



**MYTP Submission for approval with  
Airports Economic Regulatory Authority of India**

**by**

**GMR Goa Air Cargo Logistics (GGACL)  
(A division of GMR Airports Limited)**

**Pre-Control Period from 5<sup>th</sup> Sep'23 to 31<sup>st</sup> Mar'24 and  
First Control Period from FY 2024-25 to FY 2028-29**

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## **Annexures**

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## Confidential Documents

Since GGACL is a division of a Public Limited Company, GGACL would not like to let its divisional financial information and commercial agreements to be shared with the public. GGACL would not have any objection with the Authority publishing documents which should be available to public under any law or that are already in the public domain currently.

GGACL's business plan which has all the financial numbers should not be placed in the public domain.

### 1. Background

GMR Goa Air Cargo Logistics is a division of the GMR Airports Limited (GAL). GGACL has signed concession agreement dated 16<sup>th</sup> Nov 2021 to Design, Build, Finance, Operate, Maintain & Transfer of Cargo Terminal at Greenfield International Airport, Mopa (GOX) (renamed as Manohar International Airport (MIA), Goa for a concession period of 20 years (Jan 2042). Accordingly, GGACL has constructed the new Integrated cargo terminal along with necessary infrastructure, equipment & facilities. The Cargo Operations has commenced from new Cargo Terminal Building from Sept 2023.

Further, our international cargo handling capabilities are being built in similar lines as seen in Mumbai Airport having dedicated temperature-controlled facility capable of handling exports of pharmaceuticals & perishables, with temperature range of +15<sup>o</sup>C to +25<sup>o</sup>C and +2<sup>o</sup>C to +8<sup>o</sup>C. The Export zone will consist of truck dock area, workstations for cargo unitization and storage positions capable of handling freighters and wide body international flights. Import zone will have pallet break-up area and possess storage capacity for cargo received from multiple cargo aircrafts. The cargo handling facilities will include most of the modern equipment such as Forklifts, Weighing Scales, X-Ray Machines, ULD Storage, Truck Docks, Dock Levelers, Trolleys, Power Outlets – Refrigerated ULDs, Multilevel Racking Systems, Articulated Hi-Reach Trucks. In terms of Service capabilities, GGAC cargo terminal will be able to offer standard services for International Cargo handling similar to other major airports in India including the following:

- **Export Shipments:** Acceptance, storage, documentation, facilitating customs examination, x-ray screening and certification, carting, unitization, making it ready for movement to aircraft, airside release etc.
- **Import Consignments:** Receiving loaded pallets, de-stuffing, binning/storage, documentation, facilitating customs examination, delivery etc.

Considering the above, GGAC is building an optimized/viable configuration of Cargo Terminal in a total area of around 10,000 sqm (incl. office/other buildings) with a modular design that can easily expand based on future demand and requirements. Snapshots of our Modern Terminal at par with any Major Air Cargo Terminal is provided in **Annexure-A**. Some of the key features of the Cargo Terminal includes the following:

- a. Integrated Domestic & International Terminal for ease of operations (24x7)
- b. Cargo Handling Capacity of around 25,000 MT annually
- c. Adequate transit storage space
- d. Capable of handling freighters and widebody cargo with capability to handle/build pallets for international as well as domestic flights
- e. Dedicated Pharma Zone (2°C to 8°C and 15°C to 25°C), and Transshipment Shed
- f. Temp. controlled pallet build-up and storage space
- g. Co-located Customs, Airlines, Agents & PGAs
- h. Modern ERP and Air Cargo Community system
- i. Dock leveller facility at the truck dock area to handle any type of vehicle
- j. Dual View large X-ray screening facilities & ETD's Metal Detectors.
- k. Exclusive office area distinct from cargo processing/storage area
- l. Electronic Data Interchange System having provision for interfacing arrangements with regulatory, facilitating, and other user agencies
- m. Special handling facilities for precious, hazardous, and perishable cargo
- n. Exclusive storage facilities for Valuable, Vulnerable and Dangerous consignments
- o. Key equipment: Motorized conveyors, Automated Workstations, Roller-beds, ULD weigh scales, Cool Containers/Freezers

**GGACL Existing Capacity and Facility Details are provided below:**

SI No	Terminals	Area (Sq. Mtrs)	Capacity (MT)
1	International (Exports & Imports)	1,824	14,000
2	Domestic (Outbound & Inbound)	1,059	11,000
<b>Total</b>		<b>2883</b>	<b>25,000</b>
	Office Building	896	

GGACL terminal has been built in 2023 and the current terminal area is about **2,883 Sq. m.** with a peak design capacity of around 50-75 MT/day or **25,000 MT** per annum. GGACL has handled around 3,000 MTs in the FY 23-24 in both Domestic & International sector.

The Authority issued the ad-hoc tariff order which was valid till 30th Sep 2023 and the same got renewed thrice, first extension was till 31st Mar 2024 and the second extension is valid up to 30th Sep 2024 and further the third extension is valid up to 31<sup>st</sup> Mar 2025.

It may be noted that the cargo volume handled by GGACL at Manohar International Airport in FY 2023-24 is less than 2.5% as per AAI's statistics. Since this is lower than the materiality threshold, the service may be deemed to be "non-material".

GGACL therefore submits its MYTP for the First Control Period under the "light touch" approach as it is "non-material."

## 2. Methodology

GGACL hereby submits its MYTP for the First Control Period under the light touch approach as per Clause 3 of the Guidelines, 2011.

We understand that as per “The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011”, Clause 3 “Approach to Assessment of Materiality, Competition and Reasonableness of User Agreements” that a three stage process for determining its approach to the regulation of a Regulated Service(s) would be followed as under:

***Stage 1:** The Authority shall first assess 'materiality' according to provisions of Clause 4;*

***Stage 2:** The Authority shall then assess 'competition' according to provisions of Clause 5;*

***Stage 3:** The Authority shall then assess the reasonableness of existing User Agreement(s), according to provisions of Clause 6.”*

### Stage 1 : Materiality Assessment

The Authority shall determine the materiality index with respect to services provided for cargo facility at a major airport, based on information to be obtained from the Airports Authority of India (AAI) or any other source it may deem fit.

Service provided for the cargo facility at an airport

- The materiality index for service provided for cargo facility at major airport A shall be defined as:

$$\text{Materiality Index (MI}_c\text{)} = \frac{\text{Cargo Volume at major Airport A}}{\text{Total Cargo volume at Major Airports}} \times 100$$

Where ‘Cargo Volume’ represents the total cargo volume in MT per annum handled at major Airport A.

Where ‘Total Cargo Volume at major Airports’ represents the sum total cargo volume in MT per annum handled at all major Airports.

- Where the MI<sub>c</sub>, as calculated above is 2.5% or more at a major airport, the service provided for cargo facility at major airport A shall be deemed 'material'. If MI<sub>c</sub> is below 2.5 %, then service provided for cargo facility at major airport A shall be deemed 'not material'.

The materiality index of cargo at Manohar International Airport (MIA), Mopa Goa is lesser than the threshold limit of 2.5% fixed for cargo handling services thereby implying non materiality.

$$\text{a. Materiality Index (MIc) for GOX Airport only} = \frac{3,126 \text{ MT}}{33,03,300 \text{ MT}} \times 100 = \mathbf{0.09\%}$$

The materiality index and the percentage share of Cargo Handling at Manohar International Airport (GOX) is 0.09% in FY24 which is below the threshold limit of 2.5% for the Cargo Handling Service hence, the regulated service is deemed as **‘Not Material’**.

### **Stage 2 : Competition Assessment**

As per Clause 5 of the Guidelines 2011, mentions:

*“Where a Regulated Service is being provided at a major airport by two or more Service Provider(s), it shall be deemed 'competitive' at that airport. If a Regulated Service is provided by less than two Service Provider(s), it shall be deemed 'not competitive':*

*Provided that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit.”*

There is no second cargo at Mopa Airport, however, GGACL is in direct competition with Dabolim cargo. Accordingly, Cargo Handling Services by GGACL at Mopa Airport may be considered as **“Competitive”**

### **Stage 3 : Reasonableness Assessment**

The Authority shall consider the existing User Agreement(s) as reasonable provided that:

- The Service Provider submits existing User Agreement(s) between the Service Provider and all the User(s) of the Regulated Service(s), clearly indicating the tariff(s) that are agreed to between the Service Provider and the User(s) of the Regulated Service(s), and
- The User(s) of the Regulated Service(s) have not raised any reasonable objections or concerns in regard to the existing User Agreement(s), which have not been appropriately addressed.

Provided that the Authority may in its discretion consider such other additional evidence regarding reasonableness of User Agreement(s), as it may deem fit.

As per clause 6 of the Tariff guideline, the Authority can also consider existing user agreement if reasonable as the basis of considering light touch approach. In this regard GGACL has conducted user consultation with various stake holders and also have user agreements in place with various users. In support of the above, GGACL submits following for your kind consideration:

**User Agreement with existing Customers** - The authority may note that all the agreements with airlines have been made through mutual discussion and the rates agreed are within the tariff proposed.

**Consultation with stakeholders related documents** – GGACL has conducted a detailed consultation meetings with users to seek their views on the proposed tariffs and expansion plans at Fortune Miramar, Off Miramar Beach, Panaji, Goa – 403001. The meeting invites were sent to all the stake holders viz. Airlines, CHAs, Cargo associations, freight forwarders, Trade bodies. The meeting was held on 4th Oct 2024. A detailed presentation was made by GGACL which included propose tariff, capex related information and also the need of tariff revision. The presentation was well appreciated by all the stakeholders, and they had also provided observations / comments. GGACL has noted the observations raised by stakeholder and wherever possible it will endeavour to incorporate those observations in the proposed expansion / business plan. The user consultation meeting presentation and the minutes of the User Consultation meeting has been provided in **Annexure – B1 & Annexure – B2 respectively** for your ready reference.

As per above submission it can be concluded that the service provided by GGACL is Non material and also as mentioned above we have concluded user consultation, where we had shown all users the tariff proposed for next 5 years. It is also submitted that all the users have agreed on the proposed tariff to be implemented from FY 2024-25 upto FY 2028-29. Further we would like to submit that historically the tariff at GGACL was never revised and GGACL is continuing the same tariff since inception of cargo operation in 2023. GGACL is committed to provide robust logistics system to support local economy and infrastructure development. In light of above, it is necessary to increase the existing tariff for viable cargo operations. Accordingly, we request Authority to consider “Light Tough Approach” while determining tariff for GGACL for first control period

### 3. Cargo Volume Projections

In the dual airport scenario and Mumbai Airport being the closest competitive airport “Navi Mumbai”, it is expected that some market share will be taken away. However, GGACL is estimating a CAGR of ~30% from FY’25 to FY’29 on account of lower base. In FY 2025, GGACL’s Cargo volume is expected to be **8,975 MT** and the same would be 24,335 MT by FY2029.

**Domestic Cargo Volumes (MT) :**

Domestic cargo volumes in FY24 (**2,060 MT**). The following table summarizes the volumes of domestic cargo considered in the First Control Period:

Particular	FY25	FY26	FY27	FY28	FY29
Domestic	1,562	1,672	1,881	2,117	2,381
Growth%	-	7%	13%	13%	13%

**International Cargo Volumes (MT):**

International cargo volumes in FY24 **(1,066 MT)**. The following table summarizes the volumes of international cargo considered in the First Control Period:

<b>Particular</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>
International	7,412	12,814	16,511	21,457	21,953
Growth %	-	73%	29%	30%	2%

#### 4. Capital Expenditure

GGACL submits to the Authority that a total Capital Expenditure (CAPEX) of Rs. 47.87 Cr has been done for development of the state-of-the-art Air Cargo Terminal. An amount of Rs. 4.82 Cr is required for future development of some stakeholder related buildings. Further, a nominal amount of maintenance capex is projected amounting to Rs. 1 Cr. per year from FY' 27 to FY'29

The following table summarises the CAPEX additions proposed by GGACL in the First Control Period for the proposed expansion:

Sl No	Capital Addition	Est Amount (Rs. In Cr)	FY25	FY26	FY27	FY28	FY29
1	CWIP	2.06	2.06	-	-	-	-
2	New Construction	2.76	-	2.76	-	-	-
3	General Capex	3.00	-	-	1.00	1.00	1.00
	<b>Grand Total for CP1</b>	<b>7.82</b>	<b>2.06</b>	<b>2.76</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>

#### 5. Operating Expenses related Assumptions

GGACL in accordance with Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services Provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft) Guidelines, 2011 ("Guidelines"). has considered all expenditures incurred by the Service provider(s) including expenditure incurred on security operating costs and other mandated operating costs and statutory operating cost.

GGACL has considered following drivers as basis to project the operating and maintenance cost:

**Inflationary increase** – GGACL has considered inflationary increase towards expense. The inflation is considered basis the results of 88th round of professional forecasters on macroeconomic indicators by RBI. Based on report GGACL has considered WPI of 4.5% for first control period. The 88th round of professional forecasters has been attached herewith as **Annexure –C**.

**Real increase-** Current economic scenario and upcoming expansion GGACL has considered 5% real increase.

The following table summarizes the major cost-related assumptions taken by GGACL for FY25-FY29 while determining the tariffs:

Sl No	Cost Element	Assumption
1	Concession fee	As per agreement with GGIAL @ 15.3% of Revenue. Same has been considered as a "Pass Through" expenditure as per AERA order bearing no. 01/2018-19 dated 5 <sup>th</sup> Apr, 2018
2	Manpower Cost	8% in view of inflation and real growth increase considered in per employee salary in addition to needed additional Employees to cater to Expanded Facility & cargo volumes
3	Other employee related charges	Employee related training cost is considered with inflation of 4.5% and rest cost say recruitment cost, uniform charges staff welfare etc is considered inflation and a real growth of 5%
4	Land Lease / Rent	5% growth based on contractual terms.
5	Consultancy & Legal Charges	Estimated Rs. 10 Lacs for FY'25 thereafter escalated with inflation
6	Repair & Maintenance & House Keeping (Outsourced Manpower)	Office maintenance estimated Rs. 44.27 Lacs for FY'25 thereafter escalated with inflation. Outsourced Manpower cost estimated based Rs. 32.25 Lacs for FY'25 thereafter escalated with Real Growth & Inflation.
7	Utility Expenses	Utility Expenses are projected based on the estimated units for Electricity and Water along with inflationary increase.
8	IT & Telecommunication	Costs are projected based on services required escalated with inflation
9	Travelling & Conveyance	Costs are projected based on the facilities provided for Employees, Customs & the Business Travels, with YOY escalation of inflation.
10	Other expenses and Auditor Charges	Estimated Rs. 35 Lacs for FY'25 thereafter increased with inflation
11	House Keeping Charges	Estimated Rs. 41.26 Lacs for FY'25 thereafter increased with inflation & real growth.
12	Insurance & Other Operating Expenses	Estimated along with inflationary growth

The useful life of asset has been considered in line with the AERA order no. 35/2017-18 dtd. 12th January'2018. With respect to depreciation, the following useful lives have been used for various asset classes based on the straight-line method:

No.	Asset	Useful Life (in Years)
1	Building	20
2	Plant and Machinery	15
3	Electrical Equipment	10
4	Furniture and fixtures	7
5	Office equipment	5
6	Computers Equipment	5
7	Motor vehicles	8
8	Software	3

#### 6. Revenue related assumptions

- 7.1 Cargo Revenues are calculated using the projected cargo volumes as mentioned in Section-3 and the proposed tariff for First Control Period.
- 7.2 Demurrage Revenue assumed at flat 12.5% of the projected Import Cargo Revenue for the first control period (FY 25 to FY 29).
- 7.3 Other Income is estimated based on the projected cargo volumes & as per the agreements.

Sl No	Other Income	Growth Assumption (FY25-FY29)
1	Document handling charges	Based on projected Cargo volumes
2	Rental income	Agreements executed with Lessee

## 7. Fair Rate of Return (FRoR)

In accordance with tariff guidelines the Fair Rate of Return will be the estimated weighted average cost of capital (WACC) for the Service Provider. The WACC should be estimated as per following formula:

$$\text{FRoR} = (g \times R_d) + ((1-g) \times R_e)$$

Where

g is gearing (i.e. debt/debt+equity)

R<sub>d</sub> is the pre-tax cost of debt

R<sub>e</sub> is the post-tax cost of equity

### 7.1 Cost of Equity

The tariff guidelines prescribe that the cost of equity shall be estimated by using Capital Asset Pricing Model (CAPM). GGACL has estimated same cost of equity basis the CAPM methodology and applicable risk and challenges of green field Airport Mopa. In accordance with the CAPM model the cost of equity for Mopa Airport comes to 20.92%.

The CAPM methodology is a world-wide accepted methodology to arrive cost of equity. CAPM method considers risk with respect to a particular investment. CAPM model suggests that expected rate of return on a particular investment is equal to rate of return on risk-free security plus premium on the risk associated with the investment. CAPM considers following formula to arrive at cost of equity:

$$E (R_e) = R_f + B_e * (R_m - R_f)$$

Where,

E (R<sub>e</sub>) = Expected rate of return

B<sub>e</sub> = Equity Beta

R<sub>f</sub> = Risk Free rate of return

R<sub>m</sub> = Market Return

GGIAL had appointed M/s CRISIL who has a relevant experience and expertise to provide applicable return on equity to Goa Airport. CRISIL has followed the CAPM approach and given an applicable range of 20.92% to 24.04% to GGIAL.

One of the important aspect covered by CRISIL is the risk associated with Greenfield projects in multiple airport system. As per CRISIL the Greenfield Airport have inherent risk related to construction period, liquidity, project execution and traffic. Accordingly, there has to be some additional factor which needs to be factored in while arriving betas for such greenfield airports. The risk in case of Mopa Airport further multiplies due to competition with existing airport. CRISIL has analyzed these scenarios and considered an alpha factor for such associated risk.

GGACL proposes to consider a Cost of Equity of 20.92% for the 1st Control Period, which is same as the cost of equity proposed by Mopa Airport. The report is attached herewith as **Annexure-D**.

## 7.2 Cost of Debt

In terms of the tariff guidelines, the cost of debt will be the forecasted cost of existing debt plus any forecasted cost of debt related to forecasted debt. Since GGACL has no debt current cost of debt of is Nil. Hence the same not forecasted for the first control period.

## 7.3 Gearing

Since GGACL has no debt at present and no debt is estimated during First Control Period. Accordingly, debt gearing of 0:100 (Debt: Equity) while calculating return. GGACL requests Authority to consider the same.

## 7.4 FRoR

GGACL has considered the participle as mentioned above and calculated FRoR by applying the WACC formula as provided under guidelines. Accordingly, FRoR for GGACL in case of first control period comes to 20.92%.

## 8. Conclusion

The Aggregate Revenue Requirement (ARR) has been computed in line with the AERA guidelines for Tariff Determination, terms of the Concession Agreement and after taking into account the capital expenditure and various estimation explanation provided in the previous chapters. Accordingly, following is the ARR (in Rs. Lakh) for the pre control period and first control period:

Particulars	FY'24	FY'25	FY'27	FY'27	FY'28	FY'29
RAB	4676	4498	4390	4217	3949	3695
FroR	20.92%	20.92%	20.92%	20.92%	20.92%	20.92%
RAB x FroR	560	941	918	882	826	773
Depreciation	216	340	357	366	371	337
Operating Expense	803	1724	2402	2850	3510	4172
Taxation	-	-	-	-	281	1161
<b>ARR</b>	<b>1579</b>	<b>3004</b>	<b>3677</b>	<b>4098</b>	<b>4987</b>	<b>6443</b>
PV Factor @ 20.92%	1.11	1.00	0.83	0.68	0.57	0.47
PV of ARR -	1761	3004	3041	2803	2821	3014
Sum of PV of ARR -	16,444					

Following is the estimated revenue (in Rs. Lakh) based on proposed tariff for pre control period and the first control period:

Particulars	FY'24	FY'25	FY'27	FY'27	FY'28	FY'29
Projected Revenue -	146	1011	2334	3900	6638	9122
PV of Projected Revenue -	162	1011	1930	2667	3754	4267
Sum of PV of Projected Revenue -	13792	-	-	--	-	-
Diff in NPV -	<b>2652</b>	-	-	--	--	-

From the above table it is evident that even at user agreed proposed tariff GGACL is under-recovering ARR amount to Rs. 2,652 Lakh.

Basis above following is the estimated P&L (in Rs. Lakh) based on proposed tariff for pre control period and the first control period:

Particulars	FY'24	FY'25	FY'27	FY'27	FY'28	FY'29	Total
Cargo Revenue	145	1011	2334	3900	6638	9122	<b>23149</b>
Other Income	1	0	0	0	0	0	<b>1</b>
<b>Total Revenue</b>	<b>146</b>	<b>1011</b>	<b>2334</b>	<b>3900</b>	<b>6638</b>	<b>9122</b>	<b>23150</b>
Total Expense	803	1724	2402	2850	3510	4172	<b>15461</b>
<b>EBIDTA</b>	<b>-658</b>	<b>-713</b>	<b>-68</b>	<b>1049</b>	<b>3128</b>	<b>4949</b>	<b>7689</b>
Depreciation	186	340	357	366	371	337	<b>1956</b>
<b>Profit Before Tax</b>	<b>-843</b>	<b>-1053</b>	<b>-425</b>	<b>683</b>	<b>2758</b>	<b>4613</b>	<b>5733</b>
Tax	0	0	0	0	281	1161	<b>1442</b>
<b>Profit After Tax</b>	<b>-843</b>	<b>-1053</b>	<b>-425</b>	<b>683</b>	<b>2477</b>	<b>3452</b>	<b>4291</b>
<b>PAT %</b>	<b>-579%</b>	<b>-104%</b>	<b>-18%</b>	<b>18%</b>	<b>37%</b>	<b>38%</b>	<b>19%</b>

From above table it is evident that GGIAL will be PAT positive from FY'27 and earning a marginal PAT % of 19% throughout the control period.

It can be concluded that the service provided by GGACL is Non-material and also as mentioned above we have concluded user consultation, where we had shown all users the tariff proposed for next 5 years. It is also submitted that all the users have agreed on the proposed tariff to be implemented from FY 2024-25 up to FY 2028-29.

Considering above, it is necessary to increase the existing tariff for viable cargo operations. Accordingly, we request Authority to consider "Light Tough Approach" and approve the Tariff Card attached herewith as **Annexure E** for GGACL for first control period.

## Annexure A

### 1) Domestic Zone



## 2) International – Export



## 3) Import Zone



#### 4) Pharma Zone



**Temp. Controlled - Pharma Zone**



**Pharma Zone 15 - 25 Degree C**



**Temp. Controlled - Pharma Zone**



**Pharma Zone 2~8 Degree**

#### 5) General Facility Photographs



### AERIAL VIEW OF SITE (CARGO TERMINAL)

