppa) between FY22 to 24 is likely to warrant an increase in the expenses that ALIAL shall incur on its employees;
- (v) high attrition rates in the aviation sector with a recent increase in privatisation of airports;
- (vi) with suitable talent in the aviation sector being scarce, ALIAL's expenses at seeking, hiring, and retaining suitable employees is estimated to increase;

14.2.13. ALIAL employee costs are assumed to increase by 5% on account of inflation and by 10% on account of real increase.

14.2.14. Based on the above assumptions, ALIAL proposes the following projections for employee costs:



Particulars	FY22	FY23	FY24	FY25	FY26	Total
AAI Employees (Nos.)	167	167	167 for ~7 months	-	-	
AAI Employees cost (INR Crores)	33.40	38.41	36.98	30.48	35.05	<b>174.32</b>
ALIAL Employees (Nos.)	90	140	190	240	290	
ALIAL Employees (INR Crores)	20.70	37.03	57.79	83.95	116.66	<b>316.13</b>
Total Employees (Nos.)	257	307	190	240	290	
<b>Total Employee cost (INR Crores)</b>	<b>54.10</b>	<b>75.44</b>	<b>94.77</b>	<b>114.43</b>	<b>151.71</b>	<b>490.45</b>

### 14.3. Electricity, Fuel Water

14.3.1. Electricity and water costs are calculated at net level, i.e. gross expenses less recovery from the airlines and concessionaires.

14.3.2. ALIAL expects a total of 8.4 mn units of electricity to be consumed in 2021-22. With the electricity regulator average rate at Lucknow being INR 8.8 per unit, ALIAL's expenses on electricity (net of recoveries) for 2021-22 is estimated to be INR 6.2 Crores.

14.3.3. Apart from electricity, ALIAL needs to incur expenses on water and fuel for running of airport and convenience of passengers. ALIAL is expected to incur INR 0.30 Crore on water and INR 1.20 Crore on fuel in FY22.

14.3.4. Utility expenses are expected to increase by 5% on account of inflation. In addition, ALIAL has considered increase in cost in proportion to increase in terminal area during the control period as provided in table in point 14.1.6.1 above.

14.3.5. Based on the above assumptions, ALIAL proposes the following projections for electricity and water costs (net of recoveries):

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
<b>Electricity cost (net of recoveries)</b>	6.19	6.50	25.60	35.65	37.43	<b>111.39</b>
<b>Water and Fuel cost (net of recoveries)</b>	1.54	1.61	6.13	8.44	8.86	<b>26.59</b>
<b>Total (net of recoveries)</b>	<b>7.73</b>	<b>8.12</b>	<b>31.74</b>	<b>44.09</b>	<b>46.30</b>	<b>137.98</b>

#### 14.4. Corporate Allocation

- 14.4.1. It is to be noted that Adani Group is the largest infrastructure player in India and has executed, operated and managed the assets of varied complexities. Its execution and management capabilities are ably backed by its corporate resources which provide Leadership & Governance, Business Sustenance support and Functional & Managerial support to various group businesses. The cost pertaining to group resources of Adani Group, which are utilized by all Adani Group companies, is required to be allocated on all such companies.
- 14.4.2. In respect of corporate services, ALIAL is expected to receive corporate support from the common resources available at the Adani Group, in respect to Human resource management, Administration, Treasury, Taxation, Fund Raising, Information Technology, Master Data Migration, Management Audit and Assurance, Governance Risk and Compliance, Corporate Communication, Crisis Management, Central Procurement, etc. Even if these services were procured from, say, external agencies / consultants, they will bill the charges for their services.
- 14.4.3. It is well accepted fact that various efficiencies as mentioned above and also assistance in fund raising will ensure sustainable business operations in longer term due to improved efficiency.
- 14.4.4. Based on above logic the cost is being allocated to all businesses including ALIAL. It is worthwhile to mention that it has been a common practice across all the industries operated by big business houses including private Airport entities and AAI, whereby cost allocation process is prevalent.
- 14.4.5. **Expenses incurred by AEL up to the date of LoA (July 2019) for Ahmedabad, Lucknow, and Mangaluru Airports** are divided equally among Adani's six Airport SPVs (i.e. for Ahmedabad, Lucknow, Mangaluru, Jaipur, Guwahati, and Trivandrum Airports) as these costs are incurred for all SPVs. Such costs include expenses pertaining to bidding, review of past tariff filing, RfP submission, bid advisory services, financial advisory services etc. The following table summarizes the allocation of expenses incurred by AEL across Adani's six SPVs:

Particulars (in INR Crores)	Total	Lucknow
Before LOA	10.35	1.72

14.4.6. **The common cost incurred by AEL and AAHL after the date of LoA till COD** is to be allocated based on the asset ratio (Initial RAB + CWIP) of three Airport SPVs (i.e. Ahmedabad, Lucknow and Mangaluru). The following table summarizes the cost allocation of AEL's and AAHL's expenses from LoA to COD:

Particulars (INR Crores)	Total	Lucknow
Initial Regulatory Asset Base (RAB) – AERO	485	143.00
Initial Regulatory Asset Base (RAB) - Non – AERO	14.8	4.93
CWIP	685	502
<b>Total of RAB + CWIP</b>	<b>1184.8</b>	<b>659.93</b>
<b>Total Amount Allocated</b>	<b>63.96</b>	<b>35.10</b>

14.4.7. The cost allocation arrived in point 14.4.5 and 14.4.6 above are capitalised as Intangible Assets in the books of accounts as per necessary accounting standards. Refer the financial statements as on 31<sup>st</sup> March 2021.

14.4.8. **Allocation of cost after COD:** Cost of resources from AEL and AAHL will be allocated to various airport entities including ALIAL. AEL has allocated its cost to airport business, more specifically ALIAL based on methodology followed by AEL for allocating its cost to various Adani group entities. AAHL cost has been allocated in proportion to the revenue of the respective Airport.

14.4.9. The same is escalated by 15% on YoY basis due to an inflation of 5% and real increase of 10%.

14.4.10. Based on the above assumptions, ALIAL proposes the following projections for corporate allocation as an operating expenditure:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Corporate allocation	13.00	14.95	17.19	19.77	22.74	<b>87.65</b>

#### 14.5. Repairs & Maintenance expenses

- 14.5.1. ALIAL aims at maintaining best-in-class service quality levels through the best upkeep and maintenance of the buildings, equipment and other infrastructure to ensure hassle-free, safe and smooth operations. Repairs and Maintenance includes civil, electrical and mechanical works for the maintenance of the airport including the terminal, runways, taxiways, parking bays, aprons, aerobridges, power substations, IT and other plants and machinery.

#### **On Existing Assets**

- 14.5.2. In relation to ALIAL's obligations with respect to existing contracts with AAI, the Concession Agreement<sup>28</sup> states that:

*"The Authority shall, during the Inception Period, perform and comply with all its obligations under the Existing Contracts, and shall, at its own cost and expense, procure novation of such contracts and agreements in favour of the Concessionaire, to take effect from the COD and remain in force for the remaining term thereunder. The Parties agree to execute the documents necessary for novation of the Existing Contracts ("Novated Contracts") as contemplated under this Clause 6.4.1. The Concessionaire shall bear and pay all stamp duties payable in connection therewith.*

*In the event the Authority is unable to procure novation of any Existing Contract in accordance with the foregoing ("Non-Novated Contracts"), it shall execute a power of attorney, effective on and from the COD, designating the Concessionaire (acting through its authorised representative) as its attorney and agent with powers to act on its behalf for all intents and purposes to the extent of the scope of the Non-Novated Contracts, including the power to appropriate all benefits which may accrue to the Authority from time to time under any such Non-Novated Contract, and terminate such Non-Novated Contracts in accordance with their terms. The Concessionaire shall bear and pay all stamp duties payable in connection with such power(s) of attorney.*

*On and from the COD, the Concessionaire shall, at its own risk and cost, perform and comply with (i) all its obligations under the Novated Contracts; and (ii) all obligations of the Authority under the Non-Novated Contracts, as if the Concessionaire were an original party to such contracts. The Concessionaire agrees and undertakes to*

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<sup>28</sup> Clause 6.4. from the Concession Agreement

*indemnify, defend, save and hold harmless the Government Indemnified Persons against any and all suits, proceedings, actions, demands and claims for any loss, damage, cost and expense of whatever kind and nature under or in connection with any Novated Contract or the Non-Novated Contract arising after the COD save and except any loss, damage, cost and expense arising after the COD but relating to any act or omission of the Authority prior to the COD. It is clarified that, unless they are terminated earlier in accordance with the terms of such agreements, the Novated Contracts and Non-Notated Contracts shall subsist until their expiry. Pursuant to such expiry or termination, the Concessionaire may, at its own discretion, enter into any contract with respect to the subject matter of the relevant Novated Contract and/ or Non-Notated Contract, with any third party, on such terms and conditions as it may deem fit.”*

14.5.3. With respect to Repairs and Maintenance, ALIAL has got over 50 contracts passed over from AAI. These contracts are of varied nature, including but not limited to: -

- a. Electrical
- b. Civil
- c. HVAC
- d. PBB
- e. BHS
- f. Airside
- g. PA System
- h. STP
- i. Water Management
- j. Waste Management
- k. UPS
- l. Lift
- m. Escalator

14.5.4. The estimated expenses that will be incurred by ALIAL on the repairs and maintenance works of existing assets (transferred from AAI to ALIAL) at CCSIA, are expected to increase by inflation 5% and real increase of 10%. With the commencement of Terminal 3, passenger traffic from T1 and T2 will be moved to T3. T1 will be demolished and T2 will be used for other aeronautical purposes. ALIAL

expects repair and maintenance costs of existing infrastructure to be reduced from FY24 onwards.

#### **On New Assets**

14.5.5. Repairs and maintenance expenses that are to be incurred by ALIAL for new assets have been calculated as 1% of the opening gross block of new assets of the respective years.

#### **Total R&M Expenditure**

14.5.6. Based on the above assumptions, ALIAL proposes the following projections for repair and maintenance:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
R&M (Initial assets)	18.00	20.70	13.46	15.47	17.79	<b>85.42</b>
R&M (New Assets)	-	14.42	33.51	40.04	42.24	<b>130.22</b>
<b>Total R&amp;M cost</b>	<b>18.00</b>	<b>35.12</b>	<b>46.97</b>	<b>55.51</b>	<b>60.04</b>	<b>215.64</b>

#### **14.6. Insurance**

14.6.1. With respect to ALIAL's insurance obligations, the Concession Agreement states that:

##### ***"Insurance Obligations***

*The Concessionaire shall effect and maintain at its own cost, during the Concession Period, such insurances for such maximum sums as may be required under the Financing Agreements and Applicable Laws, and such insurances as may be necessary or prudent in accordance with Good Industry Practice. The Concessionaire shall also effect and maintain such insurances as may be necessary for mitigating the risks that may devolve on the Authority as a consequence of any act or omission of the Concessionaire. The Concessionaire shall procure that in each insurance policy, the Authority shall be a co-assured and that the insurer shall pay the proceeds of insurance into the Escrow Account. The Parties agree that the level of insurance to be maintained by the Concessionaire after repayment of Senior Lenders' dues in full shall be determined on the same principles as applicable for determining the level of insurance prior to such repayment of Senior Lenders' dues.*

### **Insurance Cover**

*Without prejudice to the provisions contained in Clause 30.1, the Concessionaire shall, during the Concession Period, procure and maintain Insurance Cover including but not limited to the following:*

- (a) loss, damage or destruction of the Project Assets, including assets handed over by the Authority to the Concessionaire, at replacement value;*
- (b) comprehensive third party liability insurance, including injury to or death of personnel of the Authority or others who may enter the Airport;*
- (c) the Concessionaire's general liability arising out of the Concession;*
- (d) liability to third parties for goods or property damage;*
- (e) workmen's compensation insurance; and*
- (f) any other insurance that may be necessary to protect the Concessionaire and its employees, including all Force Majeure Events and not otherwise covered in items (a) to (e) above."*

Being an airport operator, ALIAL is expected to take various insurances for property damage, business interruption, third party liabilities, and terrorism. ALIAL has assumed insurance expenses at INR 1.50 Crores p.a. for 2021-22 for the initial asset base. Insurance expenses expected to increase by inflation 5% and real increase of 10%.

The insurance expenses for new assets have been calculated as 0.1% of the new additions to the gross block based on market rates.

14.6.2. Based on the above assumptions, ALIAL proposes the following projections for insurance:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Existing Assets	1.50	1.73	1.98	2.28	2.62	<b>10.11</b>
New Assets	0.32	1.44	3.35	4.00	4.22	<b>13.35</b>
<b>Total Insurance cost</b>	<b>1.82</b>	<b>3.17</b>	<b>5.34</b>	<b>6.29</b>	<b>6.85</b>	<b>23.46</b>

#### 14.7. Rates and taxes

14.7.1. Rates and taxes costs contain several costs such as property tax, water tax and sewage tax to local authorities. As per local regulation the prescribed formula for various tax calculation is as :-

14.7.1.1. Property Tax = 15% \* 7% \* (Land value + Cost of Construction of Terminal)

14.7.1.2. Water Tax = 12% \* 7% \* (Land value + Cost of Construction of Terminal)

14.7.1.3. Sewage Tax = 3.5% \* (Water tax)

14.7.2. ALIAL is expected to pay INR 2.50 Crores as property taxes and other statutory obligations in FY22. Future increase is based on the prescribed formulae and investment being made in the new Integrated Passenger Terminal.

14.7.3. Based on the above assumptions, ALIAL proposes the following projections for rates and taxes:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Rates and taxes	2.50	2.63	18.51	19.43	20.40	<b>63.47</b>

#### 14.8. Security Expenses

14.8.1. Security related operating expenses are dynamic in nature and the requirement of the same varies with perceived security threat and mandates from various agencies. ALIAL expects to incur significant security expenses with the expansion of the terminal building area. ALIAL's security expenses includes ILBHS Screeners, Manpower, security guards, security operation maintenance, surveillance vehicles, access controls and expenses related to other automation systems. Total cost is estimated to be INR 5.00 Crores which is expected to increase by inflation rate of 5% and real increase of 10%. In addition, ALIAL has considered increase in cost by 50% each in FY24 and FY25 to accommodate for increase in terminal area and capacity by over 400% and 200% respectively.

14.8.2. Unmanned Aircraft (UA) or Remotely Piloted Aircraft System (RPAS), commonly known as "Drone" is a game-changer technology in modern life. Drones are being extensively used for various applications. However, drones may also be used for destructive purposes such as delivering explosives and harmful cargo for creating havoc etc.



- 14.8.3. Drones also have the potential for disrupting manned aircraft movements especially in the proximity to the national assets like refining plant, airports etc. In September 2019 the world's largest oil refining plant in Buqyaq, Saudi Arabia was attacked by drones. In June 2019, Drone sightings at Changi Airport forced closure of one runway, and nearly 40 flights were cancelled. There are numerous examples of hours-long hold up of airport operations due drone sightings like Gatwick, Dubai and Indira Gandhi International Airport, New Delhi. The recent drone attack on the Jammu airbase seriously escalates the threat of terrorism on sensitive infrastructure assets like airport. Such incidents have led the security agencies, specially aviation community to consider the deployment of counter-drone systems by airport operators to protect airports and their proximities from rogue drones.
- 14.8.4. Till now, the drone detection was primarily done by not so advanced methodologies like PTZ Cameras, human watch, etc. But there are limitations in terms of accuracy, range, success, and neutralization effectiveness. With changing times, drones have also advanced technologically and in view of the above, Bureau of Civil Aviation Security (BCAS) has directed the Indian Airports to implement sophisticated, reliable, robust and highly effective Counter drone technology/solution for Surveillance, detection and Neutralization of drones/ UAVs vide AVSEC Circular no 02/2020<sup>29</sup> dated 11th February, 2020. Further, vide addendum dated 09th February 2021 to the said circular, BCAS has re-emphasised the importance of the matter and advised Airports to implement the Counter Drone technology / solutions for surveillance, detection and neutralization of drones within the prescribed timelines from the date of the addendum. ALIAL has taken cognizance of this important security requirement and is planning to implement Multi-Layered Comprehensive Counter Drone Solutions in FY22.
- 14.8.5. ALIAL proposes to implement the Counter Drone solution having the following features: -
- i. Multiple detection methodology that can detect at >10km range like SIGINT, Electro-Optics and Infra-Red, Radars, etc.

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<sup>29</sup> Refer Annexure – I

- ii. 3D radar 360-degree long range detection, classification of drones and operators
- iii. Accurate Direction, Location, Tracking of Drones/ operators, maintaining the drone libraries, neutralizing the SWARM of drones
- iv. Jamming - Smart COMJAM Mitigation communication and GNSS
- v. Quick Installation and Easy Operation Manual or Auto
- vi. Fully autonomous Command and Control Centre
- vii. The technology and systems are highly sensitive, delicate, need high degree of maintenance, frequent program updates and spares replacement.

ALIAL is expecting to outsource the solution design, implementation, maintenance of this critical activity on long term basis to a professional and qualified company. The scope of the works includes solution design, financing, implementation, testing, training, skill transfer, documentation, routine maintenance and 24X7 helpdesk and availability. ALIAL is expected to incur approx. INR 21 Crores p.a. (exclusive of taxes) as cost for the services. The cost will be subject to annual escalation based on inflation of 5%. ALIAL is expected to start availing these services from August-2021 onwards.

14.8.6. Based on the above assumptions, ALIAL proposes the following projections for security:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Security expenses	5.00	5.75	9.49	15.65	18.00	<b>53.89</b>
Counter Drone System	14.00	22.05	23.15	24.31	25.53	<b>109.04</b>
<b>Total Security Cost</b>	<b>19.00</b>	<b>27.80</b>	<b>32.64</b>	<b>39.96</b>	<b>43.53</b>	<b>162.93</b>

#### 14.9. IT Expenses

14.9.1. With respect to ALIAL's obligations with respect to setting up of an Airport Operation Data Base, the Concession Agreement<sup>30</sup> states that:

*"The Concessionaire shall set up Airport Operation Data Base ("AODB") consisting of an airport operations database, communications layer and visual system that link various systems in the Airport together. The AODB must provide all operations data at*

<sup>30</sup> Clause 21.1. of the Concession Agreement

*the Airport including but not limited to the data related to objective service quality requirement and parameters defining level of service of the Terminal Building and any other such information as may be required by the Authority and/ or any Designated GOI Agency pursuant to this Agreement. AODB shall generate daily, weekly, monthly, quarterly and annual reports as per the requirements of this Agreement. The AODB system should be capable to provide historical, real time data to assist in strategic decision making as well as to help the Concessionaire for various compliance requirements. The Concessionaire shall provide AODB access to the Authority for periodic review and generation of reports.”*

14.9.2. To ensure world-class IT infrastructure, ALIAL intends to revamp the existing IT capacity and efficiency. IT expenses incurred by ALIAL include the following:

- ▶ System license costs
- ▶ IT consumables
- ▶ IO/AO support
- ▶ Digitization, travel, and group governance
- ▶ Operating cost of servers, website, and other systems
- ▶ Maintenance costs (office, cables, and DC room)
- ▶ IT resources
- ▶ AMC for airport systems
- ▶ AAI end user system support

14.9.3. For the forecasts, IT expenses are expected to increase by an inflation rate of 5% and real increase of 10%. In addition, ALIAL has considered one time increase in cost by 20% in FY24 and 20% in FY25 to accommodate for increase in terminal area and capacity by over 400% and 200% respectively.

14.9.4. Based on the above assumptions, ALIAL proposes the following projections for IT expenses:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
IT expense	5.00	5.75	7.76	10.48	12.05	<b>41.04</b>

#### 14.10. Administrative and General Expenses

14.10.1. Administrative costs contain expenses such as consultancy expenses, advertisement, travel and communication costs, business promotion etc. These costs are necessary for the efficient working of the Airport. The initiatives include industry outreach programs, meeting various stakeholders, participation in various domestic and international forums and catchment area programs. ALIAL is transforming the Lucknow Airport into a smart and futuristic airport.

14.10.2. Admin and General expenses expected to increase by inflation 5% and real increase of 10%.

14.10.3. Based on the above assumptions, ALIAL proposes the following projections for admin expenses:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
<b>Admin expenses</b>	5.00	5.75	6.61	7.60	8.75	<b>33.71</b>

#### 14.11. Other Operating Expenses

14.11.1. Other operating expenses include expenses such as (i) housekeeping and upkeep expenses; (ii) horticulture expenses; and (iii) hire charges. The main expenditure under housekeeping and upkeep expenses include terminal housekeeping expenses and housekeeping of airside and runway. Hire charges include expenses such as operations of Bird Scarers for WHM, outsourced manpower such as Customer Service Executive, Guest Relation Executive etc. and a trolley management O&M contract.

14.11.2. In line with growth assumptions mentioned earlier, other operating expenses are expected to increase by an inflation rate of 5% and real increase of 10%. In addition, ALIAL has considered increase in cost in proportion to increase in terminal area during the control period as provided in table in point 14.1.6.1 above.

14.11.3. ALIAL proposes the following projections for other operating expenses:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
<b>Other operating expenses</b>	10.00	11.50	44.84	66.20	76.13	<b>208.67</b>

#### 14.12. Runway Re-Carpeting

14.12.1. Order No. 35/2017-18, explains that the useful life prescribed to runways “would depend on the design life planned at the time of construction of the pavement based on which composition, thickness of each layer and other components of the pavement would have been planned for construction.” The runway at LKO, CCSIA requires recarpeting in order to ensure the minimum quality required for future use. The previous runway recarpeting was done in Feb-2019 by AAI. The next runway-recarpeting will be due in FY2025-26 considering the traffic movement, wear & tear and weather condition. The cost of unamortized runway recarpeting transferred from AAI to ALIAL is approx. INR 35 Crores and the cost of runway re-carpeting due in FY2025-26 is considered at INR 40 Crores.

14.12.2. In terms of provisions of AERA Order no. 35/2017-18 dated 12th January, 2018 in respect of useful life of assets, the Authority has allowed the expense incurred on re-carpeting of runways, taxiways and apron as O&M expenses which are to be amortized over a period of 5 years to avoid burden on users. Authority should provide a carrying cost on the balance unamortized portion of such expense incurred by ALIAL which will accrue in future whereas the expense has already been incurred. ALIAL submits that carrying cost on the unamortized balance of the expense incurred on re-carpeting of runways / taxiways will enable it to obtain return of capital together with the reasonable return on investment commensurate with the risk involved. The amortization of runway recarpeting expense has been provided as :-

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Runway re-carpeting	11.87	13.62	15.63	-	8.00	49.12

#### 14.13. Financing Charges

14.13.1. Financing charges includes debt charges and processing fees payable to lenders. Under this, ALIAL is required to pay 1.5% of the debt amount plus GST to lenders.

14.13.2. ALIAL has also tendered a Performance Bank Guarantee to AAI as mandated by the CA<sup>31</sup> as follows:

*“The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 125,00,00,000 (Rupees One Hundred and Twenty Five Crore) in the form set forth in Schedule E (“Performance Security”). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security pursuant hereto, the Authority shall release the Bid Security to the Concessionaire.”*

14.13.3. A fee equivalent to 0.60% of the Performance Bank Guarantee is to be paid to the lenders.

14.13.4. Additionally, a working capital loan and loan for cash short-fall has been taken at an interest rate of 12% per annum of average balance.

The following table provides a summary of the various financing charges that are incurred by ALIAL:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Finance charges	15.50	14.74	6.86	1.76	1.28	<b>40.14</b>
Performance BG	0.75	0.75	0.75	0.75	0.75	<b>3.75</b>
Working Capital interest and other interest	1.65	5.20	8.06	10.36	13.19	<b>38.46</b>
<b>Total</b>	<b>17.90</b>	<b>20.69</b>	<b>15.67</b>	<b>12.87</b>	<b>15.22</b>	<b>82.35</b>

#### 14.14. Summary of O&M Expenses

14.14.1. After applying the allocation ratio, the summary of aeronautical operation and maintenance expenditure for the TCP is as follows:

<sup>31</sup> Clause 9.1.1.

S No.	Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
1	Manpower expenses - AAI employees	33.40	38.41	36.98	30.48	35.05	<b>174.32</b>
2	Manpower expenses - Adani employees	18.63	33.33	52.01	75.56	104.99	<b>284.52</b>
3	Utility expenses	7.73	8.12	31.74	44.09	46.30	<b>137.98</b>
4	IT expenses	4.83	5.56	7.50	10.13	11.65	<b>39.68</b>
5	Rates & taxes	2.37	2.49	17.56	18.43	19.35	<b>60.20</b>
6	Security expenses	18.37	26.87	31.55	38.63	42.08	<b>157.50</b>
7	Corporate Allocation	12.57	14.45	16.62	19.11	21.98	<b>84.73</b>
8	Administrative Expenses	4.83	5.56	6.39	7.35	8.45	<b>32.59</b>
9	Insurance	1.76	3.06	5.16	6.08	6.62	<b>22.68</b>
10	R&M	17.08	33.32	44.56	52.66	56.95	<b>204.56</b>
11	Others	9.49	10.91	42.54	62.80	72.22	<b>197.95</b>
12	Runway Recarpeting	11.87	13.62	15.63	-	8.00	<b>49.12</b>
13	Financing Charges	17.34	20.35	15.37	12.58	14.93	<b>80.57</b>
14	Cargo related expenses	7.33	9.85	12.18	14.61	17.54	<b>61.52</b>
15	Fuel farm Expenses	3.48	9.98	20.98	13.80	15.77	<b>64.00</b>
<b>16</b>	<b>Total</b>	<b>171.08</b>	<b>235.88</b>	<b>356.77</b>	<b>406.31</b>	<b>481.89</b>	<b>1,651.93</b>

#### 14.15. Concession Fee

14.15.1. Clause 27.3.1. of the Concession Agreement states that “the Parties hereto acknowledge and agree that the Per Passenger Fee for Domestic Passengers and Per Passenger Fee for International Passengers shall be applicable from the COD and shall be revised annually on each anniversary of the COD to take account of the variation in the CPI (IW).”

14.15.2. As per the abovementioned clause, the per passenger fee for domestic passengers in the first 15 (fifteen) concession years shall be revised in accordance with the following formula:

$$PPF \text{ for Dom. Pass.}_{(CY)} = PPF \text{ for Dom. Pass.}_{(CY-1)} \times (1 + 85\% \text{ of Delta CPI (IW)})$$

Additionally, the per passenger fee for domestic passengers in the remaining concession years shall be revised in accordance with the following formula:

$$PPF \text{ for Dom. Pass.}_{(CY)} = PPF \text{ for Dom. Pass.}_{(CY-1)} \times (1 + 50\% \text{ of Delta CPI (IW)})$$

Where,

- *PPF for Dom. Pass.<sub>(CY)</sub>* means the revised Domestic Per Passenger Fee to be paid by the Concessionaire in the new Concession Year;
- *PPF for Dom. Pass.<sub>(CY-1)</sub>* means Per Passenger Fee being paid by the Concessionaire in the previous Concession Year;
- *Delta CPI (IW)* shall be calculated as follows:

$$\frac{[\text{Latest available monthly CPI (IW) as of the date of calculation}] - [\text{CPI (IW) pertaining to 12 (twelve) months prior to such latest available monthly CPI (IW)}]}{\text{CPI (IW) pertaining to 12 (twelve) months prior to such latest available monthly CPI (IW)}}$$



## 15. Inflation

15.1. Despite measures to control and mitigate the spread of Covid-19 pandemic by large economies and India, there are concerns of inflation rising sharply. For the monetary policy to remain accommodative in response to a further sustained period of low-inflation, inflation risks need to be weighed carefully. Many commentators have argued that the pandemic may lead to higher inflation than what has been witnessed over the past decade. Commentators have also cautioned on a sustained period of above-target inflation.

15.2. The following table summarizes the inflation as per CPI<sup>32</sup> from 2021-2026:

Calendar Year	CPI	Source
<b>FY2021-22</b> <b>(CPI Combined General)</b>	Q1 – 5%	Survey of Professional Forecasters on Macroeconomic Indicators– Results of the 70 <sup>th</sup> Round released on 4 <sup>th</sup> June , 2021
	Q2 – 5%	
	Q3 – 4.4%	
	Q4 – 5.1%	
<b>CY2021</b>	5.4%	Oxford Economics Forecast
<b>CY2022</b>	4.8%	
<b>CY2023</b>	4.9%	
<b>CY2024</b>	5.1%	
<b>CY2025</b>	5.2%	
<b>CY2026</b>	5.0%	

\*FY represents Financial year and CY represents Calendar year

Based on the above data, ALIAL is using a 5.0% inflation rate for all operating expenses including manpower expenses, utility expenses, IT expenses, rates & taxes, security expenses, corporate allocation, administrative expenses, repair and maintenance, and other operating expenses.

<sup>32</sup> Source: Oxford Economics forecasts as on 09<sup>th</sup> July 2021

## 16. Depreciation

- 16.1. With respect to assets taken over from AAI as on COD as per Estimate Fixed Asset Register, ALIAL proposes to calculate depreciation based on the remaining useful lives of the assets.
- 16.2. ALIAL has considered the depreciation for the new assets based on the useful life of the assets as per the Companies Act. ALIAL also submits that the same is consistent with Authority's Order No. 35/2017-18 dated 12<sup>th</sup> January 2018 and amendment to Order No. 35/2017-18 dated 09<sup>th</sup> April 2018.
- 16.3. Additionally, ALIAL has carried out an independent technical evaluation (Annexure – C) of the various assets and has arrived at different useful lives. The process followed for the technical evaluation of the useful lives of assets of ALIAL is as follows:
- 16.3.1. Physical inspection of assets
  - 16.3.2. Detailed discussions with AAI pertaining to usage of various assets
  - 16.3.3. Guidance for determination of Useful Life given in Depreciation under Companies Act, 2013 Schedule 2, AERA, Marshall & Swift Valuation Service (MVS) and American Society of Appraisers (ASA).
  - 16.3.4. Reviewing break-up costs of various components within an asset class
- 16.4. Following are the useful life and depreciation rates assumed for the TCP (in%) as per the study conducted by technical consultant:

Particulars	Book Depreciation	Useful Life (Years)	Income Tax Rates
<b>Terminal Building</b>	4%	25	10.0 %
<b>Runway, Taxiway and Apron</b>	5%	20	10.0 %
<b>Cargo building</b>	4%	25	10.0 %
<b>Cargo Equipment</b>	13.3%	7.5	15.0 %
<b>Boundary wall</b>	20%	5	10.0 %
<b>Software</b>	33.3%	Not provided	40.0 %
<b>IT equipment</b>	33.3%	3	15.0 %
<b>Security equipment</b>	13.3%	7.5	15.0 %
<b>Plant and Machinery</b>	13.3%	7.5	15.0 %
<b>Other Buildings</b>	3.3%	30	10.0 %
<b>Access Road</b>	10%	10	10.0 %
<b>Fuel Farm (considered same as Plant &amp; Machinery)</b>	13.3%	7.5	15.0%

<b>Furniture &amp; fixtures</b>	14.3%	7	10.0%
<b>Vehicles</b>	20%	5	15.0%
<b>Office equipment</b>	20%	5	15.0%
<b>Intangible Assets (not part of the Technical study)</b>	14.3%	7	25.0%

### Terminal Building

- 16.5. A reduction in the useful life of the terminal building has been arrived at as based on a review of the breakup of cost of construction of the terminal building of Mangalore airport. The following table provides a break-up of the terminal building cost. Cost break up of various components of terminal building is not expected to differ much from airport to airport. Based on the components' costs, their weighted contributions were calculated, thereby arriving at the revised useful life of the terminal building:

<b>Component</b>	<b>Percent Contribution to total cost of TB (2)</b>	<b>Technical Useful Life Assessment in Years (3)</b>	<b>Weighted Contribution (2) x (3)</b>
<b>False Ceiling</b>	3%	10	0.34
<b>Sanitation</b>	2%	10	0.21
<b>Glass work &amp; glass facades</b>	6%	15	0.96
<b>Flooring works</b>	7%	10	0.70
<b>Remaining components of the structure</b>	81%	30	24.36
<b>Total</b>	<b>100%</b>		<b>26.56</b>
		<b>Say</b>	<b>25</b>

- 16.6. The useful lives of various components have been arrived at based on the renovation/reconfiguration works that are usually carried out for the abovementioned sub-components. Wear and tear of these components due to weather conditions has also been considered to calculate the useful life of the terminal building.

### Runways, Taxiways, and Aprons

16.7. A reduction in the economic useful life of this class of assets is based on discussions with technical personnel from AAI. Additionally, the existing runway needs modification works to cater to the changing visibility conditions in the Airport. There is a requirement for installation of Centreline Lighting; this requires surface preparation and laying adhesives to ensure sufficient bonding between existing surface which is of Pavement Quality Concrete with new layer of Bituminous Concrete. The Centreline Lighting will be provided on this new layer.

#### **Plant & Equipment**

16.8. Plant & Machinery, along with various equipment are broadly used for 24 hours, since there are arrivals and departures 24 hours a day. Considering these circumstances, these assets are used on three-shift basis. Due to higher usage of these equipment's and associated wear and tear, lower economic useful life of 7.5 years is assumed.

16.9. The methodology used by ALIAL is supported by the Companies Act. Following is the note no. 6 given in Depreciation under Companies Act 2013, Schedule II:

*“The useful lives of assets working on shift basis have been specified in the Schedule based on their single shift working. Except for assets in respect of which no extra shift depreciation is permitted (indicated by NESD in part C), if an asset is used for any time during the year for double shift, the depreciation will increase by 50% for that period and in case of the triple shift, the depreciation shall be calculated on the basis of 100% for that period.”*

16.10. Also, the Independent chartered engineer based on his experience in varied industries has concurred with the useful life adopted by ALIAL.

Following is the depreciation and amortization calculated by ALIAL based on above methodology and also after applying necessary aero allocation ratios:-

<b>Particulars (in INR Crores)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>Total</b>
Depreciation and amortization of assets	36.94	87.30	172.64	227.38	250.40	<b>774.65</b>

## 17. Income Tax

17.1. The computation of income tax on aeronautical income, has been made on the prevailing Income Tax laws and rules. Further, the aeronautical segment has been treated as a standalone entity with its own tax computations. This therefore, may not necessarily reflect the overall tax computation of ALIAL as a whole.

17.2. In line with this, all items excluded from the regulatory building blocks have been excluded from the regulatory tax computations. The items not considered while calculating aeronautical tax include:

- Non-aeronautical operating costs and/or depreciation
- Concession Fee

17.3. The following table summarizes the income tax projections that have been calculated as per the above assumptions for ALIAL:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Aero PBT	30.74	207.27	100.02	109.61	230.80	<b>678.44</b>
Add: - Depreciation & amortization	36.94	87.30	172.64	227.38	250.40	<b>774.65</b>
Taxable income before tax depreciation	67.68	294.57	272.66	336.99	481.20	<b>1,453.10</b>
Less: Tax Depreciation	(57.39)	(182.24)	(349.37)	(375.84)	(353.04)	<b>(1,317.89)</b>
Taxable income	10.29	112.32	(76.71)	(38.85)	128.16	<b>135.21</b>
Taxable income after set-off of business losses	9.15	112.32	(76.71)	(38.85)	128.16	<b>134.07</b>
Less: Carry-forward unabsorbed depreciation	(20.25)	(11.10)	0.00	(76.71)	(115.56)	
Taxable income under normal tax provisions	(11.10)	101.22	(76.71)	(115.56)	12.60	<b>(89.55)</b>
<b>Tax rate</b>	25.17%					
<b>Tax Expenses</b>	<b>0.00</b>	<b>(25.48)</b>	<b>0.00</b>	<b>0.00</b>	<b>(3.17)</b>	<b>(28.65)</b>

## 18. Non-Aeronautical Revenue

- 18.1. IATA reports suggest that the demand for air travel is expected to revive in the second half of 2021 following a weak first half. The twin impact of the pandemic and economic conditions is likely to continue on a number of travel segments as also the aviation sector as a whole for several years. Additionally, the second wave of Covid-19 has created fear in the mind of the passengers, as also airport staff and people are afraid to buy anything due to the fear of getting infected. Due to the impact of the pandemic and economic conditions on traffic and likely reduced consumer spending at airports, ALIAL is expecting an adverse impact on non-aeronautical revenue.
  
- 18.2. ALIAL has outsourced all non-aeronautical businesses to the Master Concessionaire with emphasis on : -
  - 18.2.1. High standards of airport services, safety and security
  - 18.2.2. Functionality and flexibility
  - 18.2.3. Deployment of modern information technology systems and equipment
  - 18.2.4. Environment friendliness
  - 18.2.5. Cost effectiveness
  - 18.2.6. Ability and willingness to provide a high level of customer service at competitive prices
  - 18.2.7. Experience and expertise in provision of non-aeronautical services with innovation in concept and design
  - 18.2.8. Experience and expertise in city side development to meet the requirements of the travellers
  - 18.2.9. Follow good industry practice in performing the Airport Services
  
- 18.3. The process for selection and appointment of Master Concessionaire was carried out through a global competitive bidding process as per the terms of the Concession Agreement. The RfP for the tendering process was issued in March 2021 and a Master Concession Agreement has been signed on 18<sup>th</sup> May 2021.
  
- 18.4. The Master Concessionaire scope is to develop, operate, maintain, manage the following at CCSIA, Lucknow in accordance with best-in-class standards and facilities at comparable airports and good industry practices:

- ▶ Duty free stores
- ▶ Food and beverages outlets
- ▶ Retail outlets
- ▶ Lounges
- ▶ Advertising, sponsorship and promotion opportunities
- ▶ Car parks and ground transportation facilities
- ▶ Airport hotels and transit hotels
- ▶ Preferred partners association for including but not limited to pouring rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other
- ▶ Business centre
- ▶ City side development
- ▶ Flight catering services
- ▶ Foreign exchange services
- ▶ Freight consolidators/forwarders or agents
- ▶ Left luggage, lost and found, excess baggage
- ▶ Messenger services
- ▶ Porter service
- ▶ Special assistance services
- ▶ Vending machines
- ▶ Meet and assist services
- ▶ Provision of land and space for various stakeholders at Airport
- ▶ Various passenger amenities, including but not limited to, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
- ▶ Airport village comprising of various retail, food and beverage, entertainment and amenities options; and
- ▶ Any other services as may be mutually agreed or permitted pursuant to applicable law.
- ▶ It is expected that the existing non-aero contracts will be novated by ALIAL to Master Concessionaire under the Master Service Agreement

18.5. For each year during the term of the Agreement, Master Concessionaire will pay to airport operator an amount which is higher of the following:

- Minimum Guarantee amount of INR 22 Crores per annum; or

- Amount arrived by multiplying the revenue share percentage i.e. 10% as quoted by Master Concessionaire with Gross Revenue in that year.

18.6. Above mentioned Minimum Guarantee amount will remain unchanged for first five years and will increase by 50% of CPI thereafter.

18.7. Following table summarizes the non-aeronautical revenues at ALIAL:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Total Non-Aeronautical Revenues	22.00	22.00	22.00	22.00	22.00	<b>110.00</b>



## 19. Truing up

- 19.1. AAI has appointed a consultant to determine Initial RAB as on COD and true-up for the second control period upto COD. AAI will subsequently share the data on Initial RAB and true-ups with AERA.
- 19.2. As mentioned earlier, TCP is starting from 1<sup>st</sup> April 2021. However, ALIAL started operations from COD, i.e. 02<sup>nd</sup> November 2020. Accordingly, ALIAL is entitled to a true-ups for the period between COD and start of TCP. The following table summarizes the submission of ALIAL under various regulatory blocks:

Particulars (in INR Crores)	FY21
<b>Add: FRoR return @14.76% on avg. RAB</b>	11.63
<b>Add: Operating expenses</b>	43.32
<b>Add: Depreciation</b>	16.25
<b>Less: 30% of Non – Aero revenues</b>	(5.44)
<b>ARR - Aero (A)</b>	<b>65.77</b>
Actual Aero Revenues earned (B)	41.67
<b>True-up (A-B)</b>	<b>24.10</b>
<b>PV of true-up</b>	<b>25.49</b>

## 20. Aggregate Revenue Requirement

20.1. Based on the above analysis, ALIAL estimates the present value of target revenue for the airport related services to be INR 2,817. The following table summarizes the financial projections of ALIAL for the TCP:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Add: FRoR return 14.76% on avg. RAB	45.91	141.34	342.92	497.05	521.63	<b>1,548.84</b>
Add: Operating expenses	171.08	235.88	356.77	406.31	481.89	<b>1,651.93</b>
Add: Depreciation	36.94	87.30	172.64	227.38	250.40	<b>774.65</b>
Add: Taxes	0.00	25.48	0.00	0.00	3.17	<b>28.65</b>
Add: True-up for next CP	25.49					<b>25.49</b>
Less: 30% Non – Aero revenues	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	<b>(33.00)</b>
<b>ARR – Aero</b>	272.82	483.39	865.72	1,124.14	1,250.49	<b>3,996.56</b>
PV Factor as on 1 <sup>st</sup> April 2021	1.00	0.87	0.76	0.66	0.58	
<b>PV of ARR</b>	272.82	421.23	657.40	743.87	721.07	<b>2,816.39</b>
<b>PV of ARR for Control Period</b>	<b>2,817</b>					

## 21. Annual Tariff Proposal

As regard to the annual tariff proposal, it is submitted that the detailed pricing proposal (rate card) will be submitted on release of consultation paper by AERA.

## 22. Annexures

- (A) Concession Agreement and its Schedules  
(<https://www.aai.aero/en/system/files/resources/Lucknow-Airport.pdf?download=1>)
- (B) CAPA India Report
- (C) Chartered Engineer Reports (area allocation and useful life)
- (D) Cost of Equity Report
- (E) Monthly Invoice from AAI (Employee Costs)
- (F) AERA Letter (Tariff extension till September)
- (G) IATA Reports
- (H) Estimated Deemed Initial RAB and CWIP Invoice from AAI
- (I) AVSEC Circular No. 02/2020 and its addendum
- (J) Audited Financial Statements as on 31<sup>st</sup> March 2021
- (K) Letters to the state authorities for land acquisition
- (L) Forms as required under AERA guidelines
- (M) Minutes of AUCC conducted on 19<sup>th</sup> July 2021