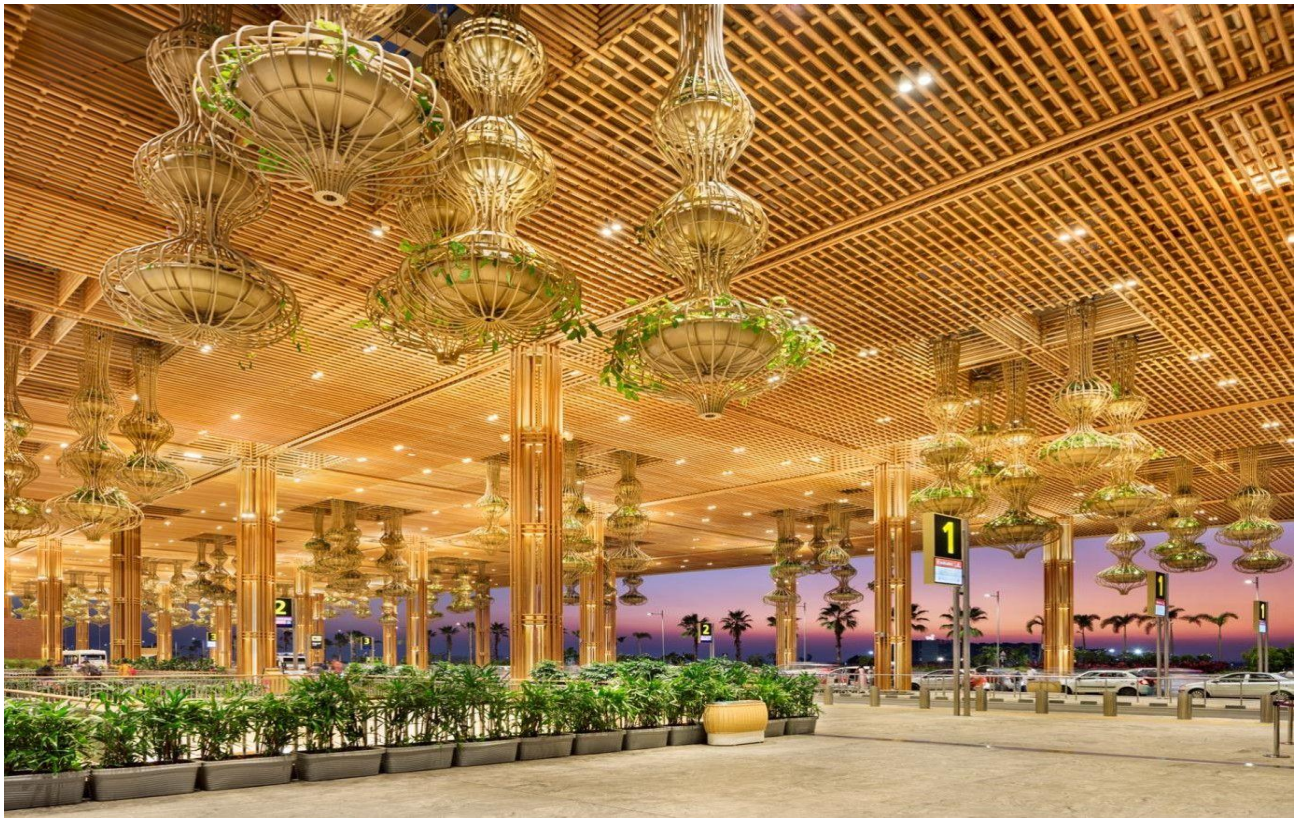

KEMPEGOWDA INTERNATIONAL AIRPORT, BENGALURU (BLR)
MULTI YEAR TARIFF PROPOSAL
FOR
FOURTH CONTROL PERIOD
(01ST APRIL 2026 TO 31ST MARCH 2031)

Kempegowda INTERNATIONAL AIRPORT BENGALURU

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Abbreviations

Abbr.	Expansion	Abbr.	Expansion
AAI	Airports Authority of India	IGAAP	Indian Generally Accepted Accounting Principles
ACI	Airports Council International	IL&FS	Infrastructure Leasing & Financial Services
AED	Automated external defibrillator	IMF	International Monetary Fund
AERA	Airports Economic Regulatory Authority	IND-AS	Indian Accounting Standards
AERAAT	Airports Economic Regulatory Authority Appellate Tribunal	IoT	Internet of Things
AGL	Above Ground Level	IRA	Independent Regulatory Authority
AOCC	Airport Operation Control Centre	KERC	Karnataka Electricity regulatory Commission
AOD	Airport Opening Date	KIAB	Kempegowda International Airport, Bengaluru
ARFF	Airport Rescue and Fire Fighting	KIAF	Kempegowda International Airport Foundation
ASQ	Airport Service Quality	KPTCL	The Karnataka Power Transmission Corporation Ltd.,
ASSOC HAM	The Associated Chambers of Commerce and Industry of India	KSIIDC	Karnataka State Industrial and Infrastructure Development Corporation
ATC	Air Traffic Control	Kd	Cost of Debt
ATM	Air Traffic Movement	KV	Kilovolt
ATRS	Automated Tray Retrieval System	LCC	Low Cost Carrier
AUCC	Airport User Consultative Committee	LEED	Leadership in Energy and Environmental Design
BACL	Bengaluru Airport City Limited	MAG	Minimum Annual Guarantee
BAHL	Bangalore Airport Hotels Limited	MAR	Main Access Road
BCAS	Bureau of Civil Aviation Security	MAT	Minimum Alternate Tax
BCG	Boston Consulting Group	MCLR	Marginal Cost of Funds based Lending Rate
BCM	Business continuity management	MEA	Middle-East and Asia
BCP	Business Continuity Plan	MIAL	Mumbai International Airport Limited
BESCO M	Bangalore Electricity Supply Company	MLCP	Multi-Level Car Parking
BIAL	Bangalore Intl. Airport Ltd.	MMTH	Multi-Modal Transport Hub
BLR	Bengaluru	MoCA	Ministry of Civil Aviation
BMRCL	The Bangalore Metro Corporation Limited	MoU	Memorandum of Understanding
BMRDA	Bengaluru metropolitan Region Development Authority	MPPA	million passengers per annum
BMS	Building Management System	MRO	Maintenance, Repair, Overhaul
BMTC	Bangalore Metropolitan Transport Corporation	MYTP	Multi-Year Tariff Proposal
BOM	Mumbai International Airport Limited (IATA Code)	NCAP	National Civil Aviation Policy
BOOT	Build, Own, Operate and Transfer	NDMA	National Disaster Management Authority
BRS	Baggage Reconciliation System	NH	National Highway
CA	Concession Agreement	NHAI	National Highways Authority of India
CAGR	Compound Annual Growth rate	NSPR	New South Parallel Runway
CAPA	Centre for Asia Pacific Aviation	ORAT	Operational Readiness And Transition
CFT	Crash Fire Tender	PAL	Planning Activity Level
CGF	Cargo, Ground handling, Fuel throughput charge and into plane services	PHE	Public Health Engineering
CIC	Common Infrastructure Charges	PMC	Project Management Cost
CII	Confederation of Indian Industry	PPE	Personal Protective Equipment

Abbr.	Expansion	Abbr.	Expansion
CISF	Central Industrial Security Force	PSF	Passenger Service Fee
CNS	Communication, Navigation and Surveillance	PTB	Passenger Terminal Building
CoD	Cost of Debt	QA	Quality Assurance
CoE	Cost of Equity	RAB	Regulatory Asset Base
COVID 19	Corona VIrus Disease 2019	RET	Rapid Exit Taxiway
CP	Consultation Paper	RFP	Request For Proposal
CPI	Consumer Price Index	RFQ	Request For Quotation
CRISIL	Credit Rating Information Services of India Ltd.,	RITES	Rail India Technical and Economic Service
CSR	Corporate Social responsibility	RoW	Right of Way
CUTE	Common Use Terminal Equipment	RPK	Revenue Per Kilometer
CUSS	Common Use Self Service	S&P Global	Standard & Poor's Global
DGCA	Director General Civil Aviation	SAR	Secondary Access Roads
DIAL	Delhi International Airport Limited	SARS-CoV-2	Severe Acute Respiratory Syndrome Coronavirus 2
DPR	Detailed Project Report	SBD	Self Bag Drop
DRC	Disaster Recovery Centre	SCADA	Supervisory Control And Data Acquisition
DSR	Delhi Schedule of Rate	SLM	Straight Line Method
E&M	Engineering & Maintenance	SOP	Standard Operating Procedures
EAC	Estimate At Completion	SPP	Sales Per Pax
ECBC	Energy Conservation Building Code	SPRH	Service Provider Right Holder Agreement
ECT	Eastern Connectivity Tunnel	SRT	Shared revenue Till
EoI	Expression of Interest	STP	Sewage Treatment Plant
FIA	Federation of Indian Airlines	T2 P1	Terminal 2 Phase 1
FRoR	Fair Rate of Return	TAT	Turn around time
FSC	Full Service Carrier	TDSAT	Telecom Dispute Settlement and Appellate Tribunal
FTC	Fuel Throughput Charges	UDF	User Development Fee
GAAP	Generally Accepted Accounting Principles	VUP	Vehicular Underpass
GM ERCR	General Manager, Enterprise Risk and Corporate Resilience	WCT	Western Crossfield Taxiway
GoK	Government of Karnataka	WHO	World Health Organization
GSE	Ground Support Equipment	WTP	Water Treatment Plant
HVAC	Heating, ventilation, and air conditioning	IATA	International Air Transport Association
HSE	Health, safety & environment.	ICAO	International Civil Aviation Organization

Preamble

This Multi-Year Tariff Proposal ("MYTP") submission is being submitted by Bangalore International Airport Limited ("BIAL" or "Company") to the Airports Economic Regulatory Authority of India ("AERA" or "Authority") for the purpose of approval of Regulated Charges (as detailed out in Schedule 6 of the Concession Agreement) for Kempegowda International Airport Bengaluru. ("KIAB or BLR Airport").

This MYTP proposal for the Fourth Control Period (1st April 2026 to 31st March 2031) is being filed without prejudice to the rights, privileges and the entitlements of BIAL under the Concession Agreement (CA) and all contentions and submissions of BIAL including but not limited to rights and contentions of BIAL in Civil Appeal No. 1798-99/2021 and Civil Appeal No. 1806/2021 before the Honourable Supreme Court of India and AERA Appeal No. 05/2021 before the Learned Telecom Disputes Settlement and Appellate Tribunal, New Delhi.

Right to Equality and Level Playing Field Principles

BIAL requests the Authority to note and ensure that fundamental rights guaranteed to BIAL under Articles 19(1)(g), 14 and 21 are given effect to. The Airport Infrastructure Policy 1997 provides for private sector participation for improving quality, efficiency and increased competition. The Statement of Objects and Reasons for the Airports Authority of India (Amendment) Act 2003 also brings out the above intent of Government of India(GOI) towards the need for private sector investments by stating that, *in order to improve the standard of services and facilities at the airports to bring them at par with international standards, there is a need, both for the infusion of private sector investments as also for restructuring of airports*. This will speed up airport infrastructure development, improve managerial efficiency, increase local responsiveness and improve service levels. It will, in turn, generally stimulate the economy by boosting tourism and trade. The above policy of Government of India should be seen as a commitment by the Government so that the investors may feel secure and confident of a fair treatment after they have agreed to make or made heavy investments. BIAL specifically requests that the principle of level playing field enshrined in the AERA Act 2008 and specifically referred to in the Statement of Objects and Reasons of AERA Act be given effect to.

DIAL, MIAL, BIAL and HIAL are the only four Private Airports under Public Private Partnership (PPP) policy of the Government of India, which were set up pursuant to pre-legislative contracts such as Concession Agreements / OMDA executed by Hon'ble President of India acting through the Secretary, Ministry of Civil Aviation, Government of India in their favour. Thus, for these four airports, the GoI has clarified (as detailed in the below paragraph) that the above-mentioned contracts (which are pre-legislative Contracts) shall govern as a policy framework and accordingly, it would only be appropriate that the Authority shall consider adopting and implementing the provisions of the Concession agreement- OMDA under Section 13(1)(a)(vi) of AERA Act while approving the tariff proposal.

The Union of India in its reply dated 18.07.2011 in Appeal No. 07 /2011 titled Bangalore International Airport Limited v/s Union of India & Ors before the Learned Tribunal has specifically admitted in para 9 that, "It is submitted that the Concession Agreement with the M/s Bangalore International Airport Ltd. and M/s Hyderabad International Airport Ltd. was approved by the Union Cabinet and the State Support Agreement with the M/s Delhi International Airport ltd. and M/s Mumbai International Airport Lid. was approved by the Empowered Group of Ministers (EGOM) constituted for restructuring and modernization of CSI Airport, Mumbai and IGI Airport, Delhi. These two set of documents, carrying the philosophy for economic regulation of aeronautical tariffs of the airports, have been

approved at the highest level in the Government and has been providing the guiding principle to the Government in determination of aeronautical tariffs."

While BIAL and HIAL were developed as greenfield airports, MIAL and DIAL are brownfield airports. The four pre AERA Act PPP airports put together form a homogenous group with two separate clusters comprising of BIAL and HIAL; and MIAL and DIAL. The common thread running through these four airports is: (a) Pre-legislative(i.e. before AERA's constitution) private airports (b) Concession Agreement / OMDA / SSA (c) Public Private Partnership (PPP) model of development.

It is undeniable that because of these unique features, per force, certain principles will indisputably apply similarly or even identically to all four airports such as: a. implementing and giving full effect to the provisions of pre-legislative contracts of Concession Agreement / OMDA in the tariff determination exercise; b. Fixation of tariffs for Cargo, Ground Handling & Fuel (CGF) services and reckoning of revenues from CGF services in the hands of the airport operator as revenues from non-regulated services (non-aeronautical revenues). It is even more undeniable that because of near identicality, tariff principles must have commonality for BIAL and HIAL and consequently, treatments, privileges and rights extended to HIAL should also be extended to BIAL. BIAL therefore requests that, as an overarching theme, concessions, benefits and treatments that are granted to HIAL, and where relevant to other PPP airports should, per force, be applied to BIAL.

BIAL requests the Authority to note that every tariff period and tariff cycle is an independent exercise and therefore, BIAL reiterates its requests that the Authority needs to apply and give full effect to the Concession Agreement, which is a pre-legislative contract, and ensure that concessions provided to BIAL are respected and given effect to, keeping in mind the level playing field principles because concessions have been respected and given effect to for other similarly situated airports.

BIAL also requests the Authority to share the basis for the revisions, if any, made by the Authority to the 10-year business plan submitted by BIAL, in a fair and transparent manner, separately, for reconciliation purpose so that no errors/omissions are made during the process of tariff determination and that would help BIAL to understand the basis of changes if any made by the Authority.

Requests regarding Confidential Information

In order to make this MYTP submission, BIAL has disclosed certain confidential information (including the 10- year Business Plan) sensitive to its business. BIAL requests that the information shared in this MYTP proposal (including various annexures) be treated as confidential. BIAL also requests that the Authority involves and consults BIAL while arriving at the contents that needs to be shared with all stakeholders as part of the tariff determination process, so that confidential information is not inadvertently disclosed and such consultations are participative in nature.

In relation to the tariff determination process, BIAL is expected to make various submissions and provide information, including but not limited to the details submitted alongside this MYTP proposal, to the Authority from time to time. BIAL respectfully requests that the Authority maintains confidentiality of all financial information and commercial agreements, ensuring that such details are not shared in the public domain. Further, BIAL also requests the authority to ensure that such confidentiality is maintained by any third-party consultants, as may be appointed by the Authority, to whom the information contained herein is shared.

The following documents, which contain commercially sensitive information and are subject to confidentiality obligations or are the property of the signing parties, should not be disclosed or made accessible to the public:

- Commercial agreements / arrangements, design documents and drawings, cost reports including Bill of Quantities, letters of award, bid documents, financing agreements, etc. between BIAL and its vendors/contractors/concessionaires/lenders and BIAL's internal communications.
- 10-year Business plan submitted by BIAL as a part of MYTP Proposal.
- Any communication between BIAL and the Authority and related submissions.
- Annexures to this MYTP document

Additionally, BIAL requests Authority to note that confidentiality stems from the fountainhead of the doctrine of personal liberty and privacy, which is now a fundamental right recognized under Article 21 by a nine Judge bench decision in Justice K.S. Puttaswamy (Retd.) & Anr. v. Union of India & Ors. The said judgment also recognizes that this right is available to corporations. We therefore request the Authority to protect confidential information with renewed vigour.

1 INTRODUCTION

1.1 Background

1.1.1 Kempegowda International Airport Bengaluru (BLR Airport) has the unique distinction of being the first Greenfield Airport in India, established on a Public-Private Partnership (PPP) model. This heralded a revolution in Indian aviation as more airports in the country were privatized, thereafter.

1.1.2 KIAB Airport commenced operations on 24th May 2008 – 33 months from the start of construction. The Airport has seen unprecedented growth in passenger volumes, becoming one of the fastest growing Airports in the world. As the busiest Airport in South India and the third largest in the country, KIAB Airport achieved a significant milestone on 1st December 2023, by crossing the 300 million passenger mark since the launch of its operations or Airport Opening Day (AOD). BIAL recorded a passenger traffic of 41.88 Mn in FY 2024-25.

1.2 Structure of the Company

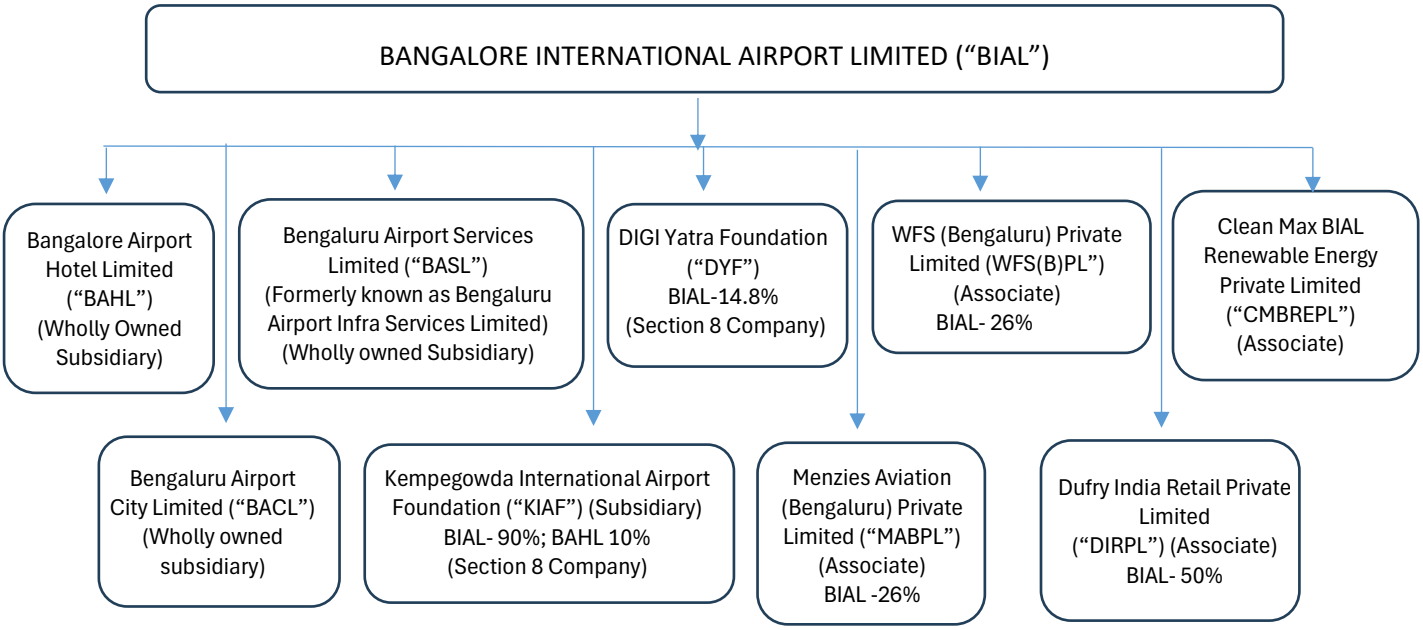
1.2.1 Bangalore International Airport Limited is a Limited Company incorporated under the provisions of the Companies Act, 1956. The main objectives of BIAL are to operate, maintain, develop, design, construct, upgrade, modernize and manage airport and other activities envisaged and permitted in and under the CA.

1.2.2 The current shareholding pattern is detailed as under:

Table 1: Shareholding Pattern for BIAL

Shareholder	**(%)**
FIH Mauritius Investment Limited	30.36%
Anchorage Infrastructure Investments & Holdings Limited –	43.64%
Airport Authority of India – (GoI)	13.00%
Karnataka State Industrial Infrastructure Development Corporation Limited (GoK)	13.00%
Total	**100%**

1.2.3 The Corporate Structure of BIAL is as given below:



1.3 Details of Airport Infrastructure

1.3.1 Airside and terminal building details are as given below.

Table 2: Airside details

Particulars	Details
No. of Runways	2 (two parallel runways)
Dimension of each runway	North Runway - 4000 X 45m + 7.5m Shoulder each side
	South Runway - 4000 X 45m + 15m Shoulder each side
Orientation of each runway	09L/27R and 09R/27R
No. of parallel taxiways	4 (2 full-length and 2 partial-length, which will be extended in the FoCP)
Dimension of parallel taxiway	TWY A: 4000 X 25m + 10.5m Shoulder each side
	TWY H: 4000 X 23m + 10.5m Shoulder each side
	TWY B: 1300 X 23m + 10.5m Shoulder each side
	TWY G: 2000 X 23m + 10.5m Shoulder each side

Table 3: Terminal Building details (T1 and T2)

Terminal -wise details	Terminal 1		Terminal 2	
	Dom	Int	Dom	Int
Terminal serving	Domestic only with GA	NA	Integrated with GA	
Total Departure entry gates	30	NA	19	
Departure entry gates for passengers	28	NA	18	
No. of traditional check-in counters	86	NA	54	
No. of self-baggage drops	16	NA	36	
No. of security lanes	26	NA	9	9

Terminal -wise details	Terminal 1		Terminal 2	
No. of immigration counters (departure)	NA	NA	NA	38
No. of boarding gates	Contact gates – 17 Nos; Bus gates – 9 Nos	NA	24 (10 Contact + 14 Bus)	13 (9 Contact + 4 Bus)
No. of aerobridges	17	NA	10	9
No. of Baggage Delivery Belts	7	NA	4	4
No. of immigration counters (arrival)	NA	NA	NA	58
Capacity (annual)	Current – 26.5 MPPA	NA	15.6 MPPA	9.4 MPPA
	Post Upgrade - 35 MPPA	NA		
Area	163,535 m2	NA	255,645 m2	

1.4 Overview of MYTP for Fourth Control Period

1.4.1 The overview of the Fourth Control Period (FoCP) Multi-Year Tariff Proposal (MYTP) for BIAL is to establish a comprehensive and transparent framework for the determination of aeronautical tariffs for the period from FY 2026-27 to FY 2030-31, in accordance and compliance with the provisions of the Concession Agreement.

1.4.2 BIAL requests AERA to incorporate true-up adjustments from previous control periods (First, Second, and Third Control Periods) in line with the various appeals filed by BIAL and ensure that the tariff reflects the provisions of concession agreement and actual income and expenditure. This includes the true-up of traffic, capital expenditure, aeronautical revenue (income from regulated charges), non-aeronautical Revenue (income not falling under the purview of Regulated activities/services forming a part of Part-1 of Schedule 3 of Concession Agreement), Operating Expenditure etc.

1.4.3 **Sustainable Revenue Generation:** To propose tariffs that will ensure sustainable revenue generation to meet the operating expenses, capital expenditure needs and debt servicing requirements of BIAL.

1.4.4 **Traffic and Capacity Growth:** To forecast traffic growth based on market trends and aviation industry developments, while ensuring that tariffs are aligned with the anticipated increase in passenger volumes and the expansion of infrastructure.

1.4.5 **Quality of Service:** To commit to maintaining and improving the quality of service at Kempegowda International Airport in Bengaluru, in line with the Service Quality Metrics as prescribed under the Concession Agreement.

2 HISTORY OF TARIFF DETERMINATION PROCESS BY AERA FOR BIAL

2.1 Process of Tariff Determination

2.1.1 The process of tariff determination has been outlined below in chronological order as follows:

1. Adhoc Tariff Order issued by MoCA
2. Tariff determination for First Control Period
3. Tariff determination for Second Control Period
4. Tariff determination for Third Control Period

2.2 Adhoc Tariff determination by MoCA for Pre-Control period

2.2.1 Before the formulation of Airports Economic Regulatory Authority (AERA), MoCA had issued the Adhoc Tariff for BIAL pursuant to which BIAL collected Rs. 260 and Rs. 1070 as Domestic and International UDF respectively.

2.3 Tariff Determination for the First Control Period

2.3.1 The Airport Economic Regulatory Authority of India (hereinafter referred to as "Authority" or "AERA") was established under AERA Act 2008 for regulating tariff for aeronautical services among other functions in respect of major airports in India and commenced functioning from 2009. In the discharge of its functions of determination of tariff for aeronautical services, the Authority had issued Direction No. 05/2010-11 dated 28th February 2011.

2.3.2 Based on BIAL's submissions and the Authority's examinations, the Authority published the Consultation Papers viz No. 14/ 2013-14 (CP 14) dated 26th June 2013 and Consultation Paper 22/ 2013-14 dated 24th January 2014 (CP 22) as an addendum to CP 14.

2.3.3 Based on the Stakeholder Consultation and submissions of stakeholders, the Authority passed the Tariff Order (Order No. 8/2014-15) on 10th June 2014 for Control Period 1.

2.3.4 As per Order No. 8/2014-15, vide Decision No. 17 (a)(i), inter alia, Authority decided to consider revenue from ICT services as revenues arising out of Aeronautical service and had thus considered these charges as Aeronautical charges. Accordingly, as part of the tariff structure of BIAL, the Authority had approved CUSS/CUTE/BRS charges @ US$ 1.25 per departing passenger, effective from 1st July 2014.

2.3.5 Subsequent to the issue of tariff Order, Federation of Indian Airlines (FIA) filed an appeal in the Airports Economic Regulatory Authority Appellate Tribunal (AERAAT) against the aforesaid order of the Authority. The AERAAT vide its order dated 1st July 2014 had ordered status quo in respect of these ICT charges as on 10th June 2014, when the impugned order was passed. Subsequently, BIAL and FIA arrived at a settlement to scale down the CUSS/CUTE/BRS charges.

2.3.6 Based on this, the Authority issued Order No. 15/2014-15 on 6th January 2015 allowing BIAL to levy CUTE, CUSS and BRS Charges on Domestic and International departing passengers at US$ 1 effective from 15th January 2015, for First Control Period.

2.4 Tariff Determination for the Second Control Period

2.4.1 On 26th March 2016, BIAL submitted its initial Multi-Year Tariff Proposal to AERA for tariff determination for Second Control Period.

2.4.2 In order to evaluate the capital cost proposed to be incurred by BIAL, the Authority had appointed a consultant for evaluation of the capital expenditure proposals submitted by BIAL in August 2017. The final report of the consultant was received on 25th January 2018.

2.4.3 The submissions made by BIAL and the various clarifications provided by BIAL were analysed and the Authority issued Consultation Paper No 5/2018-29 dated 17th May 2018 for the Second Control period.

2.4.4 Based on the Stakeholder Consultation and submissions of stakeholders, BIAL submissions to Consultation Paper and response to stakeholder comments, the Authority passed the Tariff Order (Order No. 18/2018-19) on 31st August 2018 for Second Control Period. AERA vide corrigendum dated 4th September 2018, issued a revised tariff card.

2.4.5 The Authority had in the Order stated that there would be a penalty in case there is a delay in completion/operationalization of the project beyond March 2021. The Authority had also stated that it will not consider any IDC and PMC charges beyond 31st March 2021 in case of delay in completion/operationalization of the project.

2.4.6 BIAL sought clarifications on the aforesaid matter vide its letter AERA/Finance/2018-19/02 dated 7th September 2018. AERA clarified on 13th September 2018 that in case there is delay in completion of project beyond March 2021, due to any reason beyond the control of BIAL or its contracting agency and is justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the Third control period in respect of IDC and PMC.

2.5 Tariff Determination for Third Control Period

2.5.1 BIAL submitted its Multi-Year Tariff Proposal (MYTP) on 24th July 2020 for the Third Control Period (FY 2022-26).

2.5.2 The Authority issued a consultation paper no.10/2020-21 dated 22nd June 2021. Following this, discussions and analysis were carried out, and decisions were published as part of the final tariff order No. 11/2021-22 dated 28th August 2021 wherein the Authority decided to carry forward an under-recovery of Rs. 974.14 crore from the Third Control Period to the Fourth Control Period.

2.5.3 Further to the Tariff Order, BIAL sought certain clarifications vide letter dated 5th October 2021. AERA responded to the queries vide its letter dated 11th November 2021.

3 LEGAL / REGULATORY FRAMEWORK APPLICABLE FOR TARIFF DETERMINATION FOR BIAL

3.1 Concession Agreement (CA)/ Project Documents

3.1.1 KIA Airport was the first private Greenfield airport in India, which was developed in the legal framework ushered in by the Airports Infrastructure Policy, 1997 and the amendments effected by the Airports Authority of India (Amendment) Act, 2003.

3.1.2 In line with the Airports Infrastructure Policy, 1997 and the amendments to the Airports Authority of India Act, 1994 and to attract investments, the Central and the State Government of Karnataka initiated a global competitive bidding process offering multiple concessions for the selection of a private developer for the development of an international airport at Bangalore, on a build, operate and transfer basis. Bangalore International Airport Limited (BIAL), a special purpose vehicle was incorporated on 5th January 2001, under the Companies Act, 1956, to Build, Own, Operate and Transfer (BOOT) the Airport for an initial period of 30 years, extendable for a further period of 30 years at the option of BIAL.

3.1.3 A Concession Agreement dated 5th July 2004 ("Concession Agreement" or "CA") was executed between the Hon'ble President of India acting through the Secretary, Ministry of Civil Aviation, Government of India and BIAL. Thereafter, the State Support Agreement dated 20th January 2005 ("State Support Agreement" or "SSA") was executed between Hon'ble Governor of Karnataka acting through the Principal Secretary, infrastructure Development Department of Government of Karnataka and BIAL and a Land Lease Deed ("Land Lease Deed" or "LLD") dated 30th April 2005 was executed between KSIIDC and BIAL. The CA, SSA, LLD and the Shareholders Agreement together described the purpose and intent of the Parties.

3.1.4 The CA has clearly classified and categorized the various activities to be taken up by BIAL as Airport & Non-Airport Activities in a separate Schedule to the Concession Agreement, and charges as being Airport Charges. The Airport Charges also has a separate classification with a clear definition of Regulated Charges and Other charges in Part IV, Section 10 covering the financial provision of the CA.

3.2 Scheme of Concessions granted to BIAL

3.2.1 Article 1.1 has distinctly and unambiguously provided two separate definitions - "Airport Charges" and "Regulated Charges". It is critical to note that while Airport Charges definition is broader and covers all of the Airport Activities referred to Part of Schedule 3, the Regulated Charges have been specifically carved out separately with limited services/activities that Independent Regulatory Authority (IRA) is expected to approve, once it is established. Part 1 of Schedule 3 envisages a larger categorization of Airport Activities to be performed by BIAL. Article 10.2 specifically carves out the limited set of activities from Schedule 3 and lists them out separately in Schedule 6 as regulatable for which, BIAL is required to seek approval from Independent Regulatory Authority as and when it is set up. Part 2 of Schedule 3 has clearly been categorized as Non-Airport Activities.

3.2.2 Articles 10.2.3 and 10.2.4 clearly contemplate that the IRA (AERA) shall have the power to approve Regulated Charges only. Even while recognizing the proposed creation and role of Independent Regulatory Authority (IRA), only three specific activities from the comprehensive list of activities covered under Airport Activities (detailed in Part A of Schedule 3) have been identified, for which, tariff will have to be approved by AERA.

3.2.3 Article 10.2 read with Schedule 6 obligates BIAL to seek approval, initially, from MoCA and subsequently from IRA (AERA), once IRA has the power to approve the Regulated Charges and hence, BIAL is required to obtain approval of only Regulated Charges from AERA.

3.2.4 Article 10.3 clearly contemplates that BIAL is free without any restriction to determine the charges to be imposed in respect of the facilities and services provided at the Airport or on the Site, other than for the facilities and services in respect of which Regulated Charges are levied.

3.2.5 Section 13(1)(a)(vi) of the AERA Act stipulates that AERA shall consider concessions offered by the State in an agreement, memorandum of understanding or otherwise. The Hon'ble Supreme Court has interpreted Section 13(1)(a)(vi) in Civil Appeal No. 8378 of 2018 in DIAL v. AERA 2024 1 SCC 716 and has laid down that *"23. [...] legislative intent itself incorporates and requires the prior agreements to be taken into consideration albeit along with certain other parameters/requirements"*. The full bench of Hon'ble TDSAT, in a recent development has held in AERA Appeal No. 04 of 2021 titled GMR Hyderabad International Airport Ltd. v. AERA (hereinafter referred to as "HIAL case") that the concession agreement, having been entered into by the President of India, should be honoured and respected and should be accepted as it is by AERA. Further, while interpreting an identical concession agreement in the HIAL case, the Hon'ble TDSAT in AERA Appeal No. 4 of 2021 has held that "*303. AERA is empowered to regulate only the 'Regulated Charges' and it cannot assume jurisdiction over the 'Airport Activities.' The Terms Regulated Charges and Airport Charge/ Activities are not the same, they are different and distinct."* The Hon'ble TDSAT has further held that the judgment dated 16.12.2020 in the case of BIAL v. AERA and other connected matters requires *re-consideration* in paragraph 309/Pg. 158.

Table 4: Key Terms of Concession Agreement

Description	Relevant Article
Part I	"Recital C", "Airport Charges", "Change in Law", "IRA", "Regulated Charges" and "Site"
Part II	Articles – 2, 3.1, 3.2, 3.3.1, 5.3 and 5.4
Part- IV	Articles- 10.1, 10.2 and 10.3
Part V	Article 13.5.2
Part VI	Articles 18.1 & 18.3
Schedules	Schedule 3 and Schedule 6

3.2.6 Section 13(i)(a) of the Act provides that the Authority shall determine tariff for "aeronautical services". Section 13(i)(a) specifically provides that (a) different tariff structures may be determined for different airports having regard to all or any one of the considerations detailed in the said section, (b) mandates that the Authority shall take into consideration the concessions offered by the Central Government. In light of the above, BIAL Concession Agreement ("BIAL CA") needs to be given the effect of a concession and since BIAL CA, specifically, categorically and without ambiguity describes those activities, for which the Regulated Charges are to be levied by BIAL, which shall be approved by the Authority and considering the fact that the Regulated Charges are clearly defined in the Schedule 6 of the BIAL CA, the Authority shall give due consideration to give effect to the concessions offered to BIAL as mandated under the proviso of Section 13(i)(a) for the purposes of tariff determination and treat such activities covered under the Regulated Charges as aeronautical services in the case of BLR Airport.

3.2.7 As CGF and a few other services are not a part of the activities covered under the ambit of Regulated Charges attached in Schedule 6 as against the comprehensive list of Airport Activities detailed out in Part 1 of Schedule 3, BIAL is free, without any restriction, to determine, levy and retain charges for CGF and other services.

3.3 Matters pending before Appellate Authority/Hon'ble Supreme Court

3.3.1 Civil Appeals filed before the Hon'ble Supreme Court against Learned TDSAT's Order dated 16.12.2020

BIAL had challenged the tariff orders issued by AERA for the First control period ("FCP") and Second control period ("SCP") in AERA Appeal No. 3 of 2014 and AERA Appeal No. 08 of 2018 before Ld. TDSAT respectively. The said appeals were decided by the Learned TDSAT vide common order dated 16.12.2020. Being aggrieved by the common judgment, BIAL has exercised its statutory right and challenged the Learned TDSAT's order dated 16.12.2020, in respect of First Control Period and Second Control Period, before the Hon'ble Supreme Court in Civil Appeal No. 1798-99/2021 and Civil Appeal No.1806 of 2021. The said appeals are pending before the Hon'ble Supreme Court for adjudication.

3.3.2 AERA Appeal No 5 of 2021 and Misc Application 473 of 2021 filed before Hon'ble TDSAT against AERA Order No 11/2021-22 dated 28.08.2021.

BIAL has filed the above referred appeal challenging the tariff order bearing Order No. 11/2021-22 dated 28.08.2021 passed by AERA determining tariff for aeronautical services in respect of Airport for the third control period i.e., 01.04.2021 to 31.03.2026 ("TCP"). The said appeal is pending before the Learned TDSAT for adjudication.

3.3.3 Misc Application No. 171 of 2024 filed in Hon'ble TDSAT against AERA Order No 11/2021-22 dated 28.08.2021.

Pending the appeals before the Hon'ble Supreme Court of India (as mentioned above in 3.3.1) in respect of FCP and SCP, BIAL had submitted its tariff proposal before AERA for the TCP, consistent with the provisions of the Concession Agreement. On the issues of treatment of (a) cargo ground handling and fuel farm and ICT services as aeronautical services, (b) revenues from land development activities as non-aeronautical revenue & (c) treatment of interest income etc., the stance adopted by AERA has been challenged by BIAL by reference in the appeal.

3.3.4 During the pendency of the appeal (as mentioned above in 3.3.2) and without prejudice, BIAL had filed the amendment application with the Hon'ble TDSAT that the TCP Tariff Order deserves to be set aside as prayed for in the amendment application.

3.3.5 The Hon'ble TDSAT, while allowing the amendment application made the following observations - *"...the grounds can always be added though they are taken up during the earlier Control Periods because if the respondent is maintaining consistency in committing errors while passing the impugned orders (as per this appellant) there shall always be repetition of the grounds for subsequent Control Periods also."*

3.3.6 BIAL requests AERA to consider these observations of the Hon'ble TDSAT and accordingly give due effect and consideration.

3.4 Ring fencing of Revenues from Non-Airport Activities

3.4.1 The Concession Agreement being a pre-legislative contract as held by the Hon'ble Supreme Court, operates as policy direction of the Government of India for the purposes of tariff determination for BIAL.

3.4.2 A concession has been provided to the Airport Operator – BIAL, through the definition of "Airport Activities" and "Non-Airport Activities". These activities are mentioned in detail in Part I and Part II of Schedule 3 of the BIAL CA. It is pertinent to note that the activities mentioned in Part 1 Schedule 3 of the BIAL CA, include both Aeronautical activities (that are covered in the definition of the AERA Act) and Non-Aeronautical activities.

3.4.3 Non-Airport Activities to be undertaken by the Airport Operator at the "Site", by their very nature are unrelated to the operations of Airport. These activities are provided beyond the precincts of the airport and hence they are neither aeronautical services nor non-aeronautical services. Thus, in fact, the Non-Airport Activities which are referred in Part 2 of Schedule 3 cannot be treated as non-aeronautical services.

3.4.4 As per Clause 10.2.4 of the Concession Agreement, BIAL has been given the right to determine charges for all services, activities and facilities except for the Regulated Charges.

3.4.5 Sec. 13 (1) (a) (vi) of the AERA Act, 2008, clearly recognizes and mandates AERA that concessions granted by the Central Government have to be recognized and protected and they have to be considered by AERA in the tariff determination process.

3.4.6 AERA vide its tariff orders has treated "Non-Airport Activities" as "Non-Aeronautical Services". This is incorrect and runs counter to the clauses of Concession Agreement and is in violation of the AERA Act, 2008. This understanding has been affirmed by the Learned TDSAT in the HIAL case i.e., AERA's treatment of Non-Airport Activities as non-aeronautical services is incorrect and runs counter to AERA Act as well as the provisions of the Concession Agreement. Therefore, AERA cannot amend the terms of the Concession Agreement.

3.4.7 In view of the aforesaid provisions of BIAL CA, "Non-Airport Activities" are clearly beyond the power, jurisdiction and authority of AERA and they do not form part of "Non-Aeronautical Services" and therefore, revenues from this set of Activities does not qualify as eligible revenue for 30% cross-subsidy.

3.4.8 AERA's jurisdiction extends only to the major airport i.e., Kempegowda International Airport, Bengaluru, to the extent permitted under the AERA Act and not the airport operator – i.e. BIAL. AERA under Section 13 generally and Section 13(1)(a)(v) in particular, can consider revenues only from services at the major airport - KIAB and not services of the airport operator -BIAL. Section 13(1)(a)(v) permits AERA to reckon "revenues received from services other than aeronautical services". These are services provided/rendered at the major airport and by the airport operator/company. AERA's jurisdiction in terms of Section 13(1)(a)(v) of AERA Act extends only to Airport Activities carried out at the Major Airport and not to Non-Airport Activities carried out at the Site but outside the precincts of the Airport.

3.4.9 While the National Civil Aviation Policy 2016 (NCAP) provides for cross subsidization by 30% for non-aeronautical services (which AERA has accepted), it also mandates that the existing concession agreements need to be given full effect to. Hence, AERA has no further discretion under Section 13(1)(a)(v). NCAP 2016 has clearly covered the field and therefore, AERA can only reckon non-aeronautical revenues under Section 13(1)(a)(v) of AERA Act.

3.4.10 Further, the Concession Agreement employs 2 terms – Site and Airport. Both the terms have been separately defined in BIAL CA because they are different and distinct from each other. They are not synonyms of each other and therefore are not inter-changeable terms, otherwise the Concession Agreement would have defined only one term and not both of them. Hence, the definition of Airport under the BIAL CA is limited only to Airport and not the entire Site of 4008 Acres.

3.4.11 In the HIAL case, the Hon'ble TDSAT has categorically stated in para 341 that "*AERA has relied upon the decision of Learned Single Bench dated 16.12.2020 in case of BIAL. This judgment has not appreciated the clauses of the Concession Agreement as stated hereinabove to be read with the clauses of Land Lease Agreement. The said judgment has also not appreciated the fact that "Site" as defined in the Concession Agreement includes Airport but reverse is not true meaning thereby to "Airport" and not to be construed as "Site". Thise distinction between 'Site' and 'Airport' has been overlooked and we therefore do not agree with the interpretation of the Learned Single judge of this tribunal in judgment dated 16.12.2020 in case of BIAL. In fact, both the terms have been defined separately and, therefore, "Site" and "Airport" are not inter-changeable terms otherwise there would have been no need to define them separately*". The Hon'ble TDSAT also observed in para 304 that "*the judgment dated 16.12.2020 passed by the Learned Single Judge of this Hon'ble Tribunal in the case of BIAL needs reconsideration as (i) the facts as well as documents which exist in the case of HIAL were not placed before the Learned Single Judge in the case of BIAL; and (ii) as pointed out hereinabove, the reliance of the Learned Single Judge on the phrase 'Subject to Applicable Law' occurring in Article 10.1 is erroneous*."

3.4.12 Further, the Hon'ble TDSAT also opined in the said judgement in Para 341 that "*AERA's reliance on National Civil Aviation Policy (NCAP) is misplaced as (i) no specific provision of the NCAP has been pointed out by AERA that permits it to adopt the approach that it has; (ii) assuming any provision of the NCAP provides that revenue from real estate development will be considered for the purpose of cross subsidization, no corresponding direction under Section 42 of the AERA Act, 2008 has been issued by MoCA to AERA. AERA cannot confer upon itself the jurisdiction to take into consideration revenues from Real Estate Development under the guise of NCAP where the said policy did not permit AERA to do so*."

3.4.13 MoCA has obtained an opinion from the Ld. Attorney General on the issue of jurisdiction of AERA about the land earmarked for Non-Airport Activities to which the Ld. Attorney General has clarified to MoCA that the land meant for Non-Airport Activities should be outside the purview of AERA since AERA is related to only regulation of airports and what is outside the precincts should not be in the jurisdiction of AERA. AERA already has the benefit to peruse the opinion as part of the proceedings before the Hon'ble TDSAT.

3.4.14 Therefore, Non-Airport Activities carried out by BIAL are not within the jurisdiction of AERA and revenue from such activities cannot be reckoned for the purposes of tariff determination. Accordingly, no revenues from Non-Airport Activities have been considered for the purpose of calculation and submission of Annual Revenue Requirement in this MYTP and these submissions are without prejudice.

3.4.15 In view of the various appeals filed before Hon'ble Supreme Court and the full bench of learned TDSAT (which specifically states that BIAL's decision needs reconsideration), and on account of the matters raised in such appeals being sub-judice and pending for adjudication, BIAL has considered the true up for FCP, SCP & TCP based on the provisions of BIAL CA, pending the final outcome of the aforesaid appeals, so as to avoid burdening

the Users with continuing carrying cost as a result of further delay in rendering justice by giving due respect to BIAL CA which is Pre-legislative contract.

3.4.16 Since inception, BIAL has been consistently pleading that the Concession Agreement awarded to BIAL is of utmost importance and same has to be given due consideration while approving the tariff proposes in MYTPs. The concessions provided under this agreement ought to be respected by the Authority during the tariff approval exercise.

3.5 Issues decided in Other Airports applicable to BIAL

Table 5: Issues decided in other Airports

Issue	Reference Appeal	Decision of Hon'ble Supreme Court / Learned TDSAT	Reference para of relevant Order
Treatment of legislative contracts	Civil Appeal no. 8378 of 2018 titled Delhi International Airport Limited v. AERA	The principle that legislative intent must prevail over any prior agreement will not be applicable as the legislative intent itself provides for due honour and consideration to be given to prior contracts as per the provisions of Section 13 of AERA Act.	2022 SCC Online SC 850 – paragraph 19&20
Treatment of CGF services as aeronautical services and revenue generated there from as aeronautical	AERA APPEAL/4/2021	The decision of AERA to treat CGF Services as aeronautical services and the revenue generated therefrom as aeronautical revenue is incorrect, improper & unjustified. The activities of CGF are non-regulated activities and the revenue received by the Airport Operator from the service providers of CGF are Non-Aeronautical charges.	Para 309,315 of Learned TDSAT Order dated 14.02.2024
Income from Real Estate Development (RED)	AERA APPEAL/4/2021	Income from Real Estate Development (RED) is from Non-Airport Activities and it cannot be treated as Aeronautical, nor it can be treated as Non-Aeronautical but they are simply "Non-Airport Activity" revenue. AERA has no power or jurisdiction over such revenue.	Para 341 & 342 of Learned TDSAT Order dated 14.02.2024
Decision of AERA to apply 1% penalty for delayed execution of Projects.	a) AERA Appeal No. 2 of 2021 & Aera Appeal No. 9 of 2016 b) AERA APPEAL/4/2021	The decision of AERA to carry out 1% of readjustment to project cost and applicable carrying cost in ARR is quashed and set aside.	a) Para 301,302,308 of Learned TDSAT Order dated 06.10.2023 b) Para 519 of Learned TDSAT Order dated 14.02.2024
Disallowance of part of the capital expenditure undertaken by Airport Operator by AERA.	a) AERA Appeal No.1 of 2021 and AERA Appeal No.1 of 2016 dated 21.07.2022 b) AERA APPEAL/4/2021	a) The cost which is arrived at through global bids invited is the real and efficient cost. It is a market discovered price through competitive and transparent bidding process. b) AERA is directed to allow the actual expenditure incurred and on the basis of	a) Para 165 (c) and Para 165(f) of Learned TDSAT Order dated 21.07.2022 b) Para 397 of Learned TDSAT Order dated 14.02.2024

Issue	Reference Appeal	Decision of Hon'ble Supreme Court / Learned TDSAT	Reference para of relevant Order
		proof of actual expenditure incurred, True-Up shall be allowed in next Control Period.	
Treatment of Other income (which includes Interest Income and dividend earned) as Non-Aeronautical Income by AERA.	a) AERA Appeal No.1 of 2016 and AERA Appeal No.1 of 2021 b) AERA APPEAL/4/2021	AERA's decision to bring "Other Income" within its regulatory purview is incorrect, improper and unjustified.	a) Para 88 & 90 of Learned TDSAT Order dated 21.07.2023 b) Para 397 of Learned TDSAT Order dated 14.02.2024
Decision of AERA not to consider 30% Non-Aero revenue as part of Aeronautical Revenue Base for computation of Aeronautical Taxes.	a) AERA Appeal No.1 of 2021 in the case of DIAL Vs. AERA b) AERA APPEAL/4/2021	The decision of AERA not to consider 30% of Non-Aeronautical Revenues (NAR) as part of Aeronautical Revenue Base for computation of aeronautical taxes is incorrect, improper and unjustified.	a) Para 140 & 141 of Learned TDSAT Order dated 21.07.2023 b) Para 423 of Learned TDSAT Order dated 14.02.2024
Decision of AERA to defer recovery of eligible ARR to next control period.	AERA APPEAL/4/2021	The decision of AERA to postpone the part of recovery of ARR in the next Control Period is quashed and set aside. AERA is directed to allow Airport Operator to recover ARR during the Control Period.	Para 519 of Learned TDSAT Order dated 14.02.2024
Cost of Debt	a) MIAL Vs. AERA, in AERA Appeal No. 2 of 2021 & AERA Appeal No. 9 of 2016 b) AERA APPEAL/4/2021	AERA must consider Cost of Debt actually incurred by the airport operator.	a) Para 313,316,317 of Learned TDSAT Order dated 06.10.2023 b) Para 466 of Learned TDSAT Order dated 14.02.2024
Ceiling on Project Cost	AERA APPEAL/4/2021	Under the AERA Act, actual project cost needs to be considered.	Para 374 to 397 of Learned TDSAT Order dated 14.02.2024
Normative Cost Order	AERA APPEAL NO 7/2021	AERA cannot consider benchmarks for capital expenditure.	Para 122 & 123 of Learned TDSAT Order dated 16.04.2025

4 TRUE UP OF THIRD CONTROL PERIOD

4.1 Overview

4.1.1 BIAL had submitted its Multi-Year Tariff Proposal (MYTP) for the Third Control Period (FY 2022-26) on 24th July 2020. Evaluation of MYTP of BIAL was carried out during COVID 19, conducting virtual meetings and interactions between AERA, its consultants and BIAL. Pursuant to the above, AERA had issued Consultation Paper no.10/2020-21 dated 22nd June 2021 for stakeholders' comments.

4.1.2 Subsequent to the receipt of comments from various stakeholders and counter comments from BIAL to the same, AERA had issued the Tariff Order No. 11/2021-22 dated 28th August 2021 for Aeronautical Tariffs for the Third control period.

4.1.3 Further to the issuance of the Order, certain issues/discrepancies were noted in the Tariff Order and the same was brought to the attention of the Authority vide letter dated 5th October 2021 (Refer Annexure 2).

1. Challenges faced due to not sharing of excel file linked financial model, thereby resulting in inability to reconcile the numbers considered by the Authority for various building blocks
2. Clarification sought on:
    a. True up of design and PMC cost
    b. True up of Pre-Operating Expenses
    c. True up of IDC (without prejudice to BIAL's request that Financing allowance should be computed on additions to RAB)
3. Errors / Omissions in the Order needing rectification
    a. Actual cash flow to be spent by BIAL (~ Rs. 500 Cr.) not considered in Cash flow estimate
    b. Not checking the conformance to Lender covenants which could impact the ability to borrow funds for the Project
    c. Negative Cash flow in 2022-23 and further changes required in cash flow estimation
    d. Income Tax for 2020-21 to be as per audited Financial Statements
    e. Incorrect estimation of Ground Handling revenues
    f. Errors in consideration of Capital Expenditure/ RAB including:
        i. Rs. 4 Cr. balance not considered in Runway Project
        ii. Under provision of Rs. 40 Cr. towards Existing Runway/ Taxiway improvement project
        iii. Incorrect Disallowance of underpass of Rs. 15.78 Cr. (Capital cost of underpass) clubbing it will Eastern Connectivity Tunnel
        iv. Double adjustment of ECT – Rs. 85.48 Crores (once from FY 2020-21 and once again from additions proposed in Third Control Period)
        v. Front end fee of Rs. 14.39 Cr. adjusted incorrectly
        vi. Sustaining Capital Expenditure for FY 2020-21 taken incorrectly as Rs. 102.38 Cr. instead of actual spend of Rs. 287 Cr., leading to incorrect projection of Sustaining Capital Expenditure estimate for Fourth Control Period.
        vii. Not factoring additional Pre-Op expenditure and IDC for 9 months (From April 2021 to December 2021) due to shifting of date of completion of T2 etc.
    g. Incorrect Debt assumptions:

i. Under estimation of Debt due to incorrect Capital Expenditure estimates being considered, resulting in incorrect debt servicing and cash flow analysis
ii. Incorrect repayment date considered for Debt drawdown

h. Failed Model Integrity checks not reviewed
i. Minor differences noted in Revenues of Utility and Lease rentals considered in Second Control Period
j. Incorrect Operating & Maintenance cost consideration:
i. Incorrect consideration of FY 2020-21 costs
ii. Incorrect allocation of costs between Aero and Non-Aero
iii. Incorrect allocation of Working Capital
k. Incorrect depreciation computations

4.1.4 In response to the above, AERA had issued a letter dated 11th November 2021 (Refer Annexure 3) covering the following:

1. Design and PMC cost will be reviewed and trued up after Project commissioning subject to reasonableness
2. Reaffirming decision on true up of Pre-Operating and Interest cost during Construction
3. Responses on Cash Flow and Debt projections
4. Responses on Capital Expenditure Projections and noting that that the same will be reviewed and trued up after commissioning
5. Clarification on other matters.

4.1.5 BIAL submits that the True up of buildings blocks for the Third Control Period needs to be done in the backdrop of the above. Detailed notes relating to the above have been included in the relevant sections of True up.

4.2 True Up of the Second Control Period

4.2.1 BIAL had, in its MYTP submissions made in July 2020 for the Third Control Period, considered actual values for the 4 years from FY 2016-17 to FY 2019-20 and had considered estimates for FY 2020-21. During the course of the MYTP evaluation for the Third Control Period, BIAL submitted details of actuals Revenues, Operating Expenditure, Capital Expenditure etc. to AERA.

4.2.2 In computing the true up to the end of the Second Control Period, BIAL has re-drawn its under recovery estimate considering:

1. Actual values for FY 20-21
2. Other updates to the RAB considering the Financing allowance values based on the certification submitted for SCP by BIAL after the submission of MYTP.

4.2.3 Accordingly, the True up of under recovery as per principles adopted by BIAL are computed as below:

Table 6: True-up of Second Control Period as per BIAL principles

(Rs in Crores)

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Average RAB	2,278.84	2,253.43	2,119.58	3,011.97	4,160.58	
FRoR	15.35%	15.35%	15.35%	15.35%	15.35%	
Return on RAB	**349.88**	**345.98**	**325.43**	**462.45**	**638.80**	**2,122.54**

Particulars	FY17	FY18	FY19	FY20	FY21	Total
Operating Expenditure	299.37	330.27	376.73	440.94	388.60	**1,835.91**
Depreciation	198.58	201.93	345.17	251.08	331.28	**1,328.04**
Tax	55.53	80.38	42.92	-	-	**178.83**
WC Interest etc.	19.83	0.96	0.74	1.03	-	**22.55**
Gross ARR	**923.20**	**959.52**	**1,090.99**	**1,155.50**	**1,358.68**	**5,487.87**
Less: Deductions for Non-Aeronautical Revenues	-154.35	-174.80	-204.85	-224.37	-78.94	**-837.31**
Add: Concession Fee on Regulated	32.67	37.06	29.29	22.95	9.49	**131.46**
Less/Add: Over/Under-recovery in previous CP	1,515.16	-	-	-	-	**1,515.16**
Net ARR	**2,316.68**	**821.77**	**915.43**	**954.07**	**1,289.23**	**6,297.19**
Actual Revenue	816.86	926.39	732.18	573.71	230.81	**3,279.96**
Under/(Over) Recovery	**1,499.82**	**-104.62**	**183.24**	**380.36**	**1,058.43**	**3,017.23**
FV Factor	2.04	1.77	1.53	1.33	1.15	
FV of Under/(Over) Recovery	**3,063.33**	**-185.23**	**281.27**	**506.12**	**1,220.93**	**4,886.42**

4.3 True Up of Third Control Period

4.3.1 The Third Control period spanning 1st April 2021 to 31st March 2026 has been a period which has been marked by uncertainty and volatility that was difficult to imagine or predict. During the 5 year period, BIAL along with the Indian civil aviation sector have lived through Covid pandemic waves (Delta and Omicron wave), bankruptcy of Go First airline together with engine issues which led to nearly 100+ aircraft of Indian carriers being grounded, geopolitical events such as the Ukraine – Russia war, the Israel – Iran war and closer home, tragic incidents of terrorism which led to India launching Operation Sindoor.

4.3.2 While the Indian economy has recovered from the Covid pandemic, the GDP growth did slow down to 6.5% in FY 2024-25 due to muted consumer demand and low private investment.

4.3.3 In the above context, the last 4 years have been remarkable for BIAL with key highlights being:

- Successful commissioning of Terminal 2 which has led to the Airport's overall passenger handling capacity rise from 26.5 MPPA to 51.5 MPPA. With 2 runways and its installed terminal capacity, BIAL is on its way to emerging as the 2nd busiest airport in India before the end of FY2025-26.
- Terminal 2 has become the 1st Terminal in India to be rated 5 Star by Skytrax while BIAL has become a 4 Star rated airport by Skytrax
- The airport continued to rank number 1 in terms of arrival experience (Airports Council International) – 4th year in a row
- Successfully signed hub arrangement with Air India Group along with plans to develop their MRO base in India (a key initiative for both Government of India and Government of Karnataka to strengthen the Indian aerospace industry and reduce reliance on overseas MROs)
    - A similar arrangement with Indigo is underway with definitive agreements under discussion
- Route Development: Unlike in the case of Delhi and Mumbai where there are no similar sized airports, BIAL has to compete with large airports like Hyderabad, Chennai and Cochin to compete for international routes and deployment of fleet on domestic routes by Indian carriers. Successful efforts

to grow domestic and international connectivity has helped BIAL strengthen its position as the leading airport in South India.

  - Domestic connectivity – connected to 70+* cities with great emphasis being laid on strengthening regional connectivity
  - International connectivity – Connected to 30+* destinations with annual international passenger number per year having crossed 6 million passengers per year on a rolling basis (against 4.5 million per year in the pre Covid era)

  * - Exact number of destinations may vary as per IATA season

- The airport touched the milestone of 500,000 MT of cargo handled in FY25
- Capital expenditure – Completed cost for PAL 1 program executed across two control periods (Second and Third Control Period) amidst COVID-19 pandemic, is only 1.50% over and above. TCP MYTP submissions. Innovative business models deployed to minimize sustaining capital expenditure while augmenting revenue generation.
- Given the vision of Viksit Bharat and Ministry of Civil Aviation's ambitious roadmap to build Indian airports as hub airports, need for continuous capital investment is undeniable.
- Focus on traffic generation and consequently increasing revenue generation from higher UDF from international passengers,
  - Focused aviation marketing efforts leading to over 25% increase in International passenger traffic (Actuals vis-à-vis AERA TCP Order) thereby resulting in higher UDF from international passengers.
- Non aero activities (as well as Cargo, Ground handling, fuel farm – Read in conjunction with BIAL's view in para 4.8.9) has the largest impact on keeping passenger charges lower. BIAL is glad to share that as against the projections, BIAL has performed as below:
  - Non aero revenues: Actual of 4179 Crs vs 2716 Crs – 50% higher resulting in a 439 Crs benefit in terms of cross subsidy in Third Control Period and the benefit of which will continue to accrue over a sustained period.
  - Revenues from Cargo, Ground Handling, CUTE & CUSS and Fuel farm: Actual of 1340 Crs against projection of 1007 Crs resulting in a benefit of 333 Crs.
- As a PPP airport with the Chief Secretary of Government of Karnataka as our Chairperson, BIAL ensures that we observe the highest standards when it comes to corporate governance.
- Overall, our business approach, as in the past, continues to be driven by 3 pillars:
  - Commitment to delivering a delightful service to all our passengers and stakeholders
  - Nurture and take steps to showcase the rich cultural heritage of Bangalore and Karnataka in the way we build KIAB
  - Aim to be an airport & gateway to India - that the entire country is proud of.

4.4 True Up of Traffic

4.4.1 BIAL in its MYTP submissions for the Third Control Period had given emphasis on the impact of Covid- 19 on the aviation sector as well as on the future outlook for the sector. It is pertinent to note that BIAL's MYTP submissions were made in June 2020. In its MYTP submissions, BIAL had projected a total Traffic of 162.99 million for the Third control period. As against the above, the Authority had proposed a total Traffic of 195.52 million in the Consultation paper. The enormity of the second Covid wave in India, saw passenger traffic in May 2021 dip to levels last seen in May and June 2020. The high case load and fatalities across India resulted in:

- Government of India / DGCA capping aircraft movements to 50% from the previous 80% enacted in January 2021
- Government of Karnataka placing stringent curbs on movement of people to curtail the spread of the 2nd wave

4.4.2 With the above background, BIAL in its ATP submissions, had submitted updated Traffic projections of 174.90 million to the Authority for the Third control period. Post the above, the Authority, in its tariff order, had acknowledged that the second wave of COYID-19 had severely impacted the air traffic for Q1 FY 21-22 and this will result in a lower traffic vis-à-vis the proposed traffic for FY 2021-22 which has not been accounted for in the Consultation Paper.

4.4.3 The Authority had also noted Government of Karnataka's comment that the likely third wave of COVID-19 will also lead to lower-than-expected traffic growth rate. In light of the above, the Authority had reviewed the traffic forecast for FY 2021-22 and its subsequent impact on the rest of the control period. Based on the above, the Authority had approved a revised traffic projection of 174.88 million for the Third control period.

4.4.4 As per Decision No.4 of Order No. 11/2021-22, the Authority had decided:

"4.6.1 To consider the passenger traffic, ATM traffic and cargo traffic as per Table 66 respectively which shall be trued up based on actuals.

4.6.2 To consider the share of transit passengers as per Table 67 for the Third Control Period"

4.4.5 The actual traffic handled in the TCP v/s AERA approved numbers are depicted in the table below:

Table 7: Comparison of actual traffic and Authority's decision in Third Control Period

Total Traffic (Millions)	FY22	FY23	FY24	FY25	FY26 (P)	Total
As per AERA TCP Order	15.24	31.16	36.55	42.53	49.4	**174.88**
Actuals	16.29	31.91	37.53	41.88	48.16	**175.76**
Difference	1.05	0.75	0.98	-0.65	-1.24	**0.88**

4.4.6 The details of the actual Traffic are as given below:

Table 8: Actual Traffic for the Third Control Period

Particulars	UoM	FY22	FY23	FY24	FY25	FY26 (P)	Total
Domestic Pax	Mn	15.19	28.13	32.86	36.04	40.86	153.07
International Pax	Mn	1.10	3.79	4.67	5.83	7.30	22.69
Total Pax	**Mn**	**16.29**	**31.91**	**37.53**	**41.88**	**48.16**	**175.76**

Particulars	UoM	FY22	FY23	FY24	FY25	FY26 (P)	Total
Domestic ATMs	Nos	1,32,532	1,98,512	2,16,983	2,32,889	2,74,125	10,55,041
International ATMs	Nos	15,482	24,711	27,908	34,963	45,150	1,48,214
Total ATMs	**Nos**	**1,48,014**	**2,23,223**	**2,44,891**	**2,67,852**	**3,19,275**	**12,03,255**
Domestic Cargo	MT	1,39,584	1,54,012	1,73,334	1,81,226	1,97,446	8,45,602
International Cargo	MT	2,71,966	2,56,299	2,66,161	3,21,284	3,39,711	14,55,421
Total Cargo	**MT**	**4,11,550**	**4,10,311**	**4,39,495**	**5,02,509**	**5,37,157**	**23,01,022**

Key Highlights are tabulated below:

4.4.7 The first year of the control period FY 2021-22 was severely impacted by the COVID pandemic waves viz., Delta variant followed by the Omicron variant. As a result, the actual traffic of 16.29 million for FY 2021-22 was almost 51% below pre Covid traffic registered in FY 2018-19.

4.4.8 In FY 2022-23, the recovery was in line with the estimates with the actual passenger traffic handled rising to 31.91 million passengers, in line with the submission to AERA of 31.16 million passengers. While SpiceJet scaled back its operations, the launch of domestic operations by Akasa Air in September 2022 helped BIAL achieve its domestic passenger traffic target.

4.4.9 In FY 2023-24, both domestic and international passenger traffic surpassed the pre-Covid levels of 28.82 million seen in FY 2018-19 and 4.57 million in FY 2019-20 respectively. The growth was on account of strong passenger demand witnessed for both domestic and international passengers. However, the sudden shutdown of operations by Go First in May 2023 was followed by engine issues faced by Indigo impacted aircraft capacity. Despite this, the domestic traffic grew by around 17%, led by a significantly high seat load factor through FY 2023-24.

4.4.10 In FY 2024-25 BIAL continued to witness steady traffic growth though lower than the growth anticipated at the time of consultation process. Total passenger traffic at BIAL was 41.88 million passengers - a 12% increase from the same period in FY 2023-24. 3 new international airlines started operations, and 5 new international routes were initiated from BIAL. In FY 2024-25, the industry continued to face challenges related to the availability of pilots and cabin crew, resulting in several flight cancellations and delays on the domestic front. Such issues impact the capacity availability and may affect domestic passenger growth in FY 2025-26.

Overall assessment of Traffic over the 48-month period (FY 2021-22 to FY 2024-25)

4.4.11 Through the 48-month period, BIAL clocked a total passenger traffic of 127.60 million as against 125.48 million projected in TCP order

4.4.12 In terms of international connectivity, apart from the Covid pandemic, BIAL has also been at the receiving end of the ongoing geopolitical conflicts. While American Airlines and United Airlines had announced direct flights to United States of America, both have not been able to launch operations due to inability to fly over the Russian airspace.

- Among the carriers that were operating pre Covid, Silk Air and Air Mauritius have not recommenced operations from KIAB till date.

4.4.13 **Domestic passenger growth has been robust** – With the growth in number of UDAN airports and routes, regional connectivity has risen from KIAB with connections raising to 70 domestic destinations, indicating not only a broad network of domestic connectivity but also opportunities for further expansion.

4.4.14 **Consolidation of capacity across limited number of carriers:** As a result of TATA Group acquiring Air India followed by Mergers of Air India and Vistara as well as Air India Express and AI connect, the supply side has witnessed consolidation with Indigo and TATA group accounting for nearly 90% of the domestic traffic at BIAL.

4.4.15 The industry has been facing supply-chain challenges and issues of engine failures for the Pratt and Whitney (P&W) engines supplied to various airlines. In FY 2023-24, Go Airlines (India) Limited grounded half of its fleet due to faulty P&W engines, thus stalling its operations. IndiGo also had 60-70 aircraft grounded as on 30th January 2025, due to the P&W engine issue. However, the same is expected to reduce in FY 2025-26. Overall, the Indian aviation industry had ~133 aircraft for select airlines grounded in March 2025, which was ~16% of the total industry fleet, thus impacting the overall industry capacity (as measured by available seat kilometer, or ASKMs). However, it remains significantly lower than the 154 aircraft on ground as on 30th September 2023.

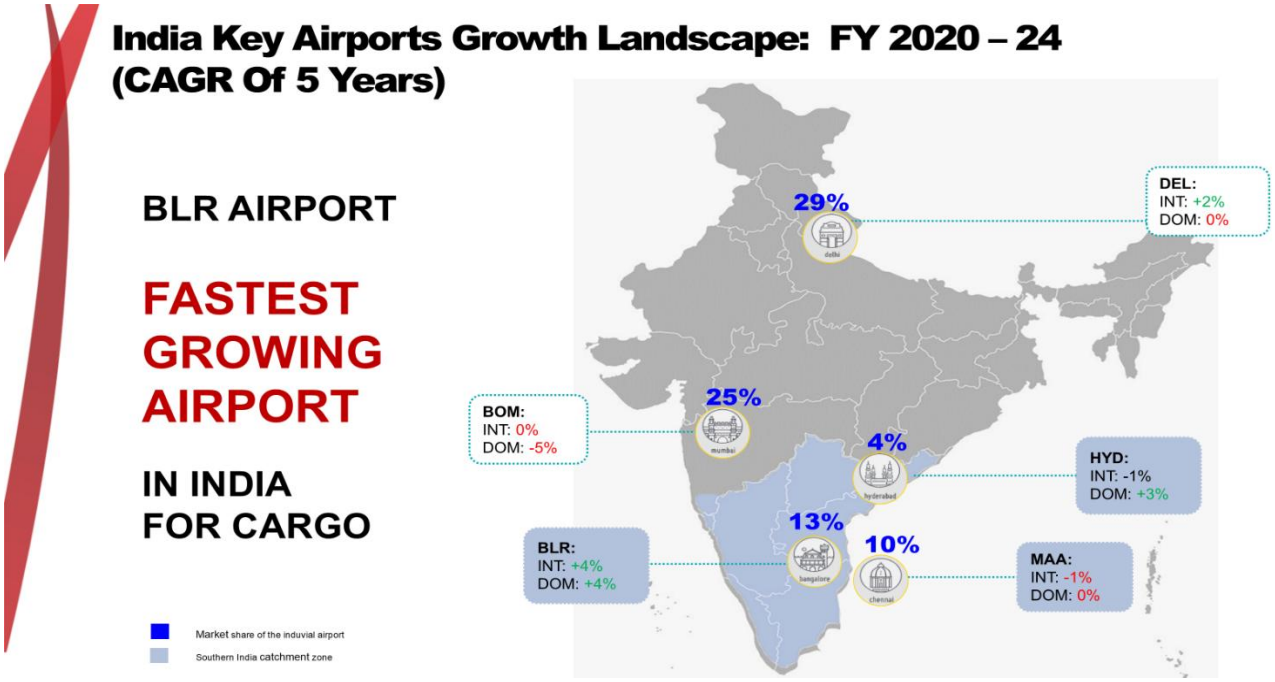
Some of the key trends that had emerged between FY 2021-22 to FY 2024-25 are detailed below:

1. Leisure travel acted as a catalyst for recovery, while business travel was slower to recover due to the rise in the concept of remote work & technological solutions that have facilitated work from home.
2. The airlines reassessed how they operate and revised their pricing strategies due to decreased business travel as well as consolidation. (Merger of Air Asia India and Vistara into Air India Express and Air India which has led to consolidation of ~90% of domestic air travel into 2 airline Groups)
3. Airports invested additional money in modernizing IT infrastructure and expedited Digitalization. E.g., implementation of Digi Yatra has helped KIAB to improve operational efficiency as well as enhanced customer experience.
4. There has been much greater focus by MoCA and BCAS towards investment to be made by airports for enhancing security infrastructure. This includes capital intensive measures such as deployment of dual view ATRS lanes across all airports, ongoing discussions around deployment of Full body scanners and CT X ray machines at security check points, focussing on access control and recording entries through e gates, provisioning of area for security check point (PESC) processor among others.

Cargo Performance

4.4.16 Kempegowda International Airport, Bengaluru (Airport), saw cargo tonnage grow steadily over the last few fiscal years. In FY 2024-25, the airport achieved the milestone of crossing the 500,000 metric ton (MT) mark, handling 502,509 MT of cargo. This growth was driven by a 21% increase in international cargo volumes owing to geopolitical concerns which led to migration of sea-based cargo to air cargo while domestic cargo grew at 5%. Key export commodities such as ready-made garments, pharmaceuticals and machinery parts contributed to this growth. ’s strategic connectivity with global markets is supported by 12 dedicated freighter airlines.

4.4.17 The airport has consistently led in handling perishable cargo, maintaining its No.1 position in India for four consecutive years. It currently manages 28% of India's and 44% of South India's perishable air cargo market share. High-growth commodities include mangoes, coriander, and flowers which have seen exponential year-on-year increases. Airport holds a 13% share of India's total air cargo and a 42% share in South India, affirming its dominance in the southern region.



4.4.18 Infrastructure development has been central to the cargo growth we have witnessed. The airport upgraded its two cargo terminals (CTO1 and CTO2), now operated by Menzies Aviation Bengaluru Private Limited and WFS Bengaluru Private Limited, respectively, alongside development of a new Domestic Cargo Terminal (DCT), India's largest with a handling capacity of over 350,000 MT per annum

4.4.19 On the digital front, the airport has implemented the Air Cargo Community System (ACS), Warehouse Management Systems (WMS), and India's first on-airport Truck Management Facility (ATMF). These systems enhance operational efficiency, transparency, and stakeholder collaboration while reducing paper usage and improving sustainability.

4.4.20 Combining capacity investments in physical infrastructure and digital transformation, as well as a market-driven focus, the Airport is well-positioned for continued growth as the premier cargo gateway to South India.

Basis for FY 2025-26 Traffic Projections:

4.4.21 BIAL has projected a growth of ~ 15% in the overall Passenger traffic & ~ 7% in Cargo tonnage. The details are given in the table below:

Table 9: Basis of traffic projections for FY 2025-26

Particulars	UoM	FY25 Actuals	FY26 Projected	YOY Growth Rate	FY25 As per TCP Order	FY6 As per TCP Order	FY26 Diff b/w TCP Order vs Projections
Domestic Traffic	Mn	36.04	40.86	13.37%	38.03	44.49	-3.63
International Traffic	Mn	5.83	7.30	25.13%	4.50	4.91	2.39
Total Traffic	**Mn**	**41.88**	**48.16**	**15.01%**	**42.53**	**49.40**	**-1.24**
Domestic ATMs	Nos	2,32,889	2,74,125	17.71%	2,86,000	3,23,000	-48,875
International ATMs	Nos	34,963	45,150	29.14%	29,000	32,000	13,150
Total ATMs	**Nos**	**2,67,852**	**3,19,275**	**19.20%**	**3,16,000**	**3,55,000**	**-35,725**
Domestic Cargo	MT	1,81,226	1,97,446	8.95%	2,04,000	2,26,000	-28,554
International Cargo	MT	3,21,284	3,39,711	5.74%	3,15,000	3,50,000	-10,289
Total Cargo	MT	**5,02,509**	**5,37,157**	**6.90%**	**5,19,000**	**5,76,000**	**-38,843**

4.4.22 The domestic traffic projection for FY 2025-26 has been developed after factoring in the following:

- Macro-economic conditions – It is expected that the economy will grow at 6.5% and hence we expect a steady growth in domestic traffic.
- Inputs from airlines including leading carrier groups such as Indigo, Air India group and Akasa which account for 90% of BIAL's domestic traffic in FY 2024-25.
- Apart from inputs from carriers, we have also factored into account our assessment of new aircraft deliveries projected by Indian carriers and considered the same into the traffic projection.

4.4.23 Based on the above, BIAL had estimated a domestic passenger traffic growth of 13.37% resulting in a domestic passenger estimate of 40.86 million in FY 2025-26 (3.63 million lower than AERA projection of 44.49 Mn). It is to be pointed out that the growth assumption was finalized in February 2025. Post that, there have been a number of major geopolitical events that have created uncertainty about anticipated growth:

1) Announcement by the US to levy tariffs on Indian exports to US from 9th July unless a trade deal is signed. This may result in a drop-in economic activity and hurt growth in the near term (even though we hope that this is a transient short-term issue and the countries are moving towards signing a trade deal).
2) Conflict between India and Pakistan.

The recent accident of a major carrier has renewed the focus on ensuring the highest standards of safety among airlines, aviation stakeholders and regulators. Due to enhanced focus, both of the leading airlines (i.e., Indigo and Air India Group) have reduced aircraft inventory through July to September to focus on pre-emptive maintenance. While we expect that this will not impact long term growth, in the short term, we expect passenger traffic to trail the budget.

In terms of Cargo ATMs, there is an increase of 6 flights per week by Freighters (AFCOM, SF Express / Challenger Air & Turkish Cargo). On Cargo tonnage, given the possibility of reduction in geopolitical tensions in FY 2025-26 & increasing demand for ocean freight, Cargo is expected to experience lower growth.

It is likely that in view of the above factors and situations the passenger traffic and cargo projections maybe impacted negatively and the actual numbers could be lower than the anticipated or projected traffic growth.

Transfer Passenger (Actuals) vs AERA TCP Order

4.4.24 BIAL had submitted its forecast of share of transit/ transfer passenger for the Third Control Period as given below:

Table 10: Percentage of transfer passenger as submitted by BIAL in the Third Control Period

% of Exempt Passengers	FY22	FY23	FY24	FY25	FY26
Domestic	13%	13%	13%	13%	13%
International	5%	5%	5%	5%	5%

4.4.25 The Authority had decided to true up the aeronautical revenues for the TCP based on actuals which will take into consideration the actual transfer/transit passengers at BIAL. As against the above, the actual transfer/transit for FY 2021-22 to FY 2024-25 are as given below:

Table 11: Actual Transfer/transit passengers for the Third Control Period

% of Exempt Passengers	FY22	FY23	FY24	FY25
Domestic	18.21%	16.46%	14.30%	14.63%
International	9.10%	7.24%	7.52%	9.48%

4.4.26 We request AERA to consider the actual transfer/transit passenger figures as given above for true up of aeronautical revenues for the Third Control Period.

4.5 True Up of Capital Expenditure, Depreciation and Regulatory Asset Base (RAB)

I. PAL-1 Capital Expenditure Program

A. Overview

4.5.1 BIAL has, since the commencement of Airport Operations, been ensuring that the right infrastructure required for the smooth and efficient operations of the airport has been put in place at the right time. During the First Control Period, BIAL had embarked on expanding its Terminal Area to accommodate the growing demand and a sustained increase in the Passengers. In the Second Control period, in order to cater to the growth in passenger traffic, BIAL had initiated a large capital expenditure program, of over Rs. 10,000 Crs. comprising of a second runway, second terminal and associated landside and connecting road network developments.

4.5.2 This capital expenditure program was designated as Planning Activity Level – 1 (PAL) program. PAL-1 related developments had commenced in Second Control Period and have got commissioned in the Second and Third Control Periods (on account of COVID-19 effect). Hence, decisions of the Authority of the Second Control Period have relevance and importance in the evaluation of completed costs and hence, establishing the linkage between the Second Control Period Order and the Third Control Period Order is essential and necessary.

4.5.3 The list of key projects under the PAL-1 capital expenditure program are as below:

Project 1 - Airfield Development

a. New South Airfield Development works

b. Aircraft Rescue and Fire Fighting
c. Aircraft Maintenance & Airport Maintenance

Project 2 – Terminal T2 and Associated projects

d. T2 Apron – Phase 1
e. Second Terminal – Phase 1
f. Forecourt roadways & Landside development – Phase I
g. Airport & Airlines Administration offices
h. Utilities

Project 3 – Existing airfield upgradation

i. Existing Runways/Taxiway Improvements

B. Second Control Period Tariff Order (Order No 18/ 2018-19 dated 31st August 2018)

4.5.4 Pursuant to BIAL's submission of capital expenditure in its MYTP for the Second Control Period, AERA had engaged RITES to evaluate the cost estimates submitted by BIAL. Further to RITES's report and AERA's evaluation, AERA had approved the PAL-1 related costs to be considered.

4.5.5 Key Decisions relating to capital expenditure included in the Second Control Period Order are as follows:

- *To consider capital expenditure as per Table 27 Para 9.6.12 above to compute Average RAB and return to be considered in determining ARR.*
- *To ask BIAL to submit detailed explanations and justifications should the cost incurred exceed 10% over the cost approved by the Consultant.*
- *To true up the capital expenditure on actuals at the time of determination of tariff for the next control period.*
- *To impose a penalty of 1% of the cost of Terminal-2 Phase 1, if BIAL fails to commission and capitalise Terminal-2 Phase 1 by March 2021. To not consider any additional Interest during construction (IDC)/ Financing allowance if the project is delayed beyond 31st March 2021.*

4.5.6 After the order was issued. AERA vide letter no. F. No. AERA/200 10/MYTP/BIALlCP-1I/201617/ V01-V dated 13th September 2018 clarified as given below.

"3. It is clarified that in case there is delay in completion of project beyond March 2021, due to any reason beyond the control of BIAL or its contracting agency and is properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for theThird Control Period in respect of IDC and PMC However, there will be no waiver of penalty in case Phase I of Terminal 2 project is delayed beyond 31st March 2021 under any circumstances."

<u>Specific matters pertaining to evaluation of PAL-1 Capital Expenditure in the Second Control Period</u>

a. Value Engineering and Reduction of cost submitted by BIAL

4.5.7 BIAL had appointed AECOM India Pvt. Ltd. to review and advise on value engineering with respect to the design of NSPR, taxiway, pavement, drainage works, terminal apron and associated infrastructure facilities. The value engineering goals and objectives focused on improving project schedule, improve constructability,

reducing costs, mitigating risks and achieving industry best practices. The AECOM report has recommended design changes for rigid and flexible pavement areas in cut and fill areas, Airfield Ground Lighting (AGL), NAVAIDS, drainage & grading. The anticipated saving from improvement in pavement design as per the AECOM report was estimated at Rs. 70.81 Crs.

4.5.8 Coupled with the above, BIAL undertook additional design optimization and together with its strong and robust procurement framework based on international competitive bidding, BIAL was able to achieve savings of Rs. 723 crores. The same is summarised in the letter submitted by BIAL dated 21st November 2017, (Refer Annexure 4), which was fully factored in by AERA at the time of approving the costs in Second Control Period Tariff Order.

"... BIAL wishes to inform AERA that BIAL has invited tenders for the New South Parallel Runway (NSPR) – including Pavement, T2 aprons, Remote Aprons and AGL. The financial proposals received through e-tendering were evaluated and Larsen & Toubro is the L1 bidder. The Lumpsum Contract Price including the associated works are estimated at INR 1428 crores excluding soft costs amounts (Design and Engineering, Contingency and Preoperative expenses). The costs for the NSPR as considered by BIAL in the Business Plan submitted was INR 2151 crores. These were cost estimates and ***cost savings to the extent of INR 723 crores*** *primarily on account of value engineering proposition as expected from the bidders which ensured that the short-listed contractors could bid at optimized cost levels. At the same time, we ensured that quality and specifications as required under the tender documents are safeguarded. BIAL will endeavor to work with the contracting partners to ensure value engineering proposition to arrive at optimal costs for Terminal T2 and allied projects as well..."*

b. Considerations relating to Pre-Operating Expenditure

4.5.9 BIAL had submitted an estimate of Rs. 281 Cr. towards pre-operating expenditure as part of its capital expenditure estimate for PAL-1 program. AERA had sought certificate from Chartered Accountant on the details of pre-operative expenses carried in books and sought confirmation that these costs were not considered as part of the expenditure debited to P&L account. *(Refer Para 9.2.10 of SCP Order)*. Based on the review of the estimates, the certificates provided therein and the need to have a dedicated Project Management Team, the AERA had considered an amount of Rs. 150 Cr. which will be trued up on commissioning of the project. Extracts of AERA's findings are captured below.

*"... **The Authority noted that there was a need to have an own Project Management Team when large scale capital expenditure projects are being executed**. The Authority urged BIAL to ensure that the costs relating to pre-operative expenses be optimally managed based on the requirements of the stated projects only. **As these costs were proposed to be incurred over the second control period, the Authority proposed to consider an amount of Rs. 150 crores towards the same, as against BIAL submission, for the purpose of estimating the costs and capitalisation for MYTP. The Authority would review and true up the same after the Projects are commissioned based on a study of the actual cost incurred and its reasonableness"** (Para 9.2.11)*

c. Additional GST cost considered

4.5.10 The Authority, in Consultation Paper had detailed its comments on GST. The Authority had noted that BIAL has submitted details on the additional cost on account of GST for which credit is not eligible. The Authority

accordingly decides to consider an additional 4% as tax cost on an estimate basis for the purpose of estimating the capitalization values on all line items of the approved capital expenditure detailed in Table 25 for the purpose of computation of permitted capital expenditure estimate. This will be trued up based on actual credit availment and capitalization. *(Para 9.6.6 of SCP order)*

d. Flexibility regarding actual capital expenditure

- ***The Authority noted that the actual cost of capital expenditure may vary till the Project is completed. The Authority also noted that the capitalisation/ addition to RAB would vary due to various factors such as the timing of expenditure, manner of funding etc****. The Authority therefore proposed to true up the cost based on actuals subject to a cap of 10% over the cost as per the Consultant approval for the Projects. (Para 9.2.24 of SCP Order)*
- *The Authority notes BIAL and certain other stakeholders' submission on the cap indicated by the Authority on the capital expenditure. The Authority notes IATA's comments to not permit any margin of change.* ***The Authority notes that there could be instances of changes to the costs beyond the control of the Airport Operator. The Authority notes that the cap indicated by it is a reasonable caution for not spending beyond the evaluated levels. Should there be a justified reason for costs being higher than the cap provided, the Authority notes that the same should be justified in detail by BIAL with suitable explanations and documentation for Authority's review.*** *(Para 9.6.10 of SCP Order)*

C. **Third Control Period**

4.5.11 Pursuant to issuance of Second Control Period tariff order, BIAL achieved Financial Closure and had awarded contracts for the 2 main packages – NSPR and Terminal-2 to M/s L&T based on a competitive tender. BIAL had completed and commissioned NSPR in December 2019 and construction activities for Terminal-2 were in full swing when COVID-19 pandemic hit India in March 2020.

Impact on COVID to PAL-1 construction

4.5.12 Due to Covid-19 pandemic from January 2020, the projects suffered various delays on account of material supplies, skilled workers and availability of required machinery on the job site. Also, due to lockdown restrictions imposed by the Government of India, the implementation of projects had slowed down leading to extension of the planned completion timeline. Consequently, the project completion timeline got extended to 31st December 2022.

4.5.13 BIAL had, as part of its MYTP for the Third Control Period, submitted an Impact Assessment report which details the Project status prior to COVID-19 lockdown, tasks accomplished and status of various milestones. Completion timelines were impacted due to Supply chain issues on imported long lead items, supply chain issues on local procurement, anticipated design changes, labour challenges and impact on construction. BIAL continued to drive the project and completed Terminal-2 commissioning by 31st December 2022.

4.5.14 Due to the outbreak of the COVID-19 pandemic and its subsequent impact on the aviation demand / economy, BIAL had also relooked into its AERA approved and planned capital expenditure Investments and steps were taken by BIAL to defer some of the AERA approved projects in the Second Control Period tariff order, as given below:

Table 12 : AERA approved projects in the Second Control Period deferred in MYTP of Third Control Period

(Rs. In crores)

S. No	Package	Amount
1	NSPR, Taxiways and Apron Development	55.56
2	T2 Apron – Phase 1	63.10
3	Aircraft Maintenance and Airport Maintenance	98.28
4	Airport and Airline Administration Building	61.18
5	Existing Runway and Taxiway Improvements	81.00
6	220 KV Substation	354.00
	Grand Total	**713.12**

Submission of updated Capital Expenditure estimates for PAL-1 Program made by BIAL in MYTP for Third Control Period

4.5.15 In the backdrop of COVID-19 pandemic, disruptions on the supply, challenges in execution etc. (without considering the impact of Second and Third wave of COVID-19 that had occurred subsequently), BIAL had updated the estimated cost of completion for PAL-1 capital expenditure program as Rs. 9,183 Crs. and submitted the same for AERA's consideration.

Reconciliation between PAL-1 approved cost in Second Control Period Tariff Order and BIAL's submission in Third Control Period MYTP

4.5.16 A reconciliation of the same from the Second Control Period Tariff Order is detailed below:

a. The Authority approved a total infra cost of Rs. 9,307 Crore as per Table 27 of Order 18/2018-19. The approved total infra cost of Rs. 9,307 Crore includes special repairs & refresh capex, sustaining capex, special projects like Terminal refurbishment & Forecourts and Expansion projects that were estimated to be capitalized by end of Second Control Period (FY 2020-21). The Expansion projects cost estimates submitted by BIAL & reviewed by RITES includes certain projects capitalized in FY 2021-22 (beyond Second Control Period) and the same was not covered in Table 27 of Order 18/2018-19, however these details are covered in Table 25 of Order 18/2018-19 by the Authority.

b. The approved capex cost of Rs. 9,307 was a derivative of Table 25 and the same is detailed below:

Table 13 : Reconciliation of Table 25 with Table 27 of AERA Order No. 18/ 2018-19

(Rs in Crores)

Sl. No.	Particulars	Amount	Remarks
1	Expansion projects approved basis RITES report and savings submitted by BIAL	8,167	Refer Table 25 Para 9.2.13 of Order 18 / 2018-19
2	GST @ 4% included in the Project cost	327	Refer Para 9.6.6 of Order 18 / 2018-19
	Total Expansion project cost including GST	**8,493**	
3	Sustaining capex – I & II, Terminal refurbishment & Forecourts	310	Refer Table 27 Para 9.6.12 of Order 18 / 2018-19
4	Special repairs & refresh capex	1,219	Refer Table 27 Para 9.6.12 of Order 18 / 2018-19
	Total cost	**10,023**	
5	Expansion projects excluded in Table 27 of Order 18/2018-19 as the same is	715	These are Expansion projects approved by AERA basis RITES report and savings submitted by BIAL

Sl. No.	Particulars	Amount	Remarks
	getting capitalized after Second Control Period		that is forming part of Table 25 Para 9.2.13 of Order 18 / 2018-19
	Total Capex cost approved by AERA	**9,307**	**Refer Table 27 Para 9.6.12 of Order 18 / 2018-19**

4.5.17 BIAL has carried out a detailed evaluation of the cost estimated at completion against each of the projects. Reworked approved cost was computed considering the following:

- Approved Cost as per AERA was taken after considering the apportionment of site preliminaries and adding the 4% GST cost (Refer Para 9.6.6 of Order 18/ 2018-19) and 3% of contingencies to arrive at the revised approved cost for comparison.
- BIAL had evaluated the list of Projects and certain projects were not considered / deferred.
- Accordingly, the net approved cost for Second Control Period is given in table below.

Table 14: Adjusted AERA approved cost after excluding deferred projects

(Rs in Crores)

Project	Amount approved (Table 25 of order of CP2)	Amount approved after apportioning site preliminaries	Amount approved with 4% GST as per Para 9.6.6 of Order 18/2018-19	Revised approved amount after apportioning Contingency 3% for all projects	Projects not considered for execution (with 4% Tax Adjustment & 3% Contingency)	Adjusted AERA approved cost
	A	B	C = B*1.04	D	E	F = D-E
New south airfield development works	1,910	1,929	2,006	2,066	-56	2,011
T2 Apron 1	414	418	435	448	-63	385
Second Terminal Phase 1	3,334	3,367	3,502	3,607	-	3,607
Forecourts, roadways and landside development	1,124	1,135	1,181	1,216	-	1,216
Aircraft maintenance and Airport maintenance	130	131	137	141	-98	42
Rescue and Fire Fighting	7	7	7	7	-	7
Airport and Administration offices	57	58	60	62	-61	0
Utilities Phase 1	98	99	103	106	-	106
Existing Runway, Taxiway improvements	275	278	289	298	-	298
Site Preliminaries	72	-	-	-	-	-
Sub-Total	**7,423**	**7,423**	**7,720**	**7,951**	**-278**	**7,673**
Design/ PMC 5%	371	371	386	386	-	386
Contingency 3%	222	223	232	-	-	-

Project	Amount approved (Table 25 of order of CP2)	Amount approved after apportioning site preliminaries	Amount approved with 4% GST as per Para 9.6.6 of Order 18/2018-19	Revised approved amount after apportioning Contingency 3% for all projects	Projects not considered for execution (with 4% Tax Adjustment & 3% Contingency)	Adjusted AERA approved cost
	A	B	C = B*1.04	D	E	F = D-E
Add: Pre-Operating Expenses	150	150	156	156	-	156
Sub-Total	**8,167**	**8,167**	**8,493**	**8,493**	**-278**	**8,215**

4.5.18 Based on the above, the estimated completed costs for the projects approved in the Second Control Period were as follows:

Table 15: Comparison of Adjusted AERA Approved Amount with estimated Completed Costs

(Rs in Crores)

Project	Adjusted AERA approved cost	Estimated Completed Costs	Difference (Under)/ Over-run
New south airfield development works	2,011	1,980	-30
T2 Apron 1	385	428	43
Second Terminal Phase 1	3,607	3,566	-41
Forecourts, roadways and landside development	1,216	1,875	659
Aircraft maintenance and Airport maintenance	42	41	-1
Rescue and Fire Fighting	7	7	-
Utilities Phase 1	106	104	-2
Existing Runway, Taxiway improvements	298	217	-81
Sub-Total	**7,673**	**8,218**	**545**
Design	386	354	176
PMC		208	
Add: Pre-Operating Expenses	156	356	200
ORAT	-	46	46
Total	**8,215**	**9,183**	**968**

4.5.19 BIAL has also submitted:

a) Details and justification of Program-wise cost increases as compared to the SCP Tariff Order.

b) Detailed Soft cost benchmarking analysis, highlighting comparing the technical aspects of PAL-1 capital expenditure program vis a vis the select 5 AAI Airports relied upon by AERA/ RITES and justification of the estimated design and PMC Cost considered by BIAL in its EAC estimate.

c) A detailed note on the soft costs – design, PMC and pre-operative expenditure together with the explanatory note on the roles performed by the Project Management Consultant and BIAL's Project Team.

Findings/ Decisions in Third Control period Order

Hard Cost

4.5.20 BIAL has submitted detailed explanations for the changes in costs in its MYTP submissions. It is to be noted that AERA has:

- Reviewed the detailed estimates for all changes to the hard cost items and accepted the same. No adjustments were made by AERA except for:

  A) Reduction of Rs. 20 Crs. for additional transport cost incurred for movement of materials in the absence of availability of tunnel.

  B) Decision to consider certain costs such as Metro enabling works and the Baggage Sortation area once the related works are put to use.

  C) Incorrectly adjusting certain items of capital expenditure that will be incurred further in the Third Control Period.

Soft cost

4.5.21 Considered design and PMC at the same 5% of hard cost as detailed in RITES Report. AERA has not included any review/ analysis / findings on the actual soft costs incurred/ estimates submitted by BIAL, review of the benchmarking report submitted by BIAL etc. in its Order for Third Control Period.

4.5.22 Introduced the concept of overall aggregate cap for pre-operative expenditure for the PAL-1 program, (for projects capitalised in SCP and TCP) by adopting the ad hoc value of Rs. 156 Crores mentioned in the SCP Order. AERA has not included any review/ analysis / findings on the pre-operative costs incurred/ estimates submitted by BIAL.

Key Decisions included in Third Control Period Order

5.6.2 To include the pre-operative expenses of INR 62.39 cr. for the deferred projects of the Second Control Period in the RAB of Third Control Period such that the total pre-operative expenses for the Second Control Period projects are capped at INR 156 cr. To true-up the pre-operative expenses for the capital expenditure projects deferred from the Second Control Period to the Third Control Period after the projects are commissioned based on the review of the actual cost incurred and its reasonableness.

5.6.6 To true-up the total asset addition, asset allocation and the aeronautical asset addition for the Third Control Period based on the actual asset addition undertaken in the next control period and subject to its reasonableness.

Letter submitted to AERA with respect to findings on PAL-1 cost and AERA's response

4.5.23 Further to the issuance of the Third Control Period Tariff Order, BIAL has submitted a letter to AERA requesting them to address certain issues and discrepancies noted by it. AERA responded to the said letter on 11th November 2021.

4.5.24 Extracts from AERA's letter relating to capital expenditure for PAL-1 are detailed below:

Table 16: Extracts from AERA's letter relating to capital expenditure for PAL-1

Sl. No	Issue	BIAL's query	Authority's response
1	Design and PMC cost	5.5.18 The Authority has noted BIAL's request to consider the design and PMC cost as per its justification provided in the true-up of the second control period. the Authority in the	Based on its Decision at para 6a.iii of the Second Control Period Order of BIAL and para 5.2.41 of the Consultation Paper no.10/2021-22 of BIAL for the Third Control

Sl. No	Issue	BIAL's query	Authority's response
		true-up of the Second Control Period had decided to allow design and PMC cost as 5% of the project cost based on the independent consultant's study. In line with the decision for the true-up of the Second Control Period, the Authority decides to consider the Design and PMC cost as 5% of the project cost for the Third Control Period. Please confirm that the said costs will be reviewed and trued up to actuals in the next control period in line with the decision provided as below in Decision 5.6.6. 5.6.6 To true-up the total asset addition, asset allocation and the aeronautical asset addition for the third control period based on the actual asset addition undertaken in the next control period and subject to its reasonableness.	Period (TCP), the Authority clarifies that it will review and true-up the design and PMC costs after the project is commissioned and subject to its reasonableness
2	Pre-operative expenses	**Decision 5.6.2 states as:** 5.6.2 To include the pre-operative expenses of INR 62.39 cr. for the deferred projects of the Second Control Period in the RAB of Third Control Period such that the total preoperative expenses for the Second Control Period projects is capped at INR 156 cr. To true-up the pre-operative expenses for the capital expenditure projects deferred from the Second Control Period to the Third Control Period after the projects are commissioned based on the review of the actual cost incurred and its reasonableness. Please confirm that the said costs will be reviewed and trued up to actuals in the next control period in line with Decision 5.6.6 as listed above	Decision no. 5.6.2 of the tariff Order of the Third Control Period is clear and no further clarification in this regard is required
3	Interest during Construction	While BIAL reiterates its claim for financing allowance, please confirm that in the alternate, as per AERA's principles, the Interest During construction will be trued up based on actuals, after incurrence in line with Decision in 5.6.6 as listed above.	Decision No. 5.6.6 of the Tariff Order of Third Control Period is clear and no further clarification in this regard is required.
6	Regulatory Asset base, Depreciation (Inp, Cpx, R)	RAB additions for Third Control Period had errors in the form of	The Authority's response to BIAL's submission on RAB additions is as below: a) and b) The Authority has considered that all the projects for the second control period

Sl. No	Issue	BIAL's query	Authority's response
		a) Rs. 4 crores balance under Runway Project has not been considered. Reasons have not been explained in CP and in Order. b) Rs. 40 crores has been under-provided for Existing Runway/ Taxiway improvements. These relate to works for which commitments have been made and works are underway. Reasons have not been explained in CP and in Order. c)Incorrect disallowance of capital cost of underpass of Rs. 15.78 crores that was capitalized in FY 2020-21, clubbing the same together with Eastern Connectivity Tunnel - ECT of Rs. 85.48 crores has been adjusted twice from RAB - once from FY 2020-21 additions and also being reduced from balance. RAB addition in the Third Control Period: d)Incorrect adjustment of Rs. 14.39 Crores of frontend fee paid from RAB. e) Sustaining capital expenditure includes special repairs and minor projects. The value for FY 2020-21 was incorrectly taken as Rs. 102.38 crores instead of the actual spend of Rs. 287 crores. This has resulted in incorrect estimation of sustaining capital expenditure for the third control period. f) Pre-operative expenses and IDC for an additional 9 months (on account of shift in T2 completion date) have not been factored into.	except for Second Terminal — Phase I, T2 Apron, South Runway - Phase II, Forecourt, roadways & landside development - Phase 1b, Aircraft Maintenance & Airport Maintenance Facilities and Utilities have been completed in FY2020-21 and therefore, the Authority has not carried forward their costs in the Third Control Period. As per decision no. 5.6.6, the Authority will true-up the capital expenditure for the Third Control Period based on actual asset addition and subject to its reasonableness. Accordingly, the Authority will review BIAL's submission for the Runway project and Existing Runway Taxiway Improvement works during the next control period. c) In regard to the ECT, the Authority noted that BIAL, vide its email dated 10th August 2021, had submitted the fixed asset register with a single entry of INR 101.26 cr. (asset number 570000024) for 'Connectivity work underneath P and Q taxiways' which refers to the ECT. Accordingly, the Authority has considered the entire amount of INR 101.26 cr. as ECT works as per the FAR submission of BIAL. Therefore, the Authority's consideration of the ECT cost is based on BIAL's submission. d) BIAL's query is not clear and therefore, the Authority cannot respond to it. e) In regard to the sustaining capex for FY 2020-21, the Authority clarifies that the express cargo and ECT projects cost cannot form part of the sustaining capital expenditure. Accordingly, the Authority has excluded these from the sustaining capital expenditure of FY 2020-21 and computed the sustaining capex for the Third Control Period.

D. True up of PAL-1 Completed Costs

D.1 Overview of actual cost incurred

4.5.25 BIAL has ensured that all costs committed by BIAL are in compliance of robust procurement policies and are governed by the Board of BIAL where the Chief Secretary of the Government of Karnataka is the Chairman of the Board. Further, there are no related party transactions in the hard costs incurred by BIAL.

4.5.26 An overview of the PAL-1 Actuals costs and its comparison to the submission made in TCP and AERA approved numbers is as given below:

Table 17: Comparison of actual costs with the TCP submission and AERA approved numbers

(Rs in Crores)

Program	MYTP 3CP	AERA (TCP Order)	Capitalised SCP	Capitalised TCP	TOTAL#
New south airfield development works	1,980	1,976	1,521	432	1,954
T2 Apron 1	428	407	164	174	338
Second Terminal Phase 1	3,566	3,566	-	3,812	3,812
Forecourts, roadways and landside development	1,875	1,802	98	1,780	1,878
Aircraft maintenance and Airport maintenance	41	41	-	42	42
Rescue and Fire Fighting	7	-	5	1	6
Utilities	104	104	49	51	99
Existing Runway, Taxiway improvements	217	177	177	66	243
SUB TOTAL – HARD COST	**8,218**	**8,073**	**2,014**	**6,358**	**8,372**
Design & PMC	562	404	63	487	551
Pre-Op incl. ORAT	402	202	89	295	384
SUB TOTAL	**964**	**606**	**152**	**783**	**935**
GRAND TOTAL	**9,182**	**8,679**	**2,166***	**7,141**	**9,308**
Adjustments to be included based on AERA letter * (See Table below)		**51**			
		8730			
Increase / Decrease in Hard Cost - MYTP submission vis a vis Completed cost					**1.88%**
Increase / Decrease in Soft Cost - MYTP submission vis a vis Completed cost					**-2.98%**

 # Excludes Rs. 5 Cr. under Capital Work in Progress and Rs. 16 Cr. of Open Purchase Orders under execution.

**As part SCP, a amount of Rs. 2,265.20 crores was considered as capitalization against PAL-1 projects which erroneously included ECT of Rs. 99.16 crores. Amounts given herein are the updated values for SCP after adjusting the same and other reclassifications. CA certificate for the same has been enclosed as Annexure 5.*

Table 18: Summary of changes between BIAL Submission of Hard Cost and AERA considered values

(Rs in Crores)

Summary of changes between BIAL Submission of hard cost and AERA considered values	
Hard cost as per AERA	8073
Reduction in estimate of NSPR (No details given) *	4
Rescue and Fire Fighting not considered *	7
Balance cost in Existing Runway Taxiway not considered *	40
Sub-Total (Incorrect adjustment, to be added back)	**51**
Sub-Total	8124
Disallowance of cost due to longer route taken #	20
Metro Enabling work and Baggage sorting not considered for capitalisation in MMTH	73

Summary of changes between BIAL Submission of hard cost and AERA considered values	
Total as submitted by BIAL	8218

** As per BIAL communications with AERA certain costs were not considered. Refer para 4.5.24.*

 # While the cost estimated and accounted towards longer route taken to transfer materials was Rs. 20 Crores, the final settled value with the Contractor is Rs. 8.25 Crs only

D.2 Analysis of Cost increase compared to TCP MYTP submissions

Hard Cost

4.5.27 It is noted that the increase in hard cost is below 2% (See Para 4.5.26) from the submissions made by BIAL in the Third control period – an increase of approx. 140 crores on a total project value of Rs. 8,218 crores. The increase overall is very marginal, given the size, scale and complexity of the PAL-1 Program. AERA has also, in its analysis in the Second Control period Order noted that projects are bound to have an overrun and asked for detailed justification if it crosses 10% of the planned costs.

4.5.28 Within the overall cost increase, notable increases are in:

- Terminal 2 – An increase of ~ 7% over the estimated cost of Rs. 3,566 Crs. These increases are on account of:

  a) COVID related costs paid to L&T **(Rs. 99.72 crores**) and royalty payment to the Government of Karnataka**(Rs. 7.57 crores)**

  b) Additional activities carried out in terms of Solar Rooftop, Digi Yatra and such other initiatives **(Rs. 110.63 crores)** including modifications to certain existing infrastructure **(amounting to Rs. 30.33 crores)** which were not factored in during Third Control Period MYTP submissions.
  A detailed note of the cost increases is included as Annexure 6.

  Further, it may be noted that the approved cost towards Terminal-2 works was Rs. 3,607 Crs by AERA as per RITES Report (See Para 4.5.17 above) BIAL had estimated it downwards by Rs. 41 Cr. to Rs. 3,566 Cr. in its MYTP for the Third Control Period. Reinstating the cost approved by AERA in second control period of Rs. 3,607 Crs, the difference is only Rs 205 Cr.

- Runway, Taxiway Improvements – An increase of approx. Rs. 26 crores over the estimated value of Rs. 217 Crores. These are on account of:

Table 19: Summary of projects resulting in increase in cost of runway, taxiway improvement

(Rs in Crores)

Key Projects	Amount
Additional claims by AIC	12.34
Automatic Irrigation System	11.55
Relocation of DVOR/DME	1.85
Total	**25.74**

4.5.29 A detailed note of the cost increases in Existing Runway Improvements is included as Annexure 6. Considering the above, BIAL requests that the actual hard costs incurred by BIAL be trued up by AERA. BIAL's procurement policy is enclosed as Annexure 7

Soft Costs

4.5.30 RITES was appointed by AERA to opine on the reasonableness of the capital expenditure proposed by BIAL and in this regard, RITES submitted its evaluation report in January 2018, comparing BIAL's hard costs and soft costs (design and PMC Costs) against other airport projects in the country, in order to determine the reasonableness of costs.

4.5.31 Part of the evaluation included a comparison of the soft costs associated with the BIAL capex program against other AAI airport developments to determine a benchmark for reasonable soft costs. The AAI comparator airports that were used by RITES were:

- Jaipur International Airport, Rajasthan (JAI)
- Chennai International Airport, Tamil Nadu (MAA)
- Lokapriya Gopinath Bordoloi International Airport, Guwahati, Assam (GAU)
- Tiruchirappalli International Airport, Trichy, Tamil Nadu (TRZ)
- Chaudhary Charan Singh Airport, Lucknow, Uttar Pradesh (LKO)

4.5.32 Upon comparing the projects undertaken by each of the above-mentioned airports vis-à-vis BIAL, there is a noted difference in the scale of work performed in each project. This is specifically noted in terms of total terminal area, the scale of check-in counters, scope of landside works, and overall airside work. From the list above, it is noted that with the exception of the BIAL expansion project, none of the other projects compared in RITES included a new runway or similar scale of airside works. Key differences noted by project parameters are as below:

Table 20: Summary of Facilities in Airports chosen for benchmarking

Parameter	BLR – T2	JAI	MAA	GAU	TRZ	LKO
Airside	• New 4 Km CAT IIIB Runway • Aerodrome Reference Code F runway • Crossfield Parallel Taxiway • Additional 39 remote parking stands • Additional 14 contact stands • ARFF building • AMB Building	• Runway expansion from 9,174 ft to 11,500 ft • CAT II Lighting systems and CAT II ILS for Code E Aircraft	• Strengthening of TWY's • Construction of two TWY's • Addition of RET's	• Extension of RWY for Code E • Construction of Parallel TWY	• Apron for 10 Code C stands • AGL and Perimeter Lighting • New ATC (Air Traffic Control) Tower cum technical block • Isolation bay with link taxi track	• Parallel Taxi Track • Extension of Isolation Bay • 8 remote stands for Code C aircraft
Landside	• Development of ten-lane road expansion from highway to terminal • Additional development of a new six-lane road	• Development of four-lane vehicular road from Terminal Building / Car parking	• Multilevel car park with all amenities for at least 2000 cars and surface	• Development of four-lane vehicular road from Terminal Building /	• New 4 lane approach road • Car parking of Multi-Level Car Parking type (750 cars, Taxi-250	• Development of four-lane vehicular road from Terminal Building / Car parking

Parameter	BLR – T2	JAI	MAA	GAU	TRZ	LKO
	• Multi-Modal Transit Hub with retail, parking, and metro connection	• Multilevel car park for at least 2,000 cars and surface parking for VIP cars & 10 buses	parking for VIP cars & 10 buses	Car parking • Multilevel car park with all amenities for at least 1500 cars and surface parking for VIP cars & 10 buses	cars and bus parking-10 no's)	• Multilevel car park for at least 1500 cars and surface parking for VIP cars & 10 buses
Terminal	• New terminal of 255,000 m2	• Total expansion of 102,500 m2 of terminal area	• It has 168,800 m2 of Terminal area overall	• Overall Terminal area is 16,668 m2	• Terminal expansion area of 60,723 m2	• Terminal expansion of 100,000 m2
	• Consist of Central Utility Plant • It has both International and Domestic Departure • 95 Check-in / boarding stations CUPPS & CUSS • 9 baggage carousels • E-gates	• Sub-station, A/C plant room and related service facilities • It has both International and Domestic Departure	• It has both International and Domestic Departure • This airport has 104 check-in counters	• Sub-station, A/C plant room and related service facilities • It has both International and Domestic Departure • The check-in counters are 24	• It has both International and Domestic Departure • The check-in counters is 20	• It has both International and Domestic Departure

Airside

- Only the BIAL expansion project has a new runway (CAT 3-B enabled) and significantly more taxiways than the next closest project.
- Number of aircraft parking stands on BIAL is over 5x the size of the next closest project (BLR – 53 stands, TRZ – 10 stands)
- The AGL systems are most stringent on the BIAL project (CATIIIB / Code F) than any other projects.

Landside

- The size of the landscape of work is significantly larger on BIAL project than others. BIAL has a 10-lane road and the next largest development has only a 4-lane road.

- AAI projects have a multi-level car park, while BIAL project has a multi-model transit hub which includes metro rail, retail, and parking. Substantially higher interfaces and complexities.

Terminal

- BIAL terminal project is over 50% larger than the next biggest terminal project (BLR – 255,000 m2 vs. 168,800).
- Architectural features within the terminal area are very unique elements for each project
- The structural steel design, façade systems and design of roofing with skylights (percentage of entire roof) are a few listed challenges in BIAL which are significantly more complex than the other terminal projects.

4.5.33 It is worth noting that further to the individual comparisons of specific project elements, none of the AAI Airports used for comparison in the RITES report match the overall development complexity of the BIAL project. In looking at the scales of the work performed and the timelines to complete, the relevancy of the other AAI projects compared to the BIAL project in the RITES report does not appear to be an apt comparison.

4.5.34 For any benchmarking study, key parameters have to be identified in order to provide a comparison of similar projects. The RITES report does not compare similar projects and does not list the parameters that can be used for benchmarking.

4.5.35 BIAL has made careful estimation of the design, PMC and pre-operative expenses as part of its submissions in the Second Control period and Third Control period. The actual cost incurred by BIAL is less than the projections submitted. This indicates robustness and detailed bottom-up projections made by BIAL as part of its submissions.

4.5.36 BIAL had submitted in response to the Consultation Paper issued for the Third Control Period that it has estimated costs based on the completion date of 31st March 2022. However, as part of its response to the Consultation Paper, BIAL has requested that the completion date of Terminal-2 and other works be considered as 31st December 2022 considering COVID impact etc. With respect to soft costs, BIAL had submitted as follows:

Based on the feedback given by AERA during the Stakeholder consultation meeting, considering the impact of the second wave of Covid-19 pandemic (not factored during the MYTP submissions) and the forecasted potential third wave, BIAL has re-evaluated the Project Progress and the balance activities required to complete and commission the same. Based on this re-evaluation, BIAL proposes the date of completion to be 31st December 2022. BIAL also requests the Authority to true up any consequential cost increases due to shifting the date from 31st March 2022 to 31st December 2022 as part of the True up in the fourth control period.

AERA has noted that "Based on its Decision at Para 6a.iii of the Second Control Period Order of BIAL and para 5.2.41 of the Consultation Paper no. 10/2021-22 of BIAL for the Third Control Period (TCP), the Authority clarifies that it will review and true-up the design and PMC cost after the project is commissioned and subject to its reasonableness.

4.5.37 Considering a 9-month extension and a cost of approx. Rs. 3 Crs. per month, the expected increase is ~ Rs. 27 Crs. whereas there is no increase in soft cost. This is a testament to the measures and efforts taken by BIAL in managing and avoiding all avoidable costs.

D2. Completed cost versus AERA approved numbers

a. Hard Costs

4.5.38 As detailed in Para 4.5.26, AERA has considered a hard cost estimate of Rs. 8,073 Cr. as compared to the estimate of Rs. 8,218 Cr. submitted by BIAL. This is due to

- Incorrect adjustments made of Rs. 51 Crs. as detailed above in Para 4.5.26.
- Not considering Rs. 20 Crs. incurred for the route taken for movement of materials.
- Not considering Baggage Sort Area and Metro Enabling works as part of additions to RAB pending commissioning of Metro Station.

In respect of the above, BIAL submits that:

a) Adjustment of Rs. 51 Crs. from estimate is incorrect as submitted by BIAL vide its letters (Refer Para 4.5.26 and acknowledged by AERA)

b) BIAL has appealed against AERA's decision to adjust Rs. 20 Crs. for route taken for movement of materials. Further to the issuance of Tariff orders, BIAL has re-negotiated the amounts payable and subsequently, the amount payable against the above is Rs 8.25 Crs. BIAL requests AERA to consider the same.

c) BIAL has appealed against AERA's decision to not consider Metro works from in the year of commissioning. As these are activities that are required to be completed as part of MMTH commissioning, BIAL requests AERA to consider the actual cost incurred towards Metro enabling works as part of RAB along with carrying cost.

d) BIAL proposes to commission the usage of Baggage Storage area in Fourth Control Period and accordingly requests AERA to consider the actual cost incurred as an addition to RAB, together with carrying cost on the same in the Fourth Control Period.

Further, it may be noted that the approved cost towards Terminal-2 works was Rs. 3,607 Crs by AERA as per RITES Report. BIAL had estimated it downwards by Rs. 41 Crs. to Rs. 3,566 Crs. in its MYTP for the Third Control Period. Reinstating the cost approved by AERA in second control period of Rs. 3,607 Crs, the difference with the final cost incurred on Terminal -2 is Rs 205 Crs.

Considering the above, BIAL requests AERA to consider the actual cost incurred by BIAL for true up.

b. Soft costs

4.5.39 Further, BIAL has also undertaken a study by Engineers India Limited (EIL) in 2023, to evaluate the soft costs committed/ incurred by BIAL. The study by EIL involved evaluating the airports who can be considered as a benchmark, comparison of the ratio of soft cost to hard cost etc. The study concludes that the costs incurred by BIAL are in line with the general norms compared to comparable airport operators. The Study report is enclosed as Annexure 8 and key findings from the report are reproduced below:

EIL Scope of work

- Compare and comment on the approach adopted by BIAL vis-a-vis other Indian airport operators like Delhi, Mumbai, Hyderabad and Chennai regarding the scope and coverage of design activities for various facilities undertaken prior to award of Construction contracts for the proposed facilities.
- The comparison and analysis shall also focus on the aspect of Conceptual Design/Schematic Design/Detailed Design approach adopted in the above-mentioned Airports, prior to award of construction contracts.
- Considering the Master Plan and envisaged infrastructure facilities, validate the scope of work awarded by BIAL for Design and PMC services, in terms of comprehensiveness of coverage & adequacy.
- Provide independent estimation of costs for Design and PMC services, based on the scope of work as validated above, for the Expansion Project.
- Pre-operative Expenses
    - Evaluate the need to have a dedicated project implementation team, in addition to Design & PMC consultants already appointed by BIAL.
    - Assess the adequacy of BIAL's dedicated Project implementation team considering the scope of work involved in the implementation of Expansion Project and the services provided by Design & PMC consultants.
- Detailed analysis and comparison on the scope of work involved for BIAL's expansion project visa-vis expansion facilities created in select AAI airports, in terms of scale of projects, complexity in design and construction, number of projects involved etc.

Comparable Projects were shortlisted into 2 categories

Category-1: Similar PPP based Airport projects based on the extent of Expansion

1. DIAL-Terminal 3 and associated developments completed in 2010
2. MIAL-Terminal 2 and associated developments completed in 2014
3. Hyderabad Airport Expansion works

Catergory-2: Expansion projects of AAI Airports referred to in RITES report

1. Chennai Airport Expansion project – Phase 2
2. Jaipur International Airport
3. Chaudhary Charan Singh Airport, Lucknow
4. Tiruchirapalli International Airport, Trichy
5. Lokapriya Gopinath Bordoloi International Airport, Guwahati

Table 21: EIL analysis of AAI comparable airports (Category 2)

S. No.	Head/ Category/ Field	BIAL Expansion	Chennai Expansion	Lucknow Airport	Jaipur Airport	Trichy Airport	Guwahati Airport
1	Overall Project Cost (approx. in crores)	9,183	1,680	1,645	1,300	1,035	1,450

S. No.	Head/ Category/ Field	BIAL Expansion	Chennai Expansion	Lucknow Airport	Jaipur Airport	Trichy Airport	Guwahati Airport
2	Extent of Expansion (in mppa)	25	7	12	12.5	3.63	8
3	Terminal Building (sqm)	2,50,000	1,36,295	1,13,000	1,25,000	73,535	90,000
4	Extent of Airside Development Works	Runway, Taxiway, Apron	Runway and Taxiway extension	Parallel Taxiway, Apron	Parallel Taxiway, Apron	Parallel Taxiway, Apron	Runway Extension and strengthening, Parallel Taxiway, Apron
5	Extent of Landside Development Works	Approach road, MMTH	-	Approach road	Approach road	Approach road	Approach road
6	Construction in Running Airport	Yes	Yes	Yes	Yes	Not much	Not much
7	Landside Modifications	Yes	Not much	Yes	Yes	Not much	Not much

Rationale for exclusion of all AAI Projects

- Project cost of the 5 Airports is not even 20% of that of BIAL expansion project.
- The amount and scope of work relating to the airside and cityside development for any of the 5 airport expansion projects does not match that of BIAL expansion project.
- The proposed terminal building and its area are not comparable to any of the 5 projects except Chennai airport expansion.
- None of the 5 stated projects are near the overall project cost, complexities and the challenges which were faced during the BIAL expansion project.

4.5.40 It is very evident from the above table that the project cost of the 5 projects is not even 20% of that of BIAL expansion project. The complexity and scope of work relating to the airside and cityside development in BIAL expansion project is much more than any of the 5 airport expansion projects compared by RITES/Authority. Also, the proposed terminal building and its area is much larger and complex and is not comparable to any of the 5 projects except Chennai airport expansion.

4.5.41 It can be clearly understood from the above comparative that none of the 5 stated projects are anywhere close to the overall project scope, project cost, complexities and the construction challenges posed in the BIAL expansion project. The same are thus excluded from the list of comparable projects in terms of scale, complexities and challenges.

EIL Analysis of "Comparable Airports"

Rationale used for Category 1

a) Major Scope of works:

i. Projects at major airports in India (>10 MPPA)
ii. Projects must be carried out within an operating airport (i.e. not Greenfield airport projects)

iii. The terminal expansion must be at minimum addition of either:
- 1,50,000m^2 Gross Floor Area (GFA) or 10 MPPA capacity

b) Complexity of Development

i. Live operating environment of construction in an operational airport
ii. Extent of Landside Interaction – New areas as and when developed have to be made accessible for use. Where terminal expansions have taken place, considerations are to be made for the surrounding access and impact on the existing airport's passenger flow is to be minimized.
iii. Temporary Emplacements – Non-permanent facilities are required to re-provision temporarily lost services, adding to the overall complexity of the development.
iv. Utilities Impact – Alterations to existing, or expansions to new areas require utilities to serve both passengers and airlines within these facilities.
v. Apron/ Taxiway Works – Complexity in this area may coincide with an airport's airside spatial constraints.

Table 22: Comparison of BIAL expansions with DIAL/ MIAL Expansions

S.No.	Head/ Category/ Field	BIAL Expansion	DIAL Expansion
1	Overall Project Cost (in crores)	9,183	10,657
2	Extent of Expansion in (MPPA)	25	34
3	Terminal Building (sqm)	2,50,000	5,02,000
4	Extent of Airside development works	Runway, Taxiway, Apron	Runway, Taxiway, Apron
5	Extent of landside development works	Approach road, MMTH	Approach road, MLCP
7	Construction in Running airport	Yes	Yes
8	Landside access modifications	Yes	Yes

S.No.	Head/ Category/ Field	BIAL Expansion	MIAL Expansion
1	Overall Project Cost (in crores)	9,183	9,245
2	Extent of Expansion in (MPPA)	25	40
3	Terminal Building (sqm)	2,50.000	4,53,000
4	Extent Of Airside development works	Runway, Taxiway, Apron	Runway upgradation Taxiway, Apron
5	Extent of landside development works	Approach road, MMTH	Approach road, MLCP
7	Construction in Running airport	Yes	Yes
8	Landside access modifications	Yes	Yes

4.5.42 In Category 1 – DIAL and MIAL are included, HIAL has been excluded. HIAL Project cost is only 20% of BIAL with little airside intervention and complexities around Terminal building only.

Comparison of Design scope across shortlisted airports - Summary of findings – Design Scope and extent

4.5.43 Among the 3 major airports - Delhi, Mumbai and Bangalore, BIAL alone has done Detailed Design prior to award of EPC contracts and involved the international consultant right till the end of construction period including the fact that all the deliverables which were developed by the local architects/ consultants were also reviewed and approved by the international consultant before the same were issued for execution at the site.

4.5.44 The Study report clearly identifies that the Scope of Services of the Lead International Architect in case of BIAL was up to the final stages of the design and execution of the project. This approach provided BIAL with an advantage in terms of reduced change orders and much more efficient costs quoted by the Design Build contractor. However, this approach resulted in in higher design costs paid to the lead design consultants. It may be noted that the benefits of an efficient cost discovery for the construction compensated for much more than the slightly increased design consultant costs.

4.5.45 In the case of DIAL T 3 and MIAL T2 expansion projects, the international consultant's role was mostly limited to Concept and Schematic design, with most detailed design tasks (Architecture, structure, MEP, interiors) handled by the EPC/ DBC Contractor and paid as a percentage of design fees. In contrast to the above approach, in the case of BIAL, most of these responsibilities like detailed architectural design, structure and MEP design, interior design etc. were assigned to the international consultants, reducing these costs from the EPC capital contract, resulting in EPC cost savings.

4.5.46 A comparison of the scope of services of design consultant is given below:

Table 23: Comparison of scope of services of design consultant

S.No.	Scope of Services of the International Consultant	BIAL	MIAL	DIAL
1	**Concept Design**			
1 . 1	Concept Architectural Design & Documentation	R	R	R
1 .2	Concept Structural Design	R	R	R
1 .3	Concept Design of HVAC systems	R	R	R
1 .4	Concept Design of Electrical systems	R	R	R
1 .5	Concept Design of Plumbing & Fire-fighting systems	R	R	R
1 .6	Sustainability Bench-marking	R	R	R
1 .7	Review of Conformance to local authority guidelines	P	P	P
1 .8	Review of Cost Estimates	S	S	S
1 .9	Presentations to the Client	R	R	R
1 .10	Presentations to regulatory authority	P	P	P
1 .11	Presentations to stakeholders	R	R	R
1.12	Client sign-off Concept Design	R	R	R
2	**Schematic Design**			
2.1	Schematic Architectural Design & Documentation	R	R	-
2.2	Schematic Structural Design	R	R	-
2.3	Schematic Design of HVAC systems	R	R	-
2.4	Schematic Design of Electrical systems	R	R	-
2.5	Schematic Design of Plumbing & Fire-fighting systems	R	R	-
2.6	Sustainability Bench-marking — LEED pre-assessment for rating	R	R	-
2.7	BOQ & Cost Estimates	C	C	-
2.8	Integration of Major Structural & MEP elements	R	R	-
2.9	Integration of Major Specialist Consultant elements	R	R	-
2.1	Design Review scheme submission to Client	R	R	-
2.11	Presentations to Statutory authorities	p	p	-
2.12	Client Sign off	R	R	-
2.13	Preliminary Tender documentation and draft specifications (including MEP)	R	R	-
3	**Detailed Design**			
3.1	Detailed Architectural Design and Coordination with other services	R	-	-
3.2	Detailed Architectural Design & Documentation	R	-	-

S.No.	Scope of Services of the International Consultant	BIAL	MIAL	DIAL
3.3	Detailed Structural Design	R	-	-
3.4	Detailed Design of HVAC systems	R	-	-
3.5	Detailed Design of Electrical systems	R	-	-
3.6	Detailed Design of Plumbing & Fire-fighting systems	R	-	-
3.7	Sustainability - Assist the design team to achieve the target LEED (or local equivalent) rating.	R	-	-
3.8	Integration of Engineering Services	R	-	-
3.9	Integration of Specialist Consultant services	R	-	-
3.1	Attend and document project meetings and working sessions	R	-	-
3.1 1	Program monitoring	R	-	-
3.12	Integration of local Code requirements into the design	P	-	-
3.13	Project Design review	R	-	-
3.14	Review of Cost and Budget (prepared by QS)	S	-	-
3.15	Presentations (including Interiors, Landscape, etc.)	R	-	-
3.16	Client Sign Off	R	-	-
3.17	Final Tender Documentation	S	-	-
3.18	Outline specification including performance requirements for specialist items (Structural, Environmental and MEP)	R	-	-
3.19	Tender Evaluation Report	S	-	-

Legends: R – Primary Responsibility, P – Participation, S – Shared, C – Review and Comment

4.5.47 As per page 43 & 44 of Consultation Paper no 2/ 2011-12 dated 21st April 2011 issued by AERA for DIAL, it is clearly brought out that the L&T Construction contract was divided into 2 Phases. In Phase 1 – Design & Procurement Activity phase, detailed design was developed by L&T from the preliminary design that was 30% complete. Contractor's complete Design team and experts were stationed onsite. The overall cap of the Design phase was agreed at 2.5% of Contract price. Similarly, in the case of MIAL, as per clause 7.8 of the Technical Audit report dated September 2012 prepared for AAI, the Design Service cost claimed in the L&T contract is reflected as Rs 196 Crs. Since BIAL directly took on the onus of detailed design for the PAL 1 expansion program, such cost (similar to as approved by AERA for DIAL and MIAL) needs to be considered by AERA while truing up BIAL's design cost.

4.5.48 The magnitude and complexity of BIAL expansion project warranted involvement of consultants of international repute and experience who had the ability and adequate manpower to complete the assignments in the given timeframe.

4.5.49 An independent assessment for the entire BIAL expansion project, design, PMC costs and pre-operative expenses could generally fall in a range of 8-10% of the project cost.

4.5.50 The below table compares the various elements of soft costs for BIAL against the 2 mega projects under comparison:

Table 24: Soft cost comparison for DIAL, MIAL & BIAL

(Rs in Crores)

Particular	DIAL	MIAL	BIAL (Estimate)	BIAL (Actuals)
Project Cost	**10,633**	**9,133**	**9,183**	**9,308**
Design Cost	286	818	354	551
PMC Costs	203		209	
Pre-Operative Expenses (inc ORAT expenses)	488	684	401	384

Particular	DIAL	MIAL	BIAL (Estimate)	BIAL (Actuals)
Total Soft Costs	977	1,502	964	935
Net Project Costs other than Soft Costs	**9,656**	**7,631**	**8,219**	**8,372**
% of Design Costs	2.96%	10.72%	4.31%	6.58%
% of PMC Costs	2.10%		2.54%	
% of Pre-operative Expenses	5.05%	8.96%	4.88%	4.59%
% of Total Soft Costs	10.12%	19.68%	11.73%	11.17%

4.5.51 As can be seen from the above table, BIAL soft costs are comparable to the expansion projects of DIAL and MIAL. The essential difference being the design costs, which is a reflection of the detailed design done by BIAL, prior to award of construction contracts in comparison to the schematic design done by the other airports and updated by EPC Contractor on behalf of airport operators.

4.5.52 Proportion of soft costs incurred as a % of hard cost is in the comparable range as compared to other airports assessed by the Authority as given below:

Table 25: Soft Cost as a % of Hard Cost

Airport	Soft Cost (Design, PMC and Pre-Operative) % to Hard Cost
Mopa, Goa	13.06% as per KITCO Report

4.5.53 Considering the above, BIAL requests that the actual soft costs incurred by BIAL are reasonable and hence be trued up by AERA.

4.5.54 Judgement of the Hon'ble Supreme Court and Order of Learned TDSAT on consideration of "actual capital expenditure incurred"

It has been held by the Learned TDSAT in its judgment dated 20.03.2020 in DIAL Vs. AERA in AERA Appeal No.7 of 2012 in Paragraph No. 22 thereof which reads as below:

"22...Such objections were considered and ultimately the stand of AERA that the capital expenditure found to have been "incurred" in an authorized manner for the permissible purpose relating to the project of developing the Airport at Delhi should be allowed towards the project cost. This was accepted by this Tribunal in the judgment dated 23.04.2018."

The Hon'ble the Supreme Court of India in DIAL Vs. AERA reported in (2022) SCC ONLINE SC 850 has also upheld the above findings of the Learned TDSAT. Paragraph no.138 of the aforesaid decision reads as under:

"138. AERA sought to rebut these contentions before the TDSAT. It was contended that the avowed task of determining the Project Cost could only be looked at from a narrow hole - i.e. in order to examine the incurred cost as per available records and verify whether it relates to the approved and essential parts of the Airport. This in turn had to be taken on the basis of accounts bearing certificates granted or approved by the Chartered Accountant. It was vehemently argued that such cost cannot be re-examined on the yardstick of efficient cost but has to be taken as the incurred cost only, as appearing in the duly certified books of accounts. The aforesaid plea of the AERA found favour with the TDSAT and was accepted."

Further, the Learned TDSAT, in its order dated 14.02.2024 in the case of HIAL, has directed the Authority as given below:

"397. We, hereby, direct AERA to allow the actual expenditure incurred by appellant for phase expansion of RGIA to increase the capacity to 34 MPPA. Thus, on the basis of proof of actual expenditure incurred by appellant for increasing the capacity of the airport 20 MPPA to 34 MPPA, True-Up shall be allowed in next Control Period."

Based on the Hon'ble Supreme Court judgement, principles laid down by the Learned TDSAT in various orders and the provisions of Section 13(1) (a)(i) of AERA Act, AERA has to appreciate and consider the actual capital expenditure incurred by the Airport operator and BIAL requests the above mentioned actual capital expenditure incurred for PAL 1 Program and reflected in its audited financial statements to be considered for the purposes of true up by AERA.

II. Sustaining Capital Expenditure for Third Control Period

4.5.55 Authority had allowed Rs. 929 Crs (as per Table 99 of TCP order) towards sustaining capex for Third Control Period. As compared to the above, the actual capitalized sustaining capital expenditure is as given below:

Table 26: Actual Capitalized Sustaining Capital Expenditure for the Third Control Period

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total	Difference
Approved	168.49	176.75	185.41	194.49	204.02	929.16	331.19
Actuals	58.50	121.65	127.30	140.52	150.00	597.97	

4.5.56 The variance of Rs 331 Crs between approved capex and actual capitalization is mainly on account of the following:

T1 Upgrade & T2 Enhancements – Rs 180 Crs:

4.5.57 The below mentioned items which form a part of Annexure 7 of TCP Order pertaining to Sustaining capital expenditure have now been considered as a part of the T1 upgrade program. Similarly, Gas Pipeline project is also considered under the T2 Enhancement project. Both T1 Upgrade and T2 Enhancement program fall under the proposed PAL 2 capital expenditure program to be implemented in the Fourth Control Period. Accordingly, these items were not spent as sustaining capex in the Third Control period.

Table 27: Items not spent as Sustaining Capex in TCP

(Rs in Crores)

Proj Ref # as per Anx. 7	Description	FY22	FY23	FY24	FY25	FY26
29	VHT-T1	5.20	5.20	4.80	0.50	-
31	BHS-T1	5.00	5.00	-	0.50	-
52	SIEMENS FAS	2.00	3.00	2.50	-	-
62	PBB (PLC , SCADA & HMI)	3.00	3.30	-	-	-
147	QMS	6.90	-	-	-	-
194 &201	AOCC expansion (Capacity enhancement)	-	10.00	-	-	-
257	FIDS- T1	8.65	0.20	0.20	0.20	0.20
258	VIDEOWALLS- T1	4.00	-	-	-	-
279	Active Network WIFI Expansion	6.00	0.25	0.25	0.25	0.25
282	Active Network Refresh	75.00	-	-	-	-

Proj Ref # as per Anx. 7	Description	FY22	FY23	FY24	FY25	FY26
320	Terminal capacity/efficiency enhancement	-	7.00	7.00	3.00	-
321	Gas Pipe line	-	6.00	5.00	-	-
	Items executed under T1 Upgrade	**115.75**	**39.95**	**19.75**	**4.45**	**0.45**

4.5.58 **Adoption of opex and Revenue model:** Though Authority had approved the list of projects mentioned in Annexure 7 of TCP Order, before award of contracts, as a process, BIAL had evaluated all the key projects on possibilities of adopting the best implementation model - revenue share based, opex and capex based. Pursuant to the evaluation, the below table showcases the 4 projects that has been implemented through revenue and opex model vis-à-vis capex model as originally envisaged.

Table 28: List of projects implemented through Revenue and Opex Model

(Rs in Crores)

Description	FY22	FY23	FY24	FY25	FY26	Total	Category
CUTE/CUSS/BRS -T1	50.00	0.20	0.20	0.20	0.20	50.80	Revenue model
Enterprise Asset Management	36.00	0.25	0.25	0.25	0.25	37.00	Opex model
Asset Management System	12.03	12.03	12.03	-	-	36.09	Opex model
CMDB/ Asset Management	-	10.00	-	-	-	10.00	Opex model
Items executed under Opex/Revenue model	**98.03**	**22.48**	**12.48**	**0.45**	**0.45**	**133.89**	

4.5.59 **Revenue model** – Based on above principle, investment proposal towards CUTE/CUSS/BRS system was evaluated in detail and the brief of the evaluation is given below.

4.5.60 As a part of capacity enhancement, BIAL was required to invest in passenger processing equipment at Terminal 2 (T2), in addition to extending/replacing T1 equipment due to end of life reasons. BIAL chose to combine the requirements of refresh at T1 and capex procurement of equipment at T2, and instead of incurring capex costs, move this into one revenue concession model. This had the benefit to ensure economies of scale benefits & consistent customer service standards. This approach would also be beneficial from an airline's perspective as multiple airlines operate from both terminals. BIAL preferred the strategy of adopting Asset Light Concession model, wherein the following key benefits were realised:

- *Investment is borne by concessionaires* including future technology upgrade
- *Traffic risk is borne by Concessionaire*
- *Avoid any fresh contractual discussions* with airlines on charges during Covid-19
- *Have long-term contracts*

4.5.61 BIAL also negotiated for a higher revenue share as compared to previous arrangement and also linked the revenue share to the traffic performance, such that with higher traffic growth, the revenue share to BIAL is higher. The revised model offers an enhanced revenue share through the life of the concession. The above is despite the fact that BIAL has no obligation of up-front Capex investment in uncertain times of COVID 19, BIAL also will be able to enjoy additional scope of services without losing out on same revenue share applicable. Additional savings to BIAL are realized by SITA supporting the O&M, coupled with homogeneous SLAs, while avoiding multiple contracting scenarios.

4.5.62 Based on the above, if BIAL had chosen investment model, BIAL would have spent Rs 50-60 Crs towards capex and also would have incurred O&M support, AMC charges, recurring manpower costs towards managing the asset. Since these are pax related services, all these would qualify as aero asset and aero expense thereby allowing BIAL to seek return on RAB and pass through of expense. This would have been additional burden on the UDF. Hence, BIAL decided to opt for the revenue share model and this revenue as per the Authority's interpretation will be treated as aeronautical revenues for the purpose of ARR computation.

4.5.63 **Opex model** – BIAL had also evaluated the investment proposal on enterprise asset management/asset management tool in detail as below. Asset management solution was envisaged to optimise asset maintenance costs mainly related to E&M assets with the objective of reduction in operational costs and savings through efficiency.

4.5.64 Initial estimates of capex cost towards this Project were ~Rs 85 Crores and the operating costs was estimated to be roughly around 15% towards O&M, License cost and AMC apart from the manpower costs that is required to be incurred (since asset management tool requires specific IT skill sets). Considering the heavy investment, BIAL had evaluated the option of opex model and/or shared revenue model. Since no service providers were ready for shared revenue model, BIAL decided to go with Opex model. The estimated total payout is envisaged as Rs 50 crores approximately over the term of the contract.

4.5.65 Considering that, capex investment would have been part of RAB (Aero asset) and Opex spends a pass through, this would have significantly impacted the ARR and UDF for the passengers. Instead, through Opex model, BIAL has ensured a reduction in UDF rates.

4.5.66 As could be seen from the table below, out of Rs 614.91 Crs sustaining capex (net amount), the actual capitalization is Rs 598.34 Crs.

Table 29: Reconciliation of Approved Capex and Actual Capex

(Rs in Crores)

Item description	Total
Approved capex (a)	**929.16**
Total of items to be executed under T1 Upgrade & T2 Enhancement Program	180.35
Total of items executed under Opex/Revenue model	133.90
Sub total (b)	314.25
Sustaining capex to be incurred c=(a)-(b)	**614.91**
Actual capitalization (d)	**598.34**

4.5.67 Considering the above, BIAL requests that the actual sustaining capital expenditure incurred by BIAL be trued up by AERA.

III. Category – B projects for the Third Control Period

Background

4.5.68 As per para 13.6.3 of TCP Order, the Authority had decided to carry forward Rs 940.63 Crs. of eligible ARR as on 31st March 2022 to the Fourth Control Period. This decision of AERA has been assailed by BIAL in AERA Appeal No 5 of 2021 before the Hon'ble TDSAT and the matter is pending adjudication. This decision of AERA, along with the uncertainty emanating from various waves of Covid 19 and under recognition of PAL 1 Capital

expenditure that got spilled over into TCP on account of delays due to Covid 19, and unrealistic O&M costs determined by AERA, meant that BIAL had to conserve cash in order to manage the Airport operations and also meet lender covenants. It is pertinent to note that there was no waiver to the concession fees payable by BIAL to Government of India during the Covid 19 period and BIAL had paid the same out of the cash reserves available with the company. It was also not possible to tie up additional debt for implementing these projects considering the overall situation. All these factors meant that BIAL had to find alternate business models, defer and part implement projects that fall under Category B Projects. In this regard, BIAL has been able to successfully find concessionaire models for Cargo and Inflight catering that resulted in higher incremental revenue share and additional lease rentals. BIAL requests the Authority to consider the above background while truing up the RAB for TCP.

4.5.69 The Authority had approved (Ref: Table 95 of TCP Order) capital expenditure to be incurred in the Third Control Period (other than the deferred projects which were originally approved in SCP Order). The same is given in the table below:

Table 30: Capex approved by the Authority for TCP

(Rs in Crores)

Project	Approved Costs
Airside Security wall	3.96
Airside perimeter Road	18.58
T1 Optimization	50.00
Northwest road expansion	43.43
CISF Barrack Expansion and Access Road	39.16
Animal Quarantine facility	3.85
New Cargo domestic terminal including Cool Port	104.37
Refurbishment of existing Cargo terminals	121.47
Refurbishment of Catering buildings	26.36
Water Treatment Plant	6.95
Landside Maintenance Building	13.18
Sub total	**431.31**

Status of the above Projects

1. Relocation of Air Side Security Wall and Airside Perimeter Road

4.5.70 To ease the vehicular movement near GSE tunnel, BIAL intended to relocate the partial airside security fence along with perimeter road of approximately 700m in length. In addition to this, two more locations were identified for relocation as the land reserved for new cargo domestic terminal and new CISF barrack on northeast are on airside. Before commencement of construction at these 2 places, the parcels were to be converted to landside by relocating the existing airside security wall along with perimeter road of approximately 1.3 km in length.

4.5.71 This Project was conceived considering the development of cargo logistics park. As the reserved location of the logistics park got changed due to plot size limitations (5 acres plot available as against 8 acres required for the logistics park), this project was not taken up.

2. T1 Optimization

4.5.72 Pursuant to the opening of Terminal T2, Terminal 1, which had an integrated capacity of 26.5 MPPA (22 Million per Annum (MAP) Domestic capacity and 4.5 MPPA international capacity) has been converted into a pure domestic terminal having a design capacity of 26.5 MPPA. The reallocation of traffic and conversion of T1 international facilities for domestic use requires modification and upgradation of T1. Further, several mechanical systems on T1 are also nearing the end of their design life, including baggage system, utilities, and other supporting facilities and they are required to be replaced.

4.5.73 At the time of filing of the tariff proposal for the Third control period (FY 2022-FY 2026), BIAL had proposed an amount of Rs 250 Crs as capital expenditure towards rehabilitation of Terminal T1 so as to increase its operational efficiency and passenger throughout. As against the above requirement, AERA had approved an amount of Rs 50 Crs only and capped the true up amount to a maximum of Rs 100 Crs (refer para 5.5.26 of Order 11/2021-22).

4.5.74 Pursuant to the issuance of Tariff order, BIAL had commissioned M/s Landrum & Brown to undertake the Concept Design for the T1 upgrade project and the same was thoroughly reviewed and validated by M/s AECOM. Based on the above, the capacity of the upgraded Terminal 1 would be increased from 26.5 MPPA to 35 MPPA – an increase of 8.5 MPPA. Meanwhile, in order to alleviate congestion at major airports in India, the Bureau of Civil Aviation Security (BCAS) had mandated implementation of several measures, including the issuance of guidelines for the approval of floor plans in the Security Restricted Area (SRA) of airports. These guidelines define key parameters such as unit area norms, equipment specifications and levels of service. It is mandatory for all major airports in India to adhere to these guidelines when determining the space and size requirements of passenger terminal buildings and seeking approval for their floor plans. These were not a part of the activities envisaged under the T1 optimization program submitted to the Authority. The mandated implementation of these measures meant that the T1 optimization capital expenditure of Rs 100 Crs approved by AERA would not be sufficient and hence there was a need to re-look at this Program in its entirety. Further, it was not possible to repeatedly do modifications as these would have to be done in an operating terminal and would cause passenger inconvenience and disruption to airport operations.

4.5.75 Considering the above and the traffic levels having exceeded pre-pandemic levels, T1 optimization program was converted into T1 upgradation and will factor in BCAS requirements and also accommodate additional terminal and landside requirements for meeting the anticipated traffic demand. However, there is no change in footprint area of Terminal T1 on account of this T1 Upgrade program. This T1 upgrade Program will be a part of PAL 2 capital expenditure program for implementation between FY 2026 – 31.

4.5.76 The revised T1 upgrade program (with enhanced scope of work) was presented to stakeholders in the AUCC meeting held on 22nd May 2024 and approval for the same (Stage1,2&3) was obtained in the said meeting. The Project is currently under implementation and is expected to be completed in FY 2026-27. (Please refer Para 6.2 1.1I retailing the submissions relating to PAL-2 capital expenditure)

3. Northwest Road expansion

4.5.77 This Project was envisaged to support the Cargo Logistics Park and also provide access to the suburban railway station and alternate access to NH44. This Project envisaged a 2+2 lane road to be constructed. The

Project was scaled down to a 1+1 lane road and the same has been completed and put into use. The amount spent on the same is Rs 10 Crs approximately and is a part of sustaining and minor capital expenses executed. Hence, the additional 2 lane project will now be taken up in the PAL 2 program.

4. CISF Barrack Expansion and Access Road

4.5.78 A fully functional CISF Barrack was proposed to replace the existing CISF Barrack which housed the QRT to accommodate the growing needs to CISF on account of operationalization of Terminal T2. This facility was to be located on northwest side of BIAL and along with this, a partial secondary four lane access road of approximately 1.5 kms was also planned.

4.5.79 However, CISF has been seeking for a full-fledged township to be provided to the personnel deployed at BIAL and this Township shall include accommodation for bachelors and family and other support facilities. This request by CISF was based on the provisions of Rule 61 of CISF Rules 2001, which states that *"normally, the undertaking where the Force has been deputed shall provide accommodation in the township itself to all supervisory officers at the rate of 45 percent family accommodation and 55 percent bachelor accommodation or as amended by the Central Govt from time to time, to the enrolled member of force"*.

4.5.80 Currently, approximately 3405 CISF personnel are deployed at KIAB. Out of the above, 1885 have been provided accommodation in temporary barracks, 15 have been given family accommodation and balance 1505 personnel are housed in rental accommodation and claim HRA benefits.

4.5.81 CISF has completed its 15 years with the BIAL since induction and providing a permanent CISF township will solve many of the operational and logistic problems. Ministry of Home in its letter 6th January 2025, has also asked all Airport operators to expedite the construction of accommodation facilities in the immediate vicinity of airports. Hence, BIAL has decided to develop a permanent township with required amenities, in a phased manner for the bachelor and family accommodation of CISF staff deployed at KIAB, by acquiring land in the nearby vicinity to the airport. In this regard, a request letter dated 8th October 2024 has been made to KIADB for allotment of 25 acres of land in the vicinity of the airport for construction of this CISF Township. The request is currently under process in KIADB.

4.5.82 Given the above background, it was decided not to proceed ahead with the implementation of the proposed CISF Barrack expansion project and hence this Project has been deferred for the time being.

5. Animal Quarantine Facility

4.5.83 Animal Quarantine & Certification Services (AQCS), a part of Ministry of Fisheries, Animal Husbandry & Dairying, had wanted BIAL to build a facility inside the airport for providing these services. Subsequently, they have decided to have their own facility outside the Airport and hence this Project has not been implemented.

6. Refurbishment of existing Cargo terminals and new Cargo Domestic Terminal including Cool Port

4.5.84 In para 5.5.30 of TCP Order, the Authority, pursuant to examination of the justification for cargo terminal capital expenditure submitted by BIAL, decided to allow the cargo terminal capital expenditure of Rs 225.84 Crs in the RAB of BIAL. However, the Authority had stated that BIAL needs to generate higher aeronautical cargo revenues from this facility once completed.

4.5.85 Since the existing Cargo concessions were expiring in 2023, and in order to drive the cargo growth, BIAL took a strategic call to form JVs with leading international cargo operators to further its vision. Subsequently, BIAL initiated the two-stage tendering process of two cargo concession partners and to enter into JV partnership with two winning bidders.

4.5.86 The scope of cargo terminal operations was proposed to be split as follows:

- Project 1 (CTO 1) – Exclusive rights for Domestic cargo and 1 of the 2 international cargo terminals
- Project 2 (CTO 2) - Exclusive rights for Cold chain facility and 1 of the 2 international cargo terminals

4.5.87 BIAL and the successful bidder shall incorporate a JV with shareholding in ratio of 26% and 74% respectively.

4.5.88 WFS and Menzies were selected as successful bidders and 2 JVs- Menzies Aviation (Bengaluru) Private Limited (MABPL) and WFS (Bengaluru) Private Limited (WFSBPL) have been incorporated, and they are currently performing the cargo operations at KIAB.

4.5.89 The revenue share payable by the 2 JV companies to BIAL is higher than the then existing concession revenue share. A total of Rs 16.50 Crs has been invested as equity into the 2 JV Cos by BIAL as subscription towards 26% equity capital in the respective JV Co.

4.5.90 BIAL's decision to opt for a JV route rather than incur new capex for cargo infrastructure has resulted in reducing the Aggregate Revenue Requirement (ARR) for the Control Period/s and futher has enhanced the revenue share for BIAL.

7. Refurbishment of existing Catering buildings

4.5.91 BIAL had entered into In-Flight catering contracts with Taj SATS Air Catering Ltd and LSG Sky Chefs India Private Limited at the time of Airport opening in May 2008. The contract was expected to end in May 2023. At the end of contract term, the buildings were to be transferred to BIAL at no cost. Hence, BIAL wanted to refurbish the existing Catering building for the fresh tenure of the concession. It is in this context that BIAL had sought for the approval of the above-mentioned capital expenditure from AERA.

4.5.92 Post issuance of TCP order, the said capital expenditure was put on hold and the existing catering contracts were extended twice (initially for 6 months up to November 2023 and further by an additional 6 months up to June 2024). The key reasons for the same were:

- Soft market conditions (Covid impact and delay in recovery of international traffic).
- Need for detailed deliberations with the incumbents on ensuring the availability of movable and immovable assets to ensure a seamless transition (in case the tendering process resulted in a change of operator).

4.5.93 For awarding a fresh concession for the 2 existing in-flight catering facilities at KIAB, BIAL initiated a 2-stage tender process. The facilities offered through the tendering process were:

- Facility 1: Existing LSG SkyChefs in-flight catering facility.
- Facility 2: Existing TajSATS in-flight catering facility.

4.5.94 Some of the key terms of the bid were:

- All fixed assets and immoveable assets are to be handed over by BIAL to the successful bidder on an as-is-where-is basis.
- Bidders are required to carry out their due diligence for the existing facility and consider appropriate capex for initial repairs, rectification & future expansion of the facility.
- An explicit undertaking from Bidders stating that all investments towards any repair, or modifications works have been incorporated in the bid and there is no obligation for BIAL in this regard.

4.5.95 As a result of the new tender process, BIAL was able to obtain better commercial terms in terms of lease rentals and refundable security deposit in addition to revenue share payable to BIAL.

4.5.96 In light of the above, the said capital expenditure of Rs 26.36 Crs has not been incurred by BIAL.

8. Water Treatment Plant

4.5.97 In the TCP Tariff Order, Authority had approved augmentation of water treatment facilities. These augmentation facilities have been completed as planned and have been put into use

9. Landside Maintenance Building

4.5.98 The maintenance facilities were accommodated within T1 and T2, and hence this project was not needed. It is proposed that when T2 Phase 2 is being built, we will need a landside Maintenance building and will be planned for execution at that time.

On an overall basis, on the sustaining capex front, BIAL has been judicious in its approach to capital expenditure and has adopted a revenue concession model/ operating cost model so as to minimize the impact on ARR.

Authority's Decision on 1% penalty for projects not completed and BIAL's justification to not levy such penalty

4.5.99 The Authority issued the following decision on projects not completed in the Third Control Period Order:

"5.6.1 To reduce (adjustment) 1% of the project cost from the ARR in case of any particular capital project is not completed/ capitalized as per the capitalization schedule as per the approval in tariff order including Terminal 2 (Refer Para 5.5.6)."

4.5.100 It may be noted that BIAL has been successful in commissioning of the Phase 1 of Terminal-2 in December 2022.

However, operationalization of the Multi-Modal Transport Hub (MMTH) infrastructure components was decided to be phased and aligned with the operational requirements of Terminal 2 (T2). This approach ensures compliance with AERA's regulatory framework, incurrence of capex in a phased manner and supports efficient airport operations.

4.5.101 Accordingly, the MMTH infrastructure has been developed and operationalized in phases corresponding to their respective commissioning dates:

- **14-Feb-2023:** L0 North Parking, L0 South App Taxi (Phase 1), and B1 Pickup Zone (to support initial T2 domestic operations)

- **01-Aug-2023:** L0 South App Taxi (Phase 2) (to support domestic T2 operations when AI and Vistara moved to T2)
- **02-Sep-2023:** B1 Parking (to support T2 International operations from September 2023)
- **29-Dec-2023:** Bus Staging Area
- **14-Aug-2024:** B2 Parking

4.5.102 This phased capitalization scenario ensures (in line with AERA's regulatory principles)

- **Timely Investment:** Encouraging timely investments to enhance airport facilities.
- **Efficient Operations:** Ensuring the economic and viable operation of major airports.
- **User Interest Protection:** Safeguarding the reasonable interests of users.

4.5.103 Hence, the phasing of various components of MMTH as driven by operational requirements and passenger demand associated with T2 were decided as below:

- **Initial Phases (February 2023):** Addressed immediate needs for parking and app-based taxi services to accommodate increased passenger flow.
- **Subsequent Phases:** Expanded infrastructure to manage growing demand, including additional parking and bus staging areas.
- **Future Metro Station (Dec 2026):** Will further enhance connectivity and is planned to be capitalized upon becoming operational.

4.5.104 This has resulted in financial prudence in capex spending and has thus achieved:

- **Avoiding Premature Capitalization:** Ensuring assets are capitalized only when they are operational and contributing to revenue generation.
- **Accurate Tariff Setting:** Aligning asset capitalization with actual usage supports accurate tariff determination, preventing undue burden on users.

4.5.105 In conclusion, the phased capitalization of MMTH infrastructure components by BIAL is a strategic approach that aligns with AERA's regulatory framework, supports efficient airport operations, and ensures financial prudence. Hence, there is no case for application of 1% penalty and especially considering the Learned TDSAT order in HIAL case.

Financing Allowance

4.5.106 The Concession Agreement classifies BIAL's airport as greenfield airport and such a definition is not susceptible to change either by efflux of time or by the stage of airport development at all times. 'Airport' in the Concession Agreement has been defined as - "*means the greenfield international airport comprising of initial Phase to be constructed and operated by BIAL .... and includes any Expansion thereof*". Therefore, AERA's contention that by virtue of construction of Terminal – 1, BIAL becomes a brownfield airport and the expansion of the airport to construct Terminal -2 or any other additional facilities is not greenfield construction is incorrect. Moreover, the tariff regulations under which ificatence has been made permissible do not state that financing allowance is only applicable for greenfield airports. The said orders are applicable for all major airports. There is no class/category therein and therefore, AERA is estopped from adding or amending to the provisions retrospectively. The Hon'ble Supreme Court in Civil Appeal No. 11826 of 2018 dated 06.04.2023 titled *Haryana Power Purchase Centre vs Sasan Power Ltd & Ors*. has held as follows:

"In case where the matter is governed by the express terms of the contract, CERC cannot, even dawning the garb of a regulatory body, go beyond the express terms of the contract."

4.5.107 BIAL had invested equity in projects based on AERA's promise to provide financing allowance on the same. AERA's response dated 22.10.2012 to BIAL's letter dated 27.08.2012 seeking clarification on financing allowance shows that AERA re-confirmed BIAL's understanding of financing allowance, relying on which BIAL made equity investments to the tune of Rs. 2,425 Crore as of 31.03.2021, for projects approved in SCP Tariff Order, believing that financing allowance will be allowed. The amount of equity invested by BIAL based on AERA's promise made for SCP approved projects cannot go unrewarded.

4.5.108 By arriving at the impugned decision, AERA has also resiled from its earlier orders/promises in the following orders/guidelines/directions/communications, as detailed under:

Table 31: Deviations in AERA's contention

Sl. No.	Order/Promise	Particulars
A	Order No.13/2010-11 dated 12.01.2011 issued by AERA.	AERA has adopted the approach of providing financing allowance at the rate of cost of debt, on the cumulative cost of bringing the asset into operation, which will be capitalised as part of WIP assets at paragraph 17.5.4.c
b	Direction No.5	Clause 5.2.7 provides for the detailed methodology to be used for calculating financing allowance for work in progress assets.
c	Order No.08/2014-15 dated 10.06.2014 and Order No.18/2018-19 dated 31.08.2018 issued by AERA.	In both these tariff orders financing allowance has been recognized and was allowed.
d	AERA's response vide letter dated 22.10.2012 addressed to BIAL	Upon a specific request by BIAL, it was clarified by AERA that the financing allowance is computed on the total work in progress balance (***whether funded through debt/equity/internal accruals***) and is capitalized as a part of commissioned assets for RAB computation is correct vis-à-vis AERA's Guidelines.

4.5.109 The Hon'ble TDSAT in the DIAL FCP Judgment (@Para 105) has held that "*Conceptually, the cost of investment can never be zero since that would imply an infinite return {by general definition, return on investment = (gains from investment – cost of investment)/cost of investment)}. Thus it is obvious that if this fund has been used as an investment, there is a cost attached to it which cannot be obviated by saying that it is a zero cost debt*". Pertinently, this decision was not challenged and therefore it has attained finality. AERA's decision to deny financing allowance on the amount of equity invested in projects under construction is, therefore, contrary to the DIAL FCP Judgment. Since AERA approved the investments and financing allowance for the projects in SCP, a right got vested in BIAL to receive financing allowance for the said projects till date of completion of the project as approved by AERA. AERA had itself approved the date of completion for the projects as 31.12.2022. Therefore, such retrospective withdrawal of financing allowance for work in progress projects takes away a vested right which is impermissible and is barred by the principles of promissory estoppel and legitimate expectations. [Dr. Ashok Kumar Maheshwari v. State of UP & Anr. (1998) 2 SCC 502, Para 16 and 17; M/s. Motilal Padampat Sugar Mills v. State of UP & Ors. (1979) 2 SCC 409, Para 24, 27, 29 and 33].

4.5.110 The following table lists the erroneous observations of AERA and BIAL's response to each contention:

Table 32: List of BIAL's responses to AERA's contention

Sl. No.	AERA's contention	BIAL's response
a	Financing allowance not provided to other airports such as DIAL, MIAL and KIAL.	• AERA has compared un-equals as equals. DIAL and MIAL were brownfield airports and BIAL is a greenfield airport. • AERA is empowered to provide different tariff structures to different Airports. DIAL and MIAL are guided under-price-cap approach with a base tariff provided in OMDA. AERA itself earlier contended that the BIAL is not comparable to DIAL and MIAL. • KIAL did not seek financing allowance from AERA. Hence the same was not provided to KIAL in its tariff order. On the contrary BIAL has been repeatedly guaranteed financing allowance in tariff orders and on such basis has significantly invested in the projects.
b	Financing Allowance is being disallowed because investment has taken place through internal accruals instead of direct equity infusion by its shareholders.	Internal accruals or retained earnings that a company creates which are otherwise the entitlement of the shareholders and are shareholders' fund retained at the company. Even as per the Companies Act, 2013, reserves and surplus forms part of shareholders' fund. Any amount of equity that is infused into BIAL either out of equity infusion or out of internal accruals, shall be considered as shareholders fund and the decision to fund through equity or through internal accruals is an operational decision; AERA has no jurisdiction to decide. AERA's clarification letter 22.10.2012 has stated that financing allowance is computed on work in progress assets whether funded through debt/equity/internal accruals. Therefore, AERA is now precluded from contending that since projects are funded by internal accruals, financing allowance cannot be permitted.
c	AERA adequately compensates the risks associated with equity investments in a construction project once the project is capitalized by means of reasonable cost of equity.	BIAL invested equity in projects based on AERA's promise to provide financing allowance on the same. This promise is also found in the regulations/directions extracted above. The cost of equity as determined by AERA, post capitalization of projects is subject matter of BIAL's appeal before the Hon'ble Supreme Court.
d	BIAL has been considered as a brownfield airport as the operations have matured. Brown-field airports are not provided with financing allowance.	The Concession Agreement classifies BIAL airport as greenfield airport at all times. *Airport* in the Concession Agreement has been defined as - "*means the greenfield international airport comprising of initial Phase to be constructed and operated by BIAL .... and includes any Expansion thereof*". The above tariff regulations under which financing allowance has been made permissible do not state that financing allowance is only applicable for greenfield airports. The said orders are applicable for all major airports. There is no class/category therein and AERA is estopped from adding or amending to the provisions retrospectively.

4.5.111 Based on the above contention, the additional financing allowance over and above the interest that is to be capitalized is given below. CA Certificate on Financing Allowance for FY 2022 to FY 2025 is enclosed in Annexure 9.

Table 33: Additional financing allowance over and above the interest that is capitalized

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
Interest capitalised	24.12	639.85	78.85	9.94	-	752.76
Financing Allowance	32.75	878.25	140.78	32.48	7.28	1,091.55
Additional FA to be considered	**8.63**	**238.40**	**61.93**	**22.54**	**7.28**	**338.79**

4.5.112 Based on the above, a summary of additions to RAB in the Third Control Period is as given below. CA Certificate on costs capitalized as part of PAL-1 is given in Annexure 10.

Table 34: Additions to RAB in Third Control Period

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
NSPR and related	159.06	243.30	117.03	10.90	-	530.29
T2 Apron	14.25	207.80	0.11	(2.51)	-	219.65
Terminal 2 Phase 1	-	4,066.59	528.08	233.42	-	4,828.08
Forecourts & Landside Development	139.75	1,122.01	855.34	89.25	-	2,206.35
Aircraft & Airport Maintenance	13.24	41.95	(2.14)	(0.19)	-	52.86
Rescue & Fire Fighting	0.02	1.59	-	-	-	1.61
Utilities	53.66	5.78	(0.57)	2.90		61.77
Existing Runway Rehabilitation	46.32	13.97	-	11.61	-	71.90
Total PAL – 1 Capex	**426.30**	**5,702.99**	**1,497.83**	**345.38**	**-**	**7,972.51**
T1 Upgrade	-	-	-	-	120.73	120.73
ECT	0.73	0.67	4.04	-0.51	-	4.92
NCR	-	2.85	-	-	-	2.85
T2 Enhancement	-	-	-	18.15	-	18.15
Total PAL – 2 Capex	**0.73**	**3.52**	**4.04**	**17.64**	**120.73**	**146.65**
Sustaining Capex	58.50	121.65	127.30	140.52	150.00	597.97
Total	**485.53**	**5,828.22**	**1,629.17**	**503.54**	**270.73**	**8,717.13**

IV. Allocation of Assets for the True-up of Third Control Period

4.5.113 The basis of allocation of assets between aeronautical and non-aeronautical are given below:

- Allocation ratios for Opening RAB have been considered based on the principles applied in Second Control Period and the certificates submitted.
- Assets capitalised during the period FY 2021-22 to FY 2021-26 have been reviewed based on the Fixed Asset Register and classified as Aeronautical, Non-Aeronautical and Common assets.
- Common Assets capitalised relating to Terminal 2 - Phase 1 have been segregated between Aeronautical and Non-Aeronautical based on the Terminal 2 - Phase 1 area ratio of 87.66%. Area Statement of Terminal 2 is enclosed as Annexure 14.
- Other Common assets capitalised in the Third Control period, till commissioning of Terminal 2 have been considered based on Terminal -1 ratio (85.34%) and assets commissioned post Terminal 2 have been segregated between Aeronautical and Non-Aeronautical applying the overall Terminal Building ratio of 87.1%.

- Aeronautical allocation ratio for MMTH assets has been considered at 34.50%.

4.5.114 CA certificate for Ratio of allocation of Assets is enclosed in Annexure 11.

V. Depreciation for the True-up of Third Control Period

4.5.115 It may be noted that there were deviations found in the computation of aeronautical depreciation by AERA in the order for Third Control Period and the key issues are as below:

Issues:

i. Incorrect useful life considered for Plant & Machinery
ii. Incorrect useful life considered for Canopy, Nursery etc.
iii. Incorrect useful life considered for existing Runway
iv. Incorrect useful life considered for runway top layer
v. Incorrect methodology of computing Aeronautical Depreciation

Issue 1:

4.5.116 Incorrect consideration of 15 years as useful life for Plant & Machinery instead of 7.5 years based on Triple Shift Operation as submitted by BIAL, for computing Depreciation to be considered for computing Aggregate Revenue Requirement (ARR) of BIAL for True up of Second Control Period and for Third Control Period.

Facts:

- AERA has issued Order 35/2017-18 on Useful lives of various asset categories on 12.01.2018. Further, based on suggestions from various airport operators on the above order, AERA had issued an Amendment No 1/2017-28 to this Order 35, on 09.04.2018.
- This Amendment is to be incorporated and read as part of Order 13 which is referred to by the Authority in paragraph 1.2.2 of TCP order, and which is said to form the guiding principles of AERA's tariff determination methodology for Airport operators including BIAL.
- This amendment order recognized that, certain Plant & Machinery, in certain large airports / airports with high volume of operations, would need to be in continuous operations or need to run extra shifts. Accordingly, appropriate considerations should be factored in and given effect to.
- As per Order 35, Useful lives of Plant & Machinery are determined as 15 years. In the Amendment order, AERA has stated that if the airport operators want the useful life to be lower due to extra shift operations, it will be considered based on technical justification to the satisfaction of the AERA.
- BIAL had carried out a technical assessment and accordingly adopted a lower useful life of 7.5 years. The above technical assessment was submitted to the Authority at the time of determination of second control period order and the same was also accepted and adopted by AERA. A similar technical assessment was submitted by BIAL to AERA during the tariff determination process for TCP.
- The principle / methodology accepted and adopted in the second control period tariff order has been revised by AERA in the TCP tariff Order. For the true up of second control period and for the TCP, the Authority has revised the useful life of Plant & Machinery asset category from 7.5 years to 15 years.

4.5.117 Erroneous decision by AERA to revise useful lives from 7.5 years to 15 years in True up of SCP:

- It is well settled that the truing up is not the stage where any new principle/methodology can be adopted by AERA. AERA has to undertake only financial true up and cannot change the principle followed at the time of initial determination of tariff.
- It is submitted that 'truing up' cannot be used to upset the methodology used for determination of ARR. Such a conduct essentially amounts to "changing the rules of the game after the game has started'' or 'changing the goal post' with the sole intention to deny legitimate allowances to BIAL.
- 'Truing Up' stage is not an opportunity for the Authority to rethink de novo on the basic principles, premises and issues involved in the initial projections of ARR of BIAL.
- The Hon'ble Supreme Court of India, in Civil Appeal 4324 of 2015 dated 18.10.2022 has categorically held that

  "51. ..... Apart from this, we are also of the view that at the stage of 'truing up', the ***DERC cannot change the rules/methodology used in the initial tariff determination by changing the basic principles, premises and issues involved in the initial projection of ARR.***

  52. 'Truing up' has been held by APTEL in SLDC v. GERC to mean the adjustment of actual amounts incurred by the Licensee against the estimated/projected amounts determined under the ARR. *Concept of 'truing up' has been dealt with in much detail by the APTEL in its judgment in NDPL v. DERC wherein it was held as under:*

  "60. . ... The truing up exercise is meant (sic) to fill the gap between the actual expenses at the end of the year and anticipated expenses in the beginning of the year. ....."

  53 This view has been consistently followed by the APTEL in its subsequent judgments, and ***we are in complete agreement with the above view of the APTEL. In our opinion, 'truing up' stage is not an opportunity for the DERC to rethink de novo on the basic principles, premises and issues involved in the initial projections of the revenue requirement of the licensee. 'Truing up' exercise cannot be done to retrospectively change the methodology/principles of tariff determination and reopening the original tariff determination order thereby setting the tariff determination process to a naught at 'true up' stage.***

  66. We have already taken a view that DERC cannot reopen the basis of determination of tariff at the stage of 'truing up'. ***Revision or redetermination of the tariff already determined by the DERC on the pretext of prudence check and truing up would amount to amendment of tariff order, which is not permissible in law. Truing up stage is not an opportunity for DERC to rethink de novo the basic principles, premises and issues involved in the initial projection of the revenue requirements of the licensee****."*

4.5.118 With the above background, the decision of the Authority to change the methodology of calculation of depreciation for the true of second control period, by increasing the useful lives of the Plant & Machinery asset category from 7.5 years to 15 years, is contrary to the principles adopted for calculation of the depreciation by AERA at the time of issuance of second control period tariff order. Hence, considering the findings in the judgement of Hon'ble Supreme Court of India mentioned above, AERA's action is impermissible under law and is against the principles of true up laid down by the Hon'ble Supreme Court of India.

4.5.119 Hence, BIAL requests AERA to correct its decision made for the true up of depreciation for the SCP in TCP order.

Issue 2:

a. Incorrect consideration of 15 years as useful life for Plant & Machinery instead of 7.5 years based on Triple Shift Operation as submitted by BIAL, for computing Depreciation to be considered for computing Aggregate Revenue Requirement (ARR) of BIAL for Third Control Period.

4.5.120 BIAL's claim for lower useful life is strictly based on the provisions of the Amendment No 1/2017-18 issued by the Authority. The key provisions of Amendment No 1 /2017-18 are as given below:

- Para 2.1: Order 35 prescribes 15 years as useful life for the said asset category and the same is based on Companies Act. In the Companies Act, Useful Life of these assets are based on single shift operations.
- Para 5.1.1: Note Number 10 to be inserted in the Annexure stating that "for items in the above table where rates are as prescribed as per Companies Act, provisions of extra shift depreciation shall be as applicable under Companies Act, subject to computation as per prescription of Companies Act and Guidance note of ICAI".
- The referred Annexure mentioned in para 5.1.1 is the same 'Annexure- 1" as given in Order 35.

4.5.121 Hence, it is very clear that the extra shift depreciation which leads to a lower useful life is applicable to the items mentioned in the table given in Annexure 1 of Order 35, for which depreciation rates are as per Companies Act.

4.5.122 It is on this basis and placing reliance on AERA's Amendment No 1 order, BIAL had sought extra shift depreciation, in accordance with Note 6 of Schedule II of Companies Act, for certain assets, which leads to a lower useful life of 7.5 years.

4.5.123 BIAL had submitted its claim for extra shift depreciation for assets such as Aerobridges, Airport Communication, Baggage Handling, Escalators/ Elevators, HVAC Equipment, Other Airport Equipment and Security/ Safety Equipment which fall under the Plant & Machinery asset category, as the mentioned assets meets the eligibility requirement of "Continuous Operating Plant" as per the Note 6 of Schedule II to Companies Act which is the basis for the AERA's Amendment Order 1 to Order 35. Further, BIAL had also submitted the technical evaluation report as envisaged in Amendment No 1 Order. Therefore, AERA is bound to consider the BIAL's submissions for reduced useful life of 7.5 years instead of the prescribed 15 years.

4.5.124 One of the key reasons stated by the Authority to deny 7.5 years as useful life for the asset category – Plant & Machinery is that many of these assets continue to be in operation even after 7.5 years and therefore, the Authority does not find any merit in reducing the useful life of such assets. This reasoning is flawed because neither Order 35 nor Amendment No 1 to Order 35, prescribes such an interpretation.

4.5.125 The Hon'ble Supreme Court in DERC v. BSES Yamuna Power Limited & others (2007) 3 SCC 33 on para 42 of its decision has held inter-alia as under:

" ... The basic object of providing depreciation is to allocate the amount of depreciation of an asset over its useful life and not actual life so as to exhibit a true and fair view of the financial statement of an enterprise."

"...Before concluding, ***we may state that the basic object of providing depreciation is to allocate the amount of depreciation of an asset over its useful life and not actual life so as to exhibit a true and fair view of the financial statement of an enterprise.*** *Useful life is a period over which a depreciable asset is expected to be used. Useful life of an asset in a capital-intensive industry is generally shorter than its physical life. Useful life is*

pre-determined by contractual limits or by amount of extraction or consumption dependent on the extent of use and physical deterioration on account of wear and tear which depends on operational factors such as the number of shifts, repair and maintenance policy of the utility and reduced by obsolescence arising from technological changes, improvement in production method etc. In the present case, DERC has not considered the difference between the physical life of an asset and the useful life of the asset."

4.5.126 In light of the above judgement from the Hon'ble Supreme Court, AERA cannot deny lower useful life of 7.5 years by linking the useful life of asset to the actual life of the asset.

4.5.127 AERA has neither provided any reason for not accepting the extra shift depreciation claim of BIAL nor has it passed any views on the technical report submitted by BIAL which confirmed the reduction in useful lives of the mentioned assets.

4.5.128 Hence, BIAL requests AERA to correct its decision made for the computation of Depreciation for the TCP in TCP order.

b. Incorrect consideration of 30 years as Useful life for Canopy, New Project office and Nursery

4.5.129 Different useful life for Canopy, New Project office and Nursery as estimated by BIAL, based on Technical evaluation have not been considered in the TCP Order. Instead, the Authority had decided that the canopy is part of the building and therefore, it cannot have a separate useful life than the building's useful life of 30 years. Further. New Project Office and Nursery also forms part of the building asset class and therefore, their useful life is also considered as 30 years.

4.5.130 Note 7 of Annexure 1 to Order 35 categorically states that *"Specific assets, other than those listed above, could be created in different airports, based on the specific requirements. Such specific assets would have to be individually evaluated technically for its useful life and depreciated for which technical justification should be submitted to the Authority"*.

4.5.131 Canopy, New Project Office, and Nursery are specific assets created by BIAL for specific requirements. These assets are not a part of the asset list for which useful lives were prescribed by the Authority in Annexure 1 of Order 35. The technical assessment was submitted to and accepted by the Authority at the time of determination of second control period tariff order and also submitted to AERA as a part of the tariff determination process for the Third Control Period.

4.5.132 The principle / methodology accepted and adopted in the second control period tariff order has been revised by AERA in the TCP Order. The revision of principles that were used for the issuance of second control period tariff order is impermissible for the reasons elaborated in Issue 1 (True up of Second Control Period). Hence, BIAL requests AERA to correct its decision made for the true up of Depreciation for the SCP in TCP order.

4.5.133 For the TCP, AERA has erroneously concluded that these assets are a part of Building/ belong to Building asset class and hence it cannot have a separate useful life than the Building's useful life of 30 years. This is factually incorrect for the below mentioned reasons:

- The Canopy structure provides access to the main transportation hub for passengers. It consists of a structural steel frame covered with full-depth steel roof panels clad. It is not a RCC roof structure and hence cannot be assumed to have a useful life of a building which is typically a RCC based structure.

- The New Project Office has been constructed to accommodate Project personnel working exclusively on design and establishment of "Terminal-2" building, Runway-2 and other associated facilities. These projects are in various stages of completion and the 2 large projects – Runway 2 and Terminal 2 have already been commissioned and operationalized. Further, the project office is constructed with Non - RCC roofing which will later be demolished to make way for future expansion of airport facilities. Hence, there is no logic for the Project Office to have a useful life of 30 years by classifying it in the Building asset category.
- Nursery Unit is a temporary structure to procure, store and nurture the domestic and imported plants collected from different parts of country and abroad. These plants were to be planted within the new Terminal T2. The basic purpose of this Nursery unit was to acclimatize the planting material at the site and get them ready for plantation inside T2 with desired stability and growth. All the plants have been shifted from the Nursery unit to Terminal T2 by 31.03.2023.

4.5.134 Schedule II of Companies Act requires componentization of assets where if any significant component of an asset has a different useful life vis-à-vis the useful life of the remaining part of the asset, then the useful life of that significant part shall be determined separately. This provision was pointed by airport operators in para 3.11.2 of Order 35 by specifically referencing the examples of glassworks, facades, ***canopies*** etc which have a lower useful life (5-15 years) vis-à-vis the civil works of a building (30 years). Airport operators had also pointed out that the useful life of 30 years as decided by AERA was based on the civil works component of the Building and all other components of a building were not considered. In response to the above contention, AERA in para 3.11.6 of Order 35 has clearly stated as given below:

"3.11.6 The Authority notes MIAL's submission on the Companies Act requirement for key components of the asset to be evaluated differently for the significant value components of the asset. ***Authority notes that this is to be complied with by the Airport Operators.****"*

4.5.135 BIAL has only complied with the provisions of Order 35 by considering a different useful life for the mentioned assets and the same needs to be considered by the Authority.

4.5.136 The Authority has not provided any reason for not considering the technical assessment report submitted by BIAL. Hence, AERA's decision to consider these assets as a part of Building category is unilateral, lacks reasoning and rationale.

4.5.137 Vide para 4.1.1. of Order 35, AERA has also stated that Order 35 has to be incorporated and read as a part of Order 13. This Order 13 is referenced in para 1.2.2 of TCP Order as forming the guiding principles of the AERA's tariff determination methodology for Airport operators including BIAL. These have been issued under Section15 of the AERA Act and they are binding as it is on the parties unless it is amended or modified in a process known to law.

4.5.138 Hence, BIAL requests AERA to correct its decision made for the computation of Depreciation for the TCP in TCP order.

c. Incorrect consideration of 30 years as Useful life for existing Runway

4.5.139 AERA has issued Order 35 on Useful lives of assets and the Appellant is mandated to follow the same, as per Schedule II of Companies Act. BIAL's Concession Agreement executed in July 2004, clearly specifies the useful

life of Runway, Taxiway and Apron (Flexible and Rigid Pavements) as 20 years. The report on study of useful lives submitted by ICAI (Annexure II to Order 35) also draws reference to the BIAL's Concession Agreement and recommends that the useful life of such structures can be between 20 and 30 years. Note 6 to Annexure 1 of Order 35 clearly states as given below:

"6. Runway/ Taxiway - If there is a different rate adopted by the Airport Operator, between 20 to 30 years, the same should be justified and backed up by suitable technical certification which will be critically examined by the Authority and a view taken on the same."

4.5.140 BIAL's Concession Agreement had specified the design intent as 20 years for the original Runway and Taxiway constructed. The existing Runway/Taxiway was commissioned in May 2008. Hence, the basis and design intent (which was in line with the Concession Agreement) based on which the Existing Runway and Taxiway were constructed cannot be changed by the Authority. Relevant extracts from the Concession Agreement (which were referred in the ICAI study report) are given below:

1.1.10 RUNWAY
The runway is designed to accept B 747 aircraft and the ICAO aerodrome reference code is 4E.

The characteristics of the runway specification are:

- *Runway length - 4000m*
- *Runway width - 45m*
- *width of runway plus light paved shoulders - 60m*
- *pavement type - flexible*
- *Pavement classification number - 80*
- *Runway strip width - 300m*
- *Stop-ways at each threshold - 60m x60m*
- *Runway orientation - 09/27*
- *Usability factor - >95%*
- *Turning circle at 09end.*

The longitudinal and transverse profile, slope changes, sight distance, distance between slope changes, pavement markings, signage and surface accuracy are designed in accordance with the Standards and Recommended practices stipulated in ICAO Annex 14. ***The design life for the flexible pavement is 20 years.***

4.5.141 Unlike contemporaneous regulatory and reform legislations like Electricity Act, 2003 which repeal/overrides/amend pre-legislative contracts, AERA Act preserves the same.

4.5.142 The Hon'ble Supreme Court in its judgment dated 11.07.2022 in Civil Appeal No. 8378/2018 has laid down that "[...] legislative intent itself incorporates and requires the prior agreement to be taken into consideration albeit along with certain other parameters/requirements". BIAL's Concession Agreement, being a pre-legislative contract is recognized in the SOR of the Act and thus, forms part of the statutory framework that governs the Authority. AERA being a creature of statute (AERA Act) is bound to respect and take into consideration the provisions of the Concession Agreement.

4.5.143 Further, AERA has deviated from its own Order 35 which provides for this flexibility for choosing the useful life between 20-30 years, based on technical assessment. Justification for considering lower useful life for the existing Runway and Taxiway was submitted as part of the response to consultation paper at the time of issuance of Order 35 itself, which is duly noted in that order. The same, together with the extract of the Concession Agreement, reference of ICAI report and the Note 6 made in Order 35 were all re-submitted to AERA as part of the stakeholder consultation process for the TCP.

4.5.144 AERA has stated that it has given the justification for change in the useful life of existing runway to 30 years in para 3.6.6 (c) of the consultation paper for Third Control Period and in para 10.6.4 of the second control period order. Based on a detailed analysis of the second control period order, it is clearly found that the useful life of Existing Runway/ Taxiway is taken as 20 years only by the Authority. In the second control period. depreciation rates were estimated on a block wise basis

- Land development cost, Existing Runway and New South Parallel Runway (NSPR) were all together clubbed into one block titled as "Runways"
- Average Depreciation rate for this block was considered at 3.34% from April 2018
- The useful lives assumed to arrive at the average depreciation rate of 3.34% is as given below:
- Land development cost - 50 years, existing Runway / Taxiway - 20 years and NSPR - 30 years.

4.5.145 As evident from the above, AERA's view were not correct to state that the useful life for existing Runway/ Taxiway was changed from April 2018 to 30 years in the second control period order. On the contrary, it was taken as 20 years only and the same is as per the provisions of Concession Agreement.

4.5.146 Therefore, the decision of the Authority to amend the useful life of the existing Runway/Taxiway goes against the provisions of Section 13(1)(a)(vi) of AERA Act. Hence, BIAL requests AERA to correct its decision made for the computation of Depreciation for the TCP in TCP order.

d. Incorrect consideration of 30 years as useful life of runway top layer by AERA as against useful life of 5 years

4.5.147 Schedule II of Companies Act requires componentization of assets where if any significant component of an asset has a different useful life vis-à-vis the useful life of the remaining part of the asset, then the useful life of that significant part shall be determined separately.

4.5.148 AERA has noted that the same asset cannot have 2 different useful lives as the reason for rejection of the claim. This is in direct violation of the Componentization requirement which mandates different components of the same asset having different useful lives to be considered separately. A simple example would be that of an Aircraft where Engines would have a different useful life than the furniture – Seating etc.

4.5.149 AERA's decision goes against the very purpose of Componentization and acknowledgement of the same in Order 35 has been done away with by the Authority. AERA has also noted that it provides for write down of Runway improvements over 5-year period and hence did not consider it appropriate to consider the useful life of top layer of Runway to be of 5 years. This contradicts both the Companies Act and Order 35. The Authority admits that the Top layer of the Runway gets eroded fie to wear and tear and needs to be relayed once in 5 years.

4.5.150 This is reflected in S # 24 of Annexure 1 to Order 35 wherein the Authority has noted that "Resurfacing & Runway: The cost of resurfacing & runway leading to restoration of original PCN value would be amortized over 05 years for the purpose of Tariff computations". If the Runway improvements are to be amortized in 5 years, then the obvious interpretation is that the original Top layer (where wear and tear sets in and for which improvements are done) of the Runway can only have a 5-year useful life.

4.5.151 BIAL has acted in full compliance to the Companies Act and also to Order 35. Hence, BIAL's submissions for useful life of 5 years for the Top layer of the Runway had to be accepted by the Authority and the Authority's decision in not accepting the same is contrary to the provisions of the Companies Act 2013.

4.5.152 Hence, BIAL requests AERA to correct its decision made for the computation of Depreciation for the TCP in TCP order.

e. Incorrect methodology of computing Aeronautical Depreciation

4.5.153 The Authority's methodology of computation of Aeronautical Depreciation to be considered for ARR, is based on apportionment of Total Depreciation into Aero and Non-Aero by using the ratio of Assets, instead of computing individual asset wise depreciation.

4.5.154 BIAL has a detailed Fixed Asset Register (FAR) wherein the individual identified asset details have been listed together with the classification whether the same is an Aero Asset, Non-Aero Asset or a common asset. The depreciation relatable to Aero portion has then been computed by considering depreciation on Aero assets together with the depreciation on the common assets in proportion to the Aero Ratio of assets. Detailed FAR of each year together with the formulae for computation of depreciation etc. has been submitted as part of tariff determination process. As the useful lives of different assets are different, considering a common ratio for depreciation is an incorrect method.

4.5.155 BIAL had computed the asset allocation ratio between Aeronautical and Non-aeronautical assets based on the Respondent's method and Appellant's submission. The difference is self-evident from the below table:

Table 35: Asset allocation ratio

Particulars	FY17	FY18	FY19	FY20
AERA's method	90.80%	90.35%	90.04%	92.78%
BIAL's submissions	92.44%	92.38%	88.75%	90.56%

4.5.156 The difference is because different assets will have different useful lives and hence, the depreciation cannot be uniformly assigned based on the overall asset Gross block ratio.

AERA has noted in TCP order that *"further, the approach adopted by the Authority brings consistency to the aeronautical depreciation computation across airports"*. While consistency and consideration of all airports on a similar footing is appreciated, an incorrect practice cannot be adopted citing consistency.

4.5.157 Hence, we request the Authority to consider individual asset wise depreciation computed and submitted by BIAL for the purposes of allowable aeronautical depreciation.

Useful life for depreciation

4.5.158 BIAL has considered useful life for depreciation for the Third Control Period as given below:

Table 36: Useful Life for Depreciation for TCP as per BIAL

Asset Category	Useful Life (years)
Buildings & Civil Works	30
Computers and Accessories	6
Electrical Installation & Equipment	10
Furniture and Fixtures	7
Intangible assets	5
Office Equipment	5
Plant and Equipment	7.5
Roads, Boundary Wall, Security Fencing	5
Runway, Taxiway, Apron	30
Vehicles	8

4.5.159 As per Table 101 of the Third Control Period Order the Authority had approved for a Aero depreciation of Rs. 2,427.56 crores. The actual aeronautical depreciation incurred is Rs. 3,589.35 crores.

Table 37: Depreciation approved by authority in TCP and actuals incurred

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Approved by Authority	288.61	432.29	573.15	565.07	568.44	**2,427.56**
Actuals incurred	378.20	513.37	902.93	901.44	893.45	**3,589.39**

4.5.160 The reasons for variance in the depreciation between the projected and actual figures are due to actual capitalization and application of useful lives as per BIAL for computing depreciation.

VI. Regulatory Asset Base (RAB) for the True-up of Third Control Period

4.5.161 The projected RAB as per the Third Control Period Order is as follows:

Table 38: Projected RAB as per TCP Order by the Authority

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	4,427.38	5,109.84	10,589.72	10,177.60	9,835.75	
Add: Assets capitalisation	971.07	5,912.17	161.03	223.22	285.09	7,552.58
Less: Disposals	-	-	-	-	-	-
Less: Depreciation	288.61	432.29	573.15	565.07	568.44	**2,427.56**
Closing RAB	**5,109.84**	**10,589.72**	**10,177.60**	**9,835.75**	**9,552.40**	
Average RAB	**4,768.61**	**7,849.78**	**10,383.66**	**10,006.68**	**9,694.08**	

4.5.162 The actual RAB for the Third Control Period based on the capital expenditure detailed above, and depreciation is as given as below:

Table 39: BIAL submission for RAB true-up for the Third Control Period

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
Opening RAB	4,315.55	4,423.21	9,564.21	9,885.73	9,380.75	
Add: Addition	479.46	5,445.43	1,173.11	383.04	240.16	**7,721.19**
Add: FA Addition	7.67	209.73	54.27	19.91	6.55	**298.14**
Less: Deletion	-1.28	-0.79	-2.93	-6.50	-	**11.49**

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
Less: Depreciation	-360.78	-485.83	-864.22	-860.17	-850.26	**3,421.26**
Less: Depreciation on FA	-17.42	-27.54	-38.71	-41.27	-43.19	**168.13**
Closing RAB	**4,423.21**	**9,564.21**	**9,885.73**	**9,380.75**	**8,734.00**	
Average RAB	**4,369.38**	**6,993.71**	**9,724.97**	**9,633.24**	**9,057.37**	

4.6 True Up of Fair Rate of Return

4.6.1 The Authority vide its Order No. 11/2020-21, had approved the Fair Rate of Return (FRoR) of 11.59% for the Third control period. The Authority has considered the normative debt equity ratio of 48:52 while calculating the cost of equity as well as the FRoR.

i. Cost of Equity

4.6.2 BIAL submits that the concessions granted to BIAL and the relevant Project agreements, such as the amended Shareholders Agreement and Schedule III to the amended State Support Agreement, provides that the financial plan that are part of the said Project agreements, which had pegged the Project Internal Rate of Return (IRR) at 14.58% which translates to 21.66% Equity IRR, resulting in 24.4% as cost of equity. This is the construct on which the entire Concession Arrangement of BIAL was developed, and BIAL has consistently requested the Authority to take into consideration the cost of equity as referred to above and captured in the amended Shareholders Agreement (SHA) and Schedule III to the amended State Support Agreement.

4.6.3 The Hon'ble Supreme Court in its judgment in the matter of Delhi International Airport Ltd. v/s Airport Economic Regulatory Authority 2022, has categorically observed that "*all parties who have operated in what may be called a pioneering effort in the field of civil aviation in India should not be taken by surprise affecting their commercial viability as it would discourage private participation in such economic activities which have been perceived to be essential by the Government. To that extent we are inclined to consider that some aspects of the agreements have pre-legislative features and thus, there is a requirement to look into them*".

4.6.4 Presently, BIAL's issue relating to cost of equity is a part of Civil Appeal No. 1798-99 of 2021 filed by BIAL before the Hon'ble Supreme Court, and on account of the matter raised in such appeals being *sub-judice* and pending for adjudication by the Hon'ble Supreme Court, and without prejudice to the claims and pleas made by BIAL and reliefs sought in the said civil appeals, BIAL has factored the cost of equity at 15.05% as per the Third Control Period Order passed by the Authority, which was fixed on the basis of the study report of IIM Bangalore and adopted by the Authority for the purpose of arriving at the cost of equity, and the same is considered for the purposes of filing this MYTP with the Authority.

ii. Cost of Debt

4.6.5 For the projects under the PAL 1 capital expenditure program that was approved by AERA in SCP order and whose implementation happened over SCP & TCP, BIAL had negotiated with the lenders to arrive at the lowest possible interest rate at the time of finalizing the terms of the expansion loan of Rs.10,206 Crs.

4.6.6 BIAL's loan for Expansion is based on SBI 1-year MCLR with a spread of 50 basis points or Axis Bank 1-year MCLR with a spread of 30 basis points, whichever may be higher, subject to the effective lending rate of any lender not being less than the MCLR of that lender. Thus, this was a floating rate loan, with annual reset clause, linked to

MCLR levels prevailing at the time of reset. The interest rate at the time of issuance of TCP Order was 7.85% per annum payable monthly (p.a.p.m.).

4.6.7 The Authority also decided to true-up the cost of debt for the TCP based on actuals subject to its reasonableness and efficiency.

4.6.8 BIAL's credit rating has been upgraded to AAA rating (Stable Outlook) by ICRA Ltd, India Ratings and Research Pvt Ltd, and Crisil Ratings Ltd. The interest rates for the Terms loans are based on SBI 1 Year MCLR + 50 basis points and is equal to 9.45% p.a.p.m., based on 1-year MCLR prevalent as of 21st August 2024 which was the previous reset date. The interest rate applicable for the existing NCDs is 8.35% p.a.p.m.

Refinancing of existing Term Loan facilities

4.6.9 Interest rate reduction considering the rating upgrade of BIAL and mitigation of construction risk due to PAL 1 program completion will benefit the airport users in the form of lower tariffs. The extension of concession agreement has also enabled BIAL to opt for long tenor loans which was not the case in the last funding round (in 2019).

4.6.10 With the above background, it is proposed to refinance the entire outstanding term loans of Rs.8069 Crs through issuance of NCDs at a fixed interest rate of 8.15% p.a.p.m (plus NCD issuance/repayment expenses) for the first 10 years out of the loan tenor of 15 years. The said interest rate is linked to external benchmark FIMMDA AAA Corporate Bond 10 year rate and will be reset at the end of 10th year with spread linked to the rating of BIAL. The interest rate shall move by 25 bps for each notch of downgrade and subsequent upgrade. The refinancing agreements are expected to be executed by September 2025 and the refinanced interest rate of 8.15% shall be applicable from 1st October 2025. This results in substantial savings through reduction in cost of debt.

4.6.11 The actual cost of debt is arrived at by BIAL after considering into account all the debt outstanding during the Third Control Period is given below. CA Certificate for the computation of Cost of Debt is enclosed as Annexure 12.

Table 40: Actual Cost of debt during the Third Control Period

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26(P)
Average Debt Balance	6,846.41	8,709.62	10,144.13	10,308.53	10,518.55
Interest Cost	502.59	666.93	843.87	925.76	878.25
Cost of Debt (Kd)	7.33%	7.74%	8.49%	8.88%	8.42%

4.6.12 The refinanced interest rate of 8.15% is the lowest for any PPP Airport in India and it reaffirms the diversified revenue profile of the BIAL with structured returns on its regulatory asset base (RAB) under the hybrid till mechanism, strong market position as the operator of the largest airport in South India, and healthy financial profile with a ring-fenced financing structure.

4.6.13 The comparison of issuances of NCDs of other airports in the last 2 years is given below:

Table 41: Comparison of Issuance of NCDs of other airports

(Rs in Crores)

Airport/Date	Amount	Credit Rating	Tenure yrs	Coupon fixed for yrs	Coupon % p.a.p.m
DIAL/Mar 24	800	AA-	10	5	9.5
DIAL/Aug 23	744	A+	7	5	9.75

Airport/Date	Amount	Credit Rating	Tenure yrs	Coupon fixed for yrs	Coupon % p.a.p.m
HIAL/Mar 23	840	AA+	10	5	8.71
HIAL/Mar 24	540	AA+	10	5	8.58
Goa/Nov 23	2475	A (Stable)	19+	19+	9.65

Note - All these are listed issuances.

Goa airport NCDs pricing is 10% p.a. – qtly payable rate shown for comparison only

4.6.14 It is very evident from the above table that BIAL has obtained the lowest interest rate among other peer airports in the country.

4.6.15 As per the refinanced scheme, BIAL has to maintain the following loan covenants:

- Debt/Net Worth: Max. 6.00 (Mandatorily to be complied)
- Debt Service Coverage Ratio (DSCR) : Min 1.00 and Interest Coverage Ratio (ICR): Min 1.50 (anyone of the two to be complied at all times)
    - Penal interest applicable for deviation beyond 5%. Breach of covenants for 3 consecutive years will be an Event of Default.

4.6.16 We request AERA to kindly note the above while determining a fair and reasonable ARR for the Fourth Control Period so that the benefit of securing the lowest interest rate for any PPP airport is not put at any risk.

4.6.17 BIAL also requests that the actual cost of debt as submitted above is considered as efficient cost and be used for computation of FRoR for the purposes of true up for TCP.

iii. Fair Rate of Return

4.6.18 Based on the cost of equity, cost of debt and gearing ratio, for the Third Control Period as above, BIAL submits and requests AERA to consider the FRoR given in the table below for the purposes of true up for Third Control Period:

Table 42: FRoR to be considered for true up for TCP

Particulars	FRoR
Cost of Equity	15.05%
Cost of Debt*	8.22%
Weighted average gearing (WG) of Equity	52%
Weighted average gearing (WG) of debt	48%
Fair rate of return	11.77%

**on weighted average basis*

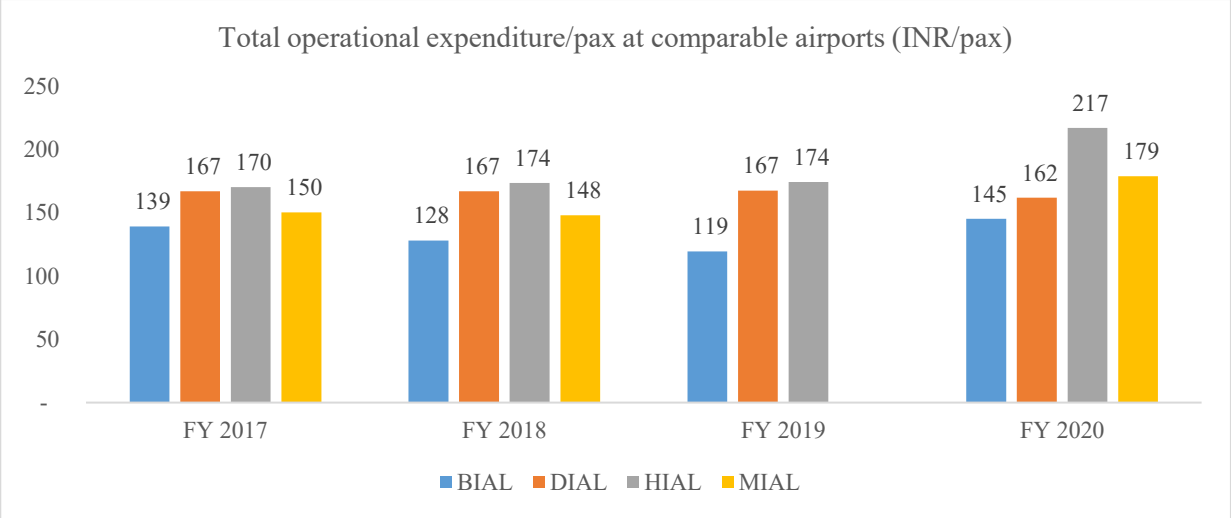
4.7 True Up of Operating Expenses

4.7.1 AERA, as a part of tariff determination exercise for the Third Control Period, had appointed KPMG for reviewing and examining the O&M costs incurred by the airport (BIAL) for the previous control period (Second Control Period – FY 2016-17 to FY 2020-21). This study was aimed to understand the efficiency of the operational expenditure for the Second Control Period being considered as part of the tariff determination process for the Third Control Period. The report analysed BIAL's O&M costs with respect to its performance (Internal benchmarking) and external benchmarking has been undertaken with similar private airports in India namely DIAL, HIAL and MIAL and the cost were found to be efficient and reasonable.

The summary of the findings from the report are as given below:

4.7.2 In regard to the internal benchmarking of BIAL's O&M costs, based on analysis of the growth trends of various O&M cost components for the period FY 2011-12 – FY 2020-21, the inflation adjusted costs per pax at BIAL has decreased for major heads except O&M which has shown a marginal increase due to the increase in capacity at the airport.

Figure: Total operational expenditure/pax for comparable airports



4.7.3 On external benchmarking of BIAL's O&M costs with other private airports in India namely DIAL, HIAL and MIAL, it is noted that the airports differ from each other in many ways such as layout of the terminal building, capacity of the runway/ terminal/ apron, passenger mix, natural or man-made disruptions in operations, outsourcing of services, cost of living of a city, etc. These differences have significant impact on the operational expenditure at the airport. Additionally, airports around the world follow varied approaches towards outsourcing of services at an airport. This can result in costs being recorded under different heads of operational expenditure for different airports.

4.7.4 While differences on account of characteristics of an airport would have an impact on any comparison between airports, the difference on account of outsourcing is addressed to an extent while comparing overall costs between airports. It is noted that the metrics on overall (total) operational expenditure incurred by BIAL for the period FY 2016-17 – FY 2019-20 appears reasonable in range of other private airports in India.

4.7.5 The Operating expenditure estimate submitted by BIAL as part of its MYTP submission for the Third control Period is given below:

Table 43: Operating Expenditure estimate submitted by BIAL for TCP

(Rs in Crores)

S No	Particulars	FY22	FY23	FY24	FY25	FY26	Total
A	Personnel expenses	247.50	348.03	392.61	513.61	582.21	**2,083.97**
B	O&M	215.74	347.23	385.67	445.34	602.70	**1,996.68**
C	Lease Rent	15.11	21.26	22.87	23.55	24.27	**107.06**
D	Utilities	39.81	52.35	56.02	59.94	64.13	**272.25**
E	Insurance	11.59	22.68	24.27	25.48	26.99	**111.00**

S No	Particulars	FY22	FY23	FY24	FY25	FY26	Total
F	Rates & Taxes	9.46	13.54	13.98	14.42	14.88	**66.28**
G	Marketing & Advertising	27.17	25.57	28.50	31.79	35.49	**148.52**
H	CSR	13.70	13.22	11.90	15.72	19.86	**74.41**
I	General admin costs	43.38	60.95	67.05	73.75	81.13	**326.26**
	Total operating expenses	**623.46**	**904.83**	**1,002.87**	**1,203.60**	**1,451.66**	**5,186.43**
J	Concession fee	146.22	202.99	241.16	286.83	341.30	**1,218.50**
K	Waiver and bad debts	-	-	-	-	-	**-**
	Total Operating Expenditure	**769.68**	**1,107.82**	**1,244.03**	**1,490.43**	**1,792.96**	**6,404.93**

4.7.6 The submission made by BIAL was made in cognizance of the fact that BIAL with a completed 2 independent parallel runway system, 2 terminals with a passenger processing capacity of 51.5 MPPA and terminal area which is 2.5X times the terminal area, increase in apron area vis a vis infrastructure that existed in FY 2019-20. Unlike a brownfield expansion where an existing terminal may be expanded, development of a new runway and a new terminal leads to an increase in personnel and O&M expenses which is in direct proportion to increase of infrastructure.

4.7.7 The Multi Year Tariff Proposal, the Consultation Paper and the Tariff Order were issued during a period where civil aviation (globally and within India) was adversely impacted by successive Covid pandemic waves which cast significant uncertainty around the recovery of passenger traffic. While AERA had adopted a view with respect to operating expenses, BIAL believes the same does not adequately factor in the scale of infrastructure that has been commissioned.

4.7.8 The operating expenditure decided by the Authority in the order for the Third Control Period is as follows:

Table 44: Operating expenditure decided by the Authority for TCP

(Rs in Crores)

S No	Particulars	FY22	FY23	FY24	FY25	FY26	Total
A	Personnel expenses	210.72	245.24	259.45	301.95	319.45	**1,336.82**
B	O&M	131.28	142.77	202.88	221.84	243.63	**942.40**
C	Lease Rent	15.11	21.26	22.87	23.55	24.27	**107.06**
D	Utilities	28.65	37.73	55.74	58.47	61.33	**241.92**
E	Insurance	5.11	5.82	10.84	11.10	11.28	**44.16**
F	Rates & Taxes	8.69	9.12	13.22	13.86	14.54	**59.44**
G	Marketing & Advertising	11.54	20.87	17.96	20.26	22.85	**93.48**
H	CSR	-	-	-	-	0.15	**0.15**
I	General admin costs	26.72	28.37	29.77	31.22	32.75	**148.83**
	Total operating expenses	**437.83**	**511.17**	**612.73**	**682.26**	**730.26**	**2974.25**
J	Concession fee	17.61	44.26	64.47	87.78	93.95	**308.07**
K	ORAT	-	-	-	-	-	**-**
	Total Operating Expenditure	**455.44**	**555.43**	**677.20**	**770.04**	**824.21**	**3282.32**

4.7.9 Actual Operating expenditure incurred by BIAL for the Third Control Period is given below:

Table 45: Actual Operating expenditure incurred by BIAL for the TCP

(Rs in Crores)

S No	Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
A	Personnel expenses	208.28	255.24	316.60	384.35	439.15	**1,603.62**

S No	Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
B	O&M	156.57	213.21	297.44	386.28	471.88	**1,525.38**
C	Lease Rent	15.11	21.26	22.93	17.55	24.32	**101.17**
D	Utilities	28.37	40.85	72.55	65.89	63.53	**271.19**
E	Insurance	6.43	7.63	9.95	10.85	11.29	**46.15**
F	Rates & Taxes	4.92	8.68	9.38	11.86	13.17	**48.01**
G	Marketing & Advertising*	9.48	21.62	12.33	24.01	20.87	**88.31**
H	Collection Charges	2.87	5.62	7.25	7.94	9.96	**33.64**
I	General admin costs*	25.33	38.41	45.62	62.91	66.42	**238.68**
J	Waiver and bad debts	-	0.12	5.99	-2.35	-	**3.76**
K	Misc. Expenses	-0.44	0.54	-5.65	4.07	-	**-1.48**
L	Other Borrowing costs	2.90	5.95	12.75	9.29	61.95	**92.84**
	Total Operating expenses	**459.81**	**619.13**	**807.14**	**982.66**	**1,182.53**	**4,051.26**
M	Concession fee	31.40	69.67	107.51	144.94	160.08	**513.59**
N	CSR	-	-	-	-	0.24	**0.24**
	Total Operating Expenditure	**491.21**	**688.80**	**914.65**	**1,127.59**	**1,342.85**	**4,565.09**

**After exclusions*

4.7.10 Analysis of actual Operating Expenses incurred is elaborated below.

A. Personnel Cost

Table 46: Proposed manpower additions as per TCP submission

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total
Additions towards business growth			11	26	39	26	26	**128**
Additions towards T2 Phase 1			0	340	0	189	0	**529**
Sub total			11	366	39	215	26	**657**
Closing Manpower	**1,227**	**1,247**	**1,258**	**1,624**	**1,663**	**1,878**	**1,904**	

a) In comparison to the above proposal, AERA had approved manpower additions as given below:

Table 47: Manpower additions as approved by AERA

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total
Manpower additions			0	125	0	137	0	**262**
Closing Manpower	**1,227**	**1,247**	**1,247**	**1,372**	**1,372**	**1,509**	**1,509**	

b) BIAL's actual manpower additions for the TCP is as given below:

Table 48: Actual Manpower additions for TCP

Details	FY21	FY22	FY23	FY24	FY25	FY26(P)	Total	CAGR
Manpower Additions		(73)	163	314	160	55	649	**13.36%**
Closing Manpower	**1181**	**1108**	**1271**	**1585**	**1745**	**1830**		

4.7.11 In terms of traffic handled vis-a-vis design capacity, BIAL was expected to operate at utilization levels in excess of 90% of its design capacity. The personnel cost is a function of number of personnel & cost per employee. BIAL's explanation for both factors is mentioned below:

* **Rationale for number of personnel hired by BIAL**

4.7.12 BIAL's infrastructure and passenger traffic has grown in line with the submissions made by BIAL as part of Third Control Period MYTP. Effectively from pre Covid levels, BIAL's traffic by end of FY 2025-26 would have grown by more than 50%. Further, the scale of infrastructure addition has been as follows:

Table 49: Details of scale of Infrastructure additions

Infrastructure	At the time of issuance of SCP Order	Third Control Period
Airside facility	One Runway	Two Runways
	66 Code E equivalent Stands	142 Code E equivalent Stands
Terminal	Single Terminal – 1.6 lakh sq. m approx	2 Terminals – Total 4.2 lakh sq. m approx
Terminal Design Capacity	26.5 MPPA	51.5 MPPA
Landside connectivity	Main Access Road (2+2 lane) North Cargo Road (1+1 lane)	Main Access Road (5+5lane) South Access Road (3+3 lane) Southwest Connectivity (3+3 lane) North Cargo Road (2+2 lane)
Landside access	Open Car Park, Bus Bay	Multi modal Transport Hub

4.7.13 The nature of infrastructure addition undertaken by BIAL necessitated the level of hiring as proposed. With the addition of a new terminal at 1.5 times the area of Terminal 1, BIAL would need the terminal management staff to grow in a similar proportion (especially when one terminal is operating at near 100% capacity while the other terminal is operating at ~80% of its capacity).

4.7.14 Authority in its order issued for DIAL's Fourth Control Period has also laid down a principle governing the linkage between increase in terminal area and manpower growth factor (Ref para 9.5.1 of Order No 20/2024-25 dated 28th March 2025). The Authority has considered that Terminal area increase is the right driver for projecting manpower growth instead of increase in passenger handling capacity of the Airport. Further, the manpower growth factor has been considered based on 2/3rd of increase in terminal area.

4.7.15 Based on the above principle, the terminal area increase factor and linked Manpower growth factor for BIAL would be as follows:

Table 50: Terminal Area increase factor and linked Manpower growth factor

Area of Terminal T1	163,535 m2
Area of Terminal T2 Phase 1	255,645 m2
Increase in Terminal Area	1.56 times
Manpower Growth factor based on principles laid down in DIAL Order	2/3 of 1.56 = 1.04 times
Manpower count as of 31st March 2021 for Operations, Engineering & Maintenance functions (after netting off manpower recruited in FY19 & FY20 towards NSPR)	789
Manpower growth (incremental) for TCP	1.04 times of 789 = 821

4.7.16 Total manpower count as on 31st Mar 2021 was 1181. Considering manpower growth as per above calculation, the total manpower for TCP should be 2002 (Existing manpower as on 31st Mar 2021: 1181 plus 821 manpower incremental additions considered for TCP). Against this, estimated manpower as on 31st Mar 2026 is only at 1830 (9% lower)

4.7.17 Terminal 2 is an entirely new terminal and needs adequate staffing levels to handle the operations and meet the service quality standards committed in the Concession Agreement. BIAL has embarked on a staggered headcount addition approach for Terminal 2 and other areas, with an objective to keep the costs efficient.

4.7.18 To summarize, AERA's approved manpower of 262 was grossly inadequate (around 1/3rd of eligible requirement of 828) and was incorrectly determined. As against the above, BIAL's actual manpower additions of 649 is reasonable and within the confines of the principles laid down by the Authority in the DIAL order.

4.7.19 Hence, we request the Authority to consider the actual manpower additions made in Third Control Period for the purpose of True-up of ARR.

Average Cost per Employee

4.7.20 The table below provides a summary of cost per employee that was submitted by BIAL, AERA approved cost per employee in TCP order and actual costs incurred by BIAL during Third Control Period.

Table 51: Summary of cost per employee

(Rs in Lakhs)

Cost per employee	FY22	FY23	FY24	FY25	FY26(P)
BIAL Submission (a)	19.67	21.43	23.61	27.35	30.58
AERA Approval (b)	16.90	17.88	18.91	20.01	21.17
Actuals incurred by BIAL (c)	18.80	20.08	19.97	22.03	24.00
Variance (c)/(b)-1	11%	12%	6%	10%	13%

4.7.21 The key reasons for variance include difference in CAGR of cost per employee as determined by AERA vis-a-vis actual Employee cost are as follows:

AERA as part of the tariff order has specified that the CAGR (for the period FY 2011-12-FY 2019-20) for cost per employee was 5.8%. Based on Employee cost and the actual manpower count, the trend in cost per employee (based on closing headcount) is actually 6.08% and not 5.8%.

Table 52: BIAL submission of CAGR of Personnel cost as per methodology considered by AERA

Details	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Personnel cost (Rs. Crs)	72.59	83.81	90.37	99.67	109.83	118.72	121.28	153.17	195.97
Closing Manpower	729	754	754	780	811	808	816	1046	1227
Cost/Employee (Rs per Lakhs)	9.96	11.12	11.99	12.78	13.54	14.69	14.86	14.64	15.97
% change		11.62%	7.83%	6.61%	5.98%	8.50%	1.15%	(1.48%)	9.07%
5 Year CAGR						8.09%	5.98%	4.09%	4.56%
8 Year CAGR									6.08%

4.7.22 AERA's decision to use closing manpower count is incorrect and the correct measure is to use the average head count (as explained below):

- Considering cost per employee based on dividing the total personnel cost by closing headcount does not factor the timing aspect of hiring of manpower in any financial year. The headcount at the closing of the year will include the additions made for full year, while cost is pro-rated for the period of employment only.

- BIAL prudently plans and phases the hiring process so that hiring is aligned with the requirement of the resource. On average, 46% of total yearly recruitments for the period FY 2012-13 – FY 2018-19 happened in the second half of the year. By considering the closing balance, AERA has understated the growth rate.
- This was highlighted by BIAL as part of its response to the Consultation Paper issued for TCP.
- A better approach would be to consider the average opening and closing headcount. This approach is consistent with the average RAB concept which is considered by Authority for calculation of FRoR and other purposes.

4.7.23 Considering the above, the correct CAGR calculation is given below:

Table 53: CAGR computation for Headcount

(Rs in Lakhs)

Details	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Table 115 of TCP Order									
Cost/Employee	10.17	11.37	11.93	13.31	13.89	14.64	13.77	14.56	15.97
% change		11.80%	4.93%	11.57%	4.36%	5.40%	(5.94%)	5.74%	9.68%
5-year CAGR						7.56%	3.90%	4.06%	3.71%
8-year CAGR									**5.80%**
Closing Head count approach by AERA with corrected data									
	72.59	83.81	90.37	99.67	109.83	118.72	121.28	153.17	195.97
Manpower	729	754	754	780	811	808	816	1,046	1,227
Cost/Employee	9.96	11.12	11.99	12.78	13.54	14.69	14.86	14.64	15.97
% change		11.62%	7.83%	6.61%	5.98%	8.50%	1.15%	(1.48%)	9.07%
5-year CAGR						8.09%	5.98%	4.09%	4.56%
8-year CAGR									**6.08%**
Average Headcount approach									
Personnel cost	72.59	83.81	90.37	99.67	109.83	118.72	121.28	153.17	195.97
Average manpower	707	742	754	767	796	810	812	931	1,137
Cost/Employee	10.27	11.30	11.99	12.99	13.81	14.67	14.94	16.45	17.24
% change		10.08%	6.04%	8.42%	6.25%	6.22%	1.84%	10.15%	4.81%
5-year CAGR						7.39%	5.73%	6.54%	5.82%
8-year CAGR									**6.69%**

4.7.24 Considering the above average cost per employee computation of 6.69% annual growth and the manpower approved by AERA for FY 2020-21 to FY 2022-23 and eligible manpower (2002 nos. as mentioned in 4.6.15), the revised calculation is as below which indicate that the actual cost in within the range of estimated cost as being considered by AERA in recent orders:

Table 54: Annual growth and manpower approved by AERA

Personnel cost	FY22	FY23	FY24	FY25	FY26	Total
AERA approved manpower	1,247	1,372	1,372	1,509	1,509	
Eligible manpower	1,247	1,372	1,372	2002	2002	
Average eligible manpower*	1,247	1,310	1,372	1,687	2,002	
Cost/employee**	18.40	19.63	20.94	22.35	23.84	
Eligible Personnel cost	229.42	257.14	287.34	377.04	477.28	**1,628.22**
Actual personnel cost	208.28	255.24	316.60	384.37	439.15	**1,603.62**

*Average eligible manpower is computed as (opening+closing)/2

**FY20 cost per employee as computed in 4.7.23 escalated by 6.69%

Trends in Actual Personnel Cost

4.7.25 The performance indicators for Personnel costs are as given below:

Table 55: Performance indicators for Personnel Costs

(Rs in Crores)

Details	FY22	FY23	FY24	FY25	FY26(P)
Employee Cost/Pax	126.21	79.98	84.00	91.79	91.19
Employee Cost/ATM	14,072	11,435	12,928	14,301	13,754
Employees/Million Pax	67.1	39.8	42.1	41.7	37.4

4.7.26 The indicator of Employees/Million Pax of 38 in FY 2025-26 is in line with FY 2019-20 (as per the Efficient O&M Cost report of 2021) implying the efficient deployment of manpower in line with growth in traffic. Further, it is to be noted that the projected traffic of 48.16 million in FY 2025-26 represents 94% of the total design capacity of the Airport.

4.7.27 Considering the above submissions, BIAL requests AERA to consider the actual costs incurred for the true -up of Personnel costs for the Third Control Period.

B. O&M Expenses

4.7.28 AERA had determined O&M costs as % of Gross block and year wise percentages are as given below [Ref Para 7.2.18 of Tariff Order]

Table 56: O&M Cost as determined by AERA as a % of gross block

Year	O&M – Infrastructure (Landside, airfield and utilities)	O&M-ICT
Year 1 (year of capitalization)	0.00%	0.00%
Year 2	0.50%	5.00%
Year 3	0.60%	5.00%
Year 4	0.75%	5.00%
Year 5	1.00%	5.00%

4.7.29 BIAL had submitted Rs 1,996.68 crores as the total O&M costs in its MYTP submissions for TCP. In contrast, the Authority had allowed Rs. 942.39 crores only (as per Table 151 of TCP order) as aggregate O&M costs for TCP considering the above basis. As compared to the above, the actual O&M Costs incurred are as given below:

Table 57: Actual O&M Costs incurred by BIAL

(Rs in Crores)

Amount	FY22	FY23	FY24	FY25	FY26(P)	Total
Approved	131.28	142.77	202.88	221.84	243.63	**942.40**
Actuals	156.57	213.21	297.44	386.28	471.88	**1,525.38**

a) Background:

Table 58: Comparison of the Scale of Airport Operations

Infrastructure	At time of Issuance of SCP Order	At time of Issuance of TCP Order
Airside facility	• 1 Runway+ associated taxiways & 66 Aprons	• 2 Runways, Associated taxiways, Eastern cross field taxiway connecting two Runways, CAT III Airfield Ground lighting • 147 Aprons
Terminals	1 with area of 1.65 lakh m^2 approx	2 with area of 4.20 lakh m^2 approx
	26.5 MPPA Design Capacity	51.5 MPPA Design Capacity
Landside connectivity	• 4 lane Main Access Road • 4 lane South Access Road • 2 lane North Cargo Road	• 10 lane Main Access Road • 4 lane South Access Road • 4 lane Southwest Connectivity • 4 lane North Cargo Road
Landside access	Open Car Park, Bus Bay	5 level Multi modal Transport Hub- Bus, Taxis, Cars and Metro enabling works

1. Scale & Complexity – comparison between Terminals T1 and T2 Phase 1

4.7.30 The primary distinction between T1 and T2 lies in their design & capacity. While T1 has been the foundation of the airport's operations with 1,63,535 m^2, T2 Phase 1 has a built-up area of 255,645 m^2. The T2 Terminal themed as a "Terminal in a Garden" and is the world's largest airport terminal to achieve LEED Platinum Certification by the USGBC (US Green Building Council).

4.7.31 A comparison of the Civil installation related features is given below:

Table 59: Comparison of Civil installation related features

SNo.	Details	Terminal 1	Terminal 2
1	Built up area	1,63,535 Sqm	2,55,645 Sqm
2	Flooring at PAX area	19mm thick granite flooring	30mm thick granite flooring
3	Flooring at BMA & BBA	No Epoxy flooring at BBA and BMA	Epoxy flooring at BBA and BMA
4	Wall finish & Painted area	Most of the area has HFL cladding, lesser Painted area	The terminal has large areas of s Brick cladding and painting.
5	Ceiling	Most of the area has Grid ceiling and height is less	Bamboo and Baffle ceiling in passenger area with bell structures and the ceiling height is more.
6	Building Enclosure	The building enclosure is equipped with a façade system featuring tinted glass panels, offering a sleek architectural look while reducing glare and enhancing energy efficiency.	The building enclosure features a façade system fitted with clear glass panels, providing a modern appearance while allowing natural light to enhance interior spaces.
7	Water supply network	The water supply network extends approx. 40 kms and utilizes HDPE (High-Density Polyethylene) and PPR (Polypropylene Random Copolymer) piping systems.	The water supply network spans approx. 75 kms and comprises a combination of GI (Galvanized Iron), CPVC (Chlorinated Polyvinyl Chloride) and UPVC (Unplasticized Polyvinyl Chloride) piping systems.
8	Roof	69 Numbers of Skylights panels	199 Numbers of Skylights panels

SNo.	Details	Terminal 1	Terminal 2
9	Seating Arrangements for PAX	3644 chairs and 831 Sofa seats	4550 Chairs and 930 Sofa seats

Mechanical Systems:

4.7.32 Compared to T1, mechanical assets in T2 are significant both in number and in terms of advanced technologies.

Table 60: Comparison of Mechanical assets among T1 and T2

S No.	System	Terminal 1	Terminal 2
1	Baggage Handling System (BHS)	97 nos (81 Conventional & 16 SBD) Check-In counters, and 5nos T1-T2 Inter Terminal transfer counters.	A total of 90 check-in counters are available, comprising 56 conventional counters and 34 Self Bag Drop (SBD) counters. Additionally, 5 re-check-in counters are available for international-to-domestic transfer passengers.
		07 nos Departure Lines are equipped with Automatic Tag Reader and Inline 2D X-Ray for screening bags.	There are 6 departure lines, each equipped with an Automatic Tag Reader (ATR) and Inline CTX 9800 DSi machines for baggage screening and sorting.
		Level 2A & 2B screening bags process through same inline conveyor system	Baggage is automatically sorted to the respective makeup carousels according to SAC planning, using the Tilt Tray Sorter (TTS01).
		Early Baggage storage is not Available.	Large early bag storage area.
		Security screening & Customs screening bags are routed through same inline conveying system.	A dedicated Transfer line is integrated within the departure baggage system.
		08 nos of carousels for Baggage Make-up are available in the Departure System.	The system includes 10 inclined makeup carousels, each supporting double-layer stacking for increased baggage handling efficiency. A dedicated Bypass line is available to process to bag whenever TTS01 sorter is under breakdown or maintenance
		07 nos of Arrival Reclaim carousels (4 Flat bed & 3 Inclined double induction) are available.	The arrival area features 8 reclaim carousels, also designed for double-layer stacking.
		06 nos of Arrival feed lines connecting 3 inclined carousels are available without Automatic Tag reader.	8 arrival lines, having dual feeding are installed with 360-degree Automatic Tag Readers and Inline X-ray Machines to ensure comprehensive baggage screening
			A dedicated OOG conveyor line is installed for Domestic arrival bags and for International OOG arrival bags equipped with Inline x ray m/c (100100V)

S No.	System	Terminal 1	Terminal 2
2	Passenger Boarding Bridge (PBB)	19 PBBs	23 PBBs with the latest Control System.
3	Vertical Horizontal Transportation (VHT)	**T1&T1A Equipments** Elevators: 39 Escalators: 33 Travelators :06	**T2 Equipments** Elevators: 53 Dumb waiter: 02 Escalators: 29 Travelators : 26
		VHT Equipments are not Integrated with CMS (Central monitoring station)	VHT Equipments are Integrated with CMS (Central monitoring station)
		No SMS facility for VHT System in T1	T2 VHT System is having SMS facility, which generates alerts & faults messages in case of any operational impact
4	Heating Ventilation and Air Conditioning (HVAC)	T1A: 5 single-stage centrifugal chillers (440V), each with a capacity of 500 TR, totaling to 2500 TR. T1: 6 screw chillers, each with a capacity of 375 TR, totaling to 2250 TR. Total Cooling Capacity is 4,750 TR.	Chillers: 4 high-energy efficiency double-stage centrifugal chillers (11 kV), each with a capacity of 1,800 TR. Total Cooling Capacity: 7,200 TR.
		AHUs: Conventional blower & MERV-8 filters-type AHUs – 84 units	AHUs: Provided with Energy Efficient EC fan-type with multiple filtration stages (MERV 8, 11, 14, and gas phase filters) and UVPCO – 106 units to enhance indoor air quality
		Ventilation Fans: Fresh air fans, exhaust air fans, and kitchen exhaust fans – 207 units in total.	Ventilation Fans: Fresh air fans, exhaust air fans, and kitchen exhaust fans – 302 units in total.
		Terminal 1 is not equipped with a VAV (Variable Air Volume) system	Terminal 2 is equipped with 500 VAVs (Variable Air Volume units) to enhance energy efficiency and climate control.
		In Terminal - 1, no Economizer mode & Co2 Level based ventilation.	In Terminal 2, the AHUs operate in Economizer mode and ventilation through CO_2 level monitoring in the occupied spaces.
		Other AC units - CAHU - 25nos, FCU - 43 nos, TFA-10nos.	Other AC units - CAHU - 87nos, FCU - 127 nos, TFA-18nos.
5	Fire Fighting System(FFS)	Diesel Driven Pump is working as Standby pump	Fully electrical operated pump with DG power source back up

Operation and Maintenance of electrical installations, Security screening equipment & High access equipment in Terminal 1 & Terminal-2:

4.7.33 Electrical operations are driven by a strong commitment to maintaining serviceability standards and ensuring 100% of All main LV panels, all sub distribution panels, MCB distribution boards, uninterruptible power supply (UPS) & batteries, Direct Current Power Supplies (DCPS) & batteries, Source Transfer Switches (STS), Low ceiling lighting, High ceiling lighting, Automatic sliding doors, Hand dryers, Shoe shiner, Smoke vents, Smoking POD, High access equipment's (MEWPs), Half height flap Gate / P Gates.

4.7.34 Compared to T1, T2 terminal has more equipment in respect of sub distribution electrical rooms, LV panels and sub panels, Terminal Lighting, High access equipment, P gates / Half height flap gates, Energy meters, Conventional X Ray machines & Body scanner equipment. Due to the increase in the operational area of T2 compared to T1, there is a significant increase in electrical assets & this impacts on the annual maintenance costs for T2 in terms of resources, spares, consumables etc.

Table 61: Comparison of maintenance costs between T1 and T2

S No	Installation	Terminal-1	Terminal-2
1	Sub distribution electrical rooms	21 rooms	65 Rooms
2	LV panels and sub panels	128 panels	290 Panels
3	Terminal lighting	12,345nos. - Public area light fixtures 2,135nos - Roof & Column light fixtures	42,435 nos of functional light fixtures, 22,712 nos. of architectural light fixtures, 8,564 nos. of landscaping light fixtures and 11,159 nos. of BOH light fixtures
4	Lighting Management System	2nos PLC Panel 30nos RMP panel 2nos gateway panels.	DALi modules & Switching Modules with Lighting Management System (LMS) Processer with Occupancy sensors.
5	High access equipment	6 articulated type equipment & 5 vertical type equipment	18 nos of high access equipment 6 Articulated lifts; 6 Scissor lifts; 5 Vertical mast lifts; Diesel boom lift – 01 no.
6	Building Management System	Breaker monitoring system - 120 Panels & Associated DDC/Gate way panels about 30 nos	BMS feeder monitoring for 248 LV panels Energy Meter monitoring for 784 Meters & Associated DDC Panels about 80nos
7	P gates / Half height flap gates	12 nos. installed in FY15	56 Nos. These are automated gates installed in the Immigration section using latest technology.
8	Energy meters	1007 nos.	2200 nos
9	Security systems - Conventional X Ray machines	73 nos. standalone machines	106 nos. standalone machines; 02nos OOG machines
10	Servers & workstations	T1 & T1A Matrix servers and Level-2 workstations	7nos network servers (Primary, Secondary & Fallback); 133 nos of workstations

S No	Installation	Terminal-1	Terminal-2
11	Body scanner Equipment	NA	03 nos body scanner equipment and associated accessories 01 Server

Electronic & Instrumentation installations:

4.7.35 Compared to T1, T2 assets related to E&I are significantly higher in number. Special focus has been laid on safety with adoption and implementation of advanced technologies in respect of Fire Alarm Panels (FAS), Fire Suppression Panels (FSS), Visual Docking Guiding System (VDGS), Building Management System (BMS) and Very Early Smoke Detection Apparatus (VESDA). Due to the higher number of equipment installed, there is a direct impact on annual maintenance costs in terms of resources, spares, consumables etc.

Table 62: Comparison of Electronic & Instrumentation Installations among T1 and T2

S No	Description	Terminal-1	Terminal-2
1	Fire Alarm Panels (FAS)	4 Siemens make panels including Server -2, Client-3	31 Siemens make, 10-MMTH. Servers - 1 No's, Client 2 No's
2	Fire Suppression Panels (FSS)	3 panels, 4 locations.	31 panels, JCI make. 8 panels -CUP
3	Visual Docking Guiding System (VDGS)	31 units, Type 2. SAM Servers -2 No's, Clients -6 No's	42 units, Type 1 -10 no's, Type 2 - 32 no's
4	Building Management System (BMS)	BMS Server-1, BMS Client-2, 209 controllers.	183 Controller, HVAC BMS Server - 2, IT BMS Server- 2, BMS Client -8.
5	Very Early Smoke Detection Apparatus (VESDA)	1 Panel at NDC	31 panels.

Landside Services:

Table 63: Comparison of Landside Services between T1 and T2

S No.	Category	Terminal 1	Terminal 2	Impact
1	Housekeeping Machinery Inventory	54	68	Due to increase in areas machinery inventory and OPEX cost is higher as compared to T1
2	Restroom Facilities	36	47	Increased count of restroom in T2 as compared to T1. Increased cost for manpower and cleaning
3	Pest Control Services for Hanging bells & Green Wall	Not Available	44 Bells & 52 Veils	In line with the sustainability goals, BIAL has laid emphasis on incorporating green features at Terminal 2. Accordingly, there is a requirement to undertake Daily pest control at all green features on the basis of guidance from APHO. This has resulted in an increased operating expense.

4.7.36 Operational and Maintenance (O&M) Cost Drivers for Terminal 2 Phase 1

Terminal 2 Phase 1's O&M cost profile is different in comparison to Terminal 1, despite T1 currently operating at a larger passenger capacity (26.5 million annually, increasing to 35 million post-T1 upgrade). The following factors are the key drivers of O&M requirements of Terminal T2:

a) Multi-Level Terminal Design and Built-Ahead Infrastructure

- T2 has been developed as part of a long-term master plan to eventually handle **up to 45 million passengers annually** upon completion of Phase 2. While only Phase 1 is currently operational, the terminal has been designed with **future scalability in mind**, which influences the layout, systems architecture, and space utilization strategy.
- In addition, **T2 is a three-level terminal** with separate floors for arrivals and departures, unlike **T1's single-level configuration**. This vertical layout improves passenger flow, reduces the chances of intermingling of passengers and improves operational efficiency, especially at higher throughput levels, but also increases the requirement for **vertical transport systems** (escalators, elevators), **duplicated service corridors**, and **larger mechanical, electrical, and plumbing (MEP) zones**.
- These design elements inherently result in increased surface area, equipment volume, and maintenance complexity across both levels.
- Furthermore, **T2's built-up area is 255,645 m^2**, significantly larger than **T1's 163,535 m^2**. This expanded footprint inherently demands more resources for cleaning, utilities, maintenance, and staffing—impacting the overall O&M cost base compared to Terminal T1.

b) Complex Architectural Features and Materials

- T2 has recently won the Skytrax rating of 5-star and being the first airport in India to receive the 5-star rating, it is a matter of pride for the nation. T2 incorporates distinctive architectural elements aimed at delivering a world-class passenger experience:
    - Extensive **indoor gardens**, green walls, and water features (10,000 sqm of green walls)
    - **Bamboo and natural material finishes**,
    - Large-volume, **glass-heavy facades**, and high ceilings.
- Such features, while enhancing aesthetics and comfort, entail higher maintenance frequencies and specialized care - including horticultural upkeep, material preservation, and climate control, compared to the more utilitarian design of T1.

c) Sustainability and Certification-Driven Requirements

- T2 has been developed to meet **IGBC Platinum and LEED Platinum** sustainability standards. To comply with these benchmarks, the terminal incorporates:
    - Advanced **energy and water management systems**
    - Treated water reuse, solar integration, and green building automation
    - Continuous monitoring and reporting for system performance.
- While environmentally beneficial over the long term, these systems demand higher maintenance intensity and skilled resources, impacting overall O&M expenses.

d) Enhanced Service Standards and Passenger Experience

- T2 is positioned to offer premium travel experience, particularly for international and high-yield domestic traffic. The terminal's service model entails:
    - Higher staffing ratios for housekeeping, security, and passenger services,
    - Increased frequency of cleaning and maintenance,
    - Use of superior grade consumables and fixtures.
- These service levels, aligned with global benchmarks, result in higher recurring costs relative to T1's legacy operational model.

e) Technology-Driven Operations

T2 has been developed with **advanced technology systems integrated from the design and construction stage**, leveraging the latest available solutions in the market at the time. This includes:

- **Biometric-based passenger processing integrated with conventional gates**
- **Automated baggage handling systems**,
- **Smart lighting and HVAC controls**,
- **Real-time monitoring through Building Management Systems (BMS)**,
- **Integrated access control and surveillance infrastructure**.

In contrast, **T1 was originally constructed with minimal embedded technology**, as such systems were either not available or not mature during its initial build. Technological enhancements in T1 were implemented progressively over time through retrofits.

The fully integrated nature of T2's systems enhance operational efficiency and passenger experience but also results in **more complex and specialized maintenance requirements**. These include the need for **vendor support**, **technical personnel**, and **infrastructure monitoring**.

f) Integrated Terminal Operations

T2 functions as an integrated terminal, handling both **international and domestic** passenger traffic, whereas **T1 caters exclusively for domestic operations**. Managing international operations introduces a higher degree of operational complexity and cost, due to:

- **Dedicated zones** for immigration, customs, international security screening, and quarantine facilities.
- **Additional regulatory compliance requirements** and coordination with multiple government agencies.
- **Separate sterile and non-sterile areas**, requiring more extensive access control, signage, and passenger segregation infrastructure.
- Increased **baggage screening, handling, and storage systems** for international transfer and customs clearance.
- Higher service levels in terms of lounge access, duty-free retail, and international connectivity support.

This integrated operational model drives **greater staffing needs**, **more extensive security infrastructure**, and **additional building systems** - all of which impact the O&M expenditure compared to T1's domestic-only scope.

Summary

4.7.37 The O&M costs associated with Terminal 2 are influenced by its forward-looking infrastructure strategy, architectural complexity, sustainability commitments, elevated service benchmarks, and technology integration. These features are central to T2's role as a next-generation terminal, designed to meet future passenger demand and international operational standards.

4.7.38 There were other airports in the country which underwent expansion in the same time period when BIAL undertook this expansion project. However, not all the airport expansion projects were of comparable scale and complexity like that of BIAL. BIAL's expansion project involved the development of a completely new runway and associated air-field infrastructure, a completely new passenger terminal building of 1.6X the existing terminal capacity, significant additions to the landside infrastructure and the approach roads to the Airport.

Table 64: Airport Capacity Utilization for the TCP

Details	Airport Capacity (MPPA)	Actual Traffic	Overall Capacity utilization
FY 22	26.5	16.29	61.47%
FY 23	30.25*	31.91	97.56%
FY 24	51.5	37.53	72.87%
FY 25	51.5	41.88	81.32%
FY 26	51.5	48.16	93.51%

** on a weighted averagebasis considering 3 months of T2 availability*

Table 65: Terminal wise Capacity Utilization factor

Details in Millions		FY22	FY23	FY24	FY25	FY26(P)
Overall Traffic	Dom	15.42	28.13	32.86	36.04	40.86
	Intl	1.08	3.79	4.83	5.83	7.3
	Total	**16.5**	**31.92**	**37.69**	**41.87**	**48.16**
Distribution of Traffic						
T1	Dom	15.42	23.91	24.64	24.47	27.72
	Intl	1.08	3.79			
	Total	**16.5**	**27.7**	**24.64**	**24.47**	**27.72**
T2	Dom		4.22	8.22	11.57	13.14
	Intl		-	4.83	5.83	7.3
	Total	**0**	**4.22**	**13.05**	**17.40**	**20.44**
T1 Design Capacity	Dom	26.5	26.5	26.5	26.5	26.5
T2 Design Capacity	Dom		15	15	15	15
	Intl			10	10	10
Sub total			15	25	25	25
T1 Capacity Utilization		**62%**	**105%**	**93%**	**92%**	**105%**
T2 Capacity Utilization	Dom		28%	55%	77%	88%
	Intl			48%	58%	73%
	Overall		**28%**	**52%**	**70%**	**82%**

4.7.39 From the above table, it is clearly evident that Terminal T1 is operating at close to 100% of its capacity in 4 out of the 5 years of the Third Control Period and Terminal T2 has crossed the 80% utilization factor in its third year of operations itself.

Variance Analysis between AERA approved O&M Costs and Actual Costs incurred by BIAL:

4.7.40 The key reasons for the variance between O&M Costs incurred by BIAL v/s AERA's Third Control Period order numbers are as given below;

1. Non consideration of historical costs as basis for projections in Third Control Period order

- The Authority held the view that comparison with the historical O&M costs as a % of gross block will not provide the right benchmark for forecasting the future O&M costs as BIAL's facilities in TCP would not be operating at peak capacities in TCP in contrast to the situation in FY 2019-20 whereas, in actual, they were operating at peak capacity.
- As can be seen from the above tables, the Airport on an overall basis, operated at more than 80% utilization levels in 3 out of the 5 years and hence AERA's comments on capacity utilization levels in the TCP order was not backed up with the data given in the above tables.
- Not considering the efficient O&M Cost report as the basis is inconsistent with Authority's approach adopted in other airports, wherein past trends were used as the basis for projecting future costs.

2. Using FY 2020-21 costs as the basis to project future cost estimates for existing assets

- AERA had decided to consider the cost base of FY 2020-21 for forecasting the O&M cost for the existing assets for future years. FY 2020-21 cannot be considered as a base year as traffic had fallen by 67% which had allowed BIAL to implement COVID induced austerity measures which otherwise could not be implemented once passenger traffic reached normalcy. BIAL had considered FY 2019-20 as the basis for making all projections and the same should have been considered by the Authority for estimating the TCP costs. This was also the practice followed by the Authority in case of other airports such as Chandigarh, Mumbai, Delhi etc. as 2020-21 is not a representative year. The base year for traffic and the base year for cost estimation cannot be different. The use of the normal base year for traffic projections under COVID affected year as base year of cost estimations is not justifiable.

3. Assumption of 0% benchmark for estimating O&M cost in year 1 (year of capitalization) by AERA

- When an asset is put to use, either for full year or a part, there are associated O&M costs that must be incurred, and Authority needs to consider these costs. The Defects liability period is only for the vendors to attend whenever defects are notified. As Airport is public place, we need maintenance team 24/7 to take care of preventive maintenance, to attend passenger calls related to services not working (power sockets, lights , automatic doors etc.) Hence these expenses are required to be incurred.
- The Authority in para 7.5.12 of the TCP Order had stated that its decision to have 0% O&M Cost in year 1 was based on BIAL's own assumption in its business plan submitted to the Authority for the TCP.
- However, the Authority has not considered an important fact that underpins the assumptions used in the Business Plan submitted by BIAL. In the MYTP submissions, Terminal T2 was assumed to be capitalized at

the end of the FY 2021-22 (i.e. 31st March 2022). Therefore, O&M costs had not been considered by BIAL for FY 2021-22. Subsequently, the capitalization date for Terminal T2 Phase 1 has been changed to 31st December 2022 (FY 2022-23) and 3 months of operations need to be recognized by AERA.

- While this shift in capitalization dates was noted and duly acknowledged by AERA in the RAB addition portion of the TCP Order (Ref para 5.5.8), this change in capitalization date has not been considered by AERA in the determination of O&M costs for the TCP Order. Hence, the 0% O&M cost provision error has crept in.

In view of the above, 0% cannot be applied for capitalized assets which are in operations and BIAL requests the Authority to allow true up based on the actual costs incurred for the period of operations in FY 2022-23.

4. O&M costs benchmarks for New Assets adopted by AERA

- AERA has proposed O&M costs (as a % of Gross block) between 0-1% for New Assets (excluding ICT). The rationale / basis for these benchmarks have not been provided by AERA in the TCP order, including the references/ details used to derive such benchmarks.
- The below table gives the historical O&M Cost (as a % of Gross block) for BIAL & its peer airports:

Table 66: Comparative Historical O&M Cost as a % of Gross Block

Airport	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
BIAL	1.80%	2.03%	2.27%	1.51%	1.55%	2.42%	2.73%	2.60%	2.96%	2.69%
HIAL	2.81%	2.62%	2.84%	3.07%	3.18%	3.58%	3.94%	3.66%	4.14%	3.38%
MIAL	4.66%	3.88%	2.68%	2.33%	2.03%	2.31%	2.46%	2.59%	2.92%	2.29%
DIAL	1.64%	1.93%	2.21%	2.87%	3.04%	3.12%	2.84%	3.02%	2.27%	2.24%

Source: AERA Tariff orders

O&M costs include repairs and maintenance, outsourcing expenses, housekeeping and security expenses and other outflows

- Based on the above table, neither BIAL nor its peer airports like DIAL, MIAL & GHIAL have witnessed the spend %s to be as low as those decided by AERA in the period FY 2011-12–FY 2020-21. Further, as can be seen from the above table, BIAL's O&M Costs (as a % of Gross block) are reasonable and comparable to its peer airports.
- The Rationale / basis of these estimates has not been provided by the Authority including the references/ details used to derive such %s. The Authority has not given any reference of any major airport in India which has such O&M costs %s.
- Such levels of costs are practically not possible to achieve without compromising on regular maintenance of key systems. In view of the above, BIAL requests the Authority to allow the true up based on the actual costs incurred for the TCP.

5. Impact of increase in Terminal area on O&M costs post commissioning of Terminal T2 Phase 1

- The Authority in its order issued for DIAL's Fourth Control Period has clearly laid down a principle governing the linkage between increase in terminal area and O&M costs (para 9.2.91 of Order No 20/2024-25 dated 28th March 2025). The Authority has considered the Terminal area increase factor for assessing an increase

in O&M Costs on account of an increase in Terminal area resulting from a new asset (Terminal) being put into use. Further, the increase in O&M costs has been adjusted to only 2/3rd of the actual increase in terminal area.

- Based on the above principle, the terminal area increase factor and linked O&M cost increase for BIAL is as given below:

Table 67: Terminal area increase factor and linked O&M cost increase for BIAL

Area of Terminal T1	163,535 m2
Area of Terminal T2 Phase 1	255,645 m2
Increase in Terminal Area	1.56 times
Terminal Area increase factor based on principles laid down in DIAL Order	2/3 of 1.56 – 1.04 times
Actual O&M Costs as of 31st March 2023 (Rs. Crs)	213.21
Incremental O&M Costs on a/c of T2 addition for FY24 (Rs. Crs)	213.21*1.04 = 222.18

- The eligible incremental O&M cost of Rs 222.18 Crs has been incurred over a staggered period of three years – FY 2023-24, FY 2024-25 and FY 2025-26.

6. Under provisioning of O&M Cost for New Assets

- After deducting the WPI adjusted O&M costs for the existing assets from the overall O&M expenses approved by AERA for TCP, the balance available for new assets is in the range of 30-40% of the existing assets. This gross under provisioning is in stark contrast to the scale of increase in Airport infrastructure as depicted above.

Table 68: Provisioning for New Assets and Existing Assets

Particulars	FY21	FY22	FY23	FY24	FY25	FY26(P)
Total O&M Costs (Existing +New Assets) (Table 150 &151 of TCP Order)		131.28	142.77	202.88	221.84	243.63
Existing Assets O&M Costs adj for 4.9% WPI –(a) (Table 39&40 of TCP Order)	134.41	140.99	147.90	155.14	162.75	170.72
Balance available for New Assets - (b)			5.13	47.74	59.09	72.91
Ratio of (b)/(a)			3.47%	30.78%	36.31%	42.71%

- From the above table, it is amply clear that there has been gross underestimation of O&M Costs for new Assets by AERA despite there being a 1.58 times incremental increase in Terminal area upon commissioning of Terminal T2 Phase 1 and the primary reason for the same is the O&M Cost benchmarks (% of Gross block) decided by the Authority in the TCP Order.

7. AERA's view that newer assets require lesser O&M costs vis-à-vis older assets:

- BIAL's O&M cost projections include both Operations and Repairs & Maintenance costs.
- Maintenance of the asset starts from the date of its commissioning and hence Asset Management Contracts (AMCs) are required to be entered into for various upkeep and maintenance activities right from the commissioning of assets.

- AMC contracts had been executed for certain key equipment as follows from day 1 of Operations:
    - Baggage Handling System (Electromechanical and Control System)
    - Passenger Boarding Bridges
    - Elevators & Escalators
    - All Equipment in the screening system – In line, Standalone, ETD etc.
    - Central Heating Ventilation and Air Conditioning system
    - Electrical System
    - Fire Alarm System and Fire Safety System
    - Fire Fighting System
    - PHE System

  These AMC contracts have been executed through a process of market discovery in line with BIAL's procurement policy.

- If AMC Contracts are not recognized immediately from the day of capitalization, BIAL would not be compliant with OEM recommendations for Operation & Maintenance of the respective assets. This will prove detrimental in case of any break-down / non-functioning of such assets and there will be no vendor support. Hence, the basis that newer assets need lower O&M costs is incorrect.
- In addition, the cost of spares, consumables etc., which are required for normal operations and not covered under the AMC, are required to be incurred by BIAL. Further, not ensuring adequate maintenance of assets increases the Insurable risk leading to higher Insurance premiums.
- It is to be noted that besides the Maintenance of Assets relating to Civil, Electro-Mechanical, Vehicles & Equipment and Utilities, there are various other expenses (as given below) which are not directly related to the maintenance of Assets but are required to be spent for running the Airport Operations.
    - Expenses such as Housekeeping, facility maintenance, Vehicle running costs including fuel expenses, Solid Waste Management, Consumables etc. cannot be avoided.
    - BIAL also needs to take up certain one-time maintenance activities on a periodical basis (once in 5 years) such as building waterproofing, trumpet flyover repairs, underground sump painting & waterproofing, etc.
- To summarize, there is a need to incur Operation & Maintenance expenses, from Day 1 of commissioning/ capitalization, and we request AERA to recognize all these costs for the purposes of True up of expenses incurred for the Third Control period.

8. Linking sustaining capital expenditure to O&M Costs by AERA

- AERA had noted that BIAL is provided with adequate sustaining capital expenditure to carry out special repairs in addition to O&M costs. BIAL submits that sustaining capital expenditure is related primarily to minor capital expenditure and certain costs for replacement of assets etc. which are as per OEM recommendations. These costs are capital in nature and not a part of regular operations and maintenance costs. Sustaining Capital expenditure has been identified, and a list has been submitted by BIAL. Hence, this list is totally different and should not be compared with the O&M cost drivers.

A. Basis for Actual O&M Costs incurred

a) Principles of Cost incurrence

4.7.41 Costs are identified based on location and type. This is based on specific cost centers and GL codes for recording expense line items that are directly attributable to the respective category/location.

- All airside related departments such as Airside civil, electrical, services, Apron management, ARFF, etc are classified as Airside.
- Utilities include power systems, water management systems and environment related cost centers.
- Terminal includes costs specifically incurred for Terminal 1 and 2 operations. This includes specific cost centers of T1, T2 and costs incurred towards terminal maintenance including Civil, Electrical, Mechanical/Special equipment, Housekeeping etc.).
- Landside includes Landside civil, electrical, mechanical, and housekeeping services. This includes
  * Expenses those are specifically attributable to landside are accounted under this.
  * **Contracts that are common for both Terminal and landside locations** such as common lighting/electrical contracts, escalators/elevators in Terminal and other common buildings, etc. are also classified as part of Landside.
- Common includes fuel expenses irrespective of airside/landside locations, consumables which are common for both terminals and landside (Ex.: Consumables for Elevators, VHTs, HVAC systems that are used for both Terminal and landside locations)
- ICT expenses are categorized separately

4.7.42 BIAL's procurement policy approved by its Board provides for the following:

- RFQ/RFP/EOI and RFP based on estimated value of contracts
- Qualification criteria for JVs/consortiums to participate in the tendering process
- Guidelines and approvals required for empanelment of vendors
- Guidelines relating to commercial evaluation (L1 cost); technical and commercial evaluation (selection of bidders based on technical, followed by L1 cost); techno commercial evaluation (weighted approach for technical and commercial bids)
- Negotiation and selection of vendor
- Guidelines for purchase through annual rate contract, repeat orders, proprietary/OEM items etc.
- Approval process for all awards, including deviations, if any.

4.7.43 BIAL strictly follows the procurement policy for awarding any major O&M contract, thereby ensuring internal price benchmarking against estimates, external benchmarking through price discovery from market, strengthened further by negotiations.

4.7.44 The tables below show the comparison between the break-up of O&M Cost as approved by AERA and the actual costs incurred by BIAL in the TCP.

Table 69: O&M Cost as approved by AERA and actuals incurred by BIAL

(Rs in Crores)

As per AERA–Table 139	FY22	FY23	FY24	FY25	FY26	Total
Infra	87.59	96.45	130.56	145.49	163.05	623.14
ICT	30.01	31.48	56.26	59.02	61.91	238.68
Others	13.68	14.84	16.05	17.33	18.67	80.57
Total	**131.28**	**142.77**	**202.87**	**221.84**	**243.63**	**942.39**

(Rs in Crores)

Actuals	FY22	FY23	FY24	FY25	FY26(P)	Total
O&M Total	**156.57**	**213.21**	**297.44**	**386.28**	**471.88**	**1,525.38**

Analysis of Actuals incurred:

4.7.45 The actual costs incurred by BIAL are categorized based on the facility/area:

Table 70: Actual costs incurred by BIAL categorized based on the facility/area

(Rs in Crores)

Location	FY22	FY23	FY24	FY25	FY26(P)	TCP
Airside	15.29	21.53	30.29	34.01	42.16	143.27
Utilities	40.72	51.88	105.22	156.23	212.64	566.69
Terminal	49.94	74.07	80.70	85.35	76.24	366.30
Landside	5.67	7.30	9.47	11.77	15.36	49.58
Total O&M Infra	**111.61**	**154.78**	**225.68**	**287.36**	**346.40**	**1125.84**
ICT	44.95	58.43	71.76	98.92	125.48	399.54
Total O&M	**156.57**	**213.21**	**297.44**	**386.28**	**471.88**	**1525.38**

b) One time expenses not considered in MYTP submissions or in TCP Order

4.7.46 Out of Rs 1,125.84 crores under Total O&M infra, below expenses are one time expenses which were not included as part of Third Control Period submissions / TCP order. Summary of the same is given below.

Table 71: One time Expenditure not included TCP Submission

Expense	Amount	Location	Category	Remarks
NASFT expenses	15.74	Landside	Security	Incurred by CISF and not considered by NASFT for reimbursement. Since the spends are already incurred, BIAL had to account for these under Security
COVID related spends	7.67	Landside	Covid	One-time COVID related consumables and manpower spends
Express cargo terminal strengthening works	6.03	Landside	Others	Building strengthening works.
T2 Trial & Start up management	2.72	Terminal	Others	Classified under ORAT but charged off to P&L as per Accounting Standards
Expenses incurred during Project construction	1.80	Landside	Others	Part of PAL1 capex program but charged off to P&L as per Accounting Standards
Alpha 3 strengthening works	0.56	Landside	Others	Building strengthening works charged off to P&L as per Accounting Standards

Expense	Amount	Location	Category	Remarks
Restoration of Granite floor	0.55	Landside	Others	Building strengthening works. Initially proposed as part of sustaining capex but charged off to P&L as per Accounting Standards
Waste disposal related spends	0.41	Landside	Others	One time spend towards T2 opening
Hiring of mechanical sweeper	0.26	Landside	Others	One time spend towards T2 opening
Total One time/non submitted spends	**35.74**			

4.7.47 The Authority has noted in para 7.5.13 of TCP order that BIAL has not considered certain one-time/special expenditures which are mandatory in nature and had agreed that such expenses shall be recovered by BIAL as part of the true up based on actuals in the next control period. Accordingly, BIAL requests the Authority to consider the above one-time expenditure of Rs 35.47 Crs in the true up of expenses. After excluding the above one time expenses, the details of costs incurred under various categories for each of the location under O&M Infra during the Third Control Period are as given below

Table 72: Detailed Cost incurred under various spend types

(Rs in Crores)

Spend type	O&M Contracts	Spares & Consumables	House Keeping	Fuel	Security	Total	Location % to total
Airside	122.62	20.66	-	-	-	143.27	13%
Terminal	380.94	28.33	130.27	-	23.76	563.30	52%
Landside	183.86	63.68	17.14	24.69	44.57	333.94	30%
Utilities	42.04	7.54	-	-	-	49.58	5%
Total O&M Infra	**729.46**	**120.21**	**147.41**	**24.69**	**68.33**	**1090.10**	**100%**
Spend type % to total	67%	11%	14%	2%	6%	100%	

c) Airside related O&M expenses

1. **O&M Contracts:** Out of Rs 143.27 Crs costs incurred, 86% (Rs 122.62 Crs) is related to various O&M contracts. These contracts are critical for managing the airside, runway and apron management. Out of Rs 122.62 Crs O&M expenditure, major contracts covering 87% of the value are listed below:

Table 73: Details on Contract Based O&M Expenditure

(Rs in Crores)

Contract	Amount	Brief scope of Work
O&M for Runway AGL system	23.14	Runway AGL System Maintenance includes maintenance of AGL Fixtures, Constant Current Regulators (CCR) and associated installations and maintain the serviceability levels. Includes AMC of systems and manpower support
Prevention of wildlife hazard combating	18.45	Bird Wildlife Aircraft Hazard Control management at airside. Specialised manpower is provided for Wildlife combating and costs. Includes manpower deployment

Contract	Amount	Brief scope of Work
FOD, Spill, Waste, Cleaning & Hygiene Management	16.69	FOD, Spill, Waste (Including Hazard & General Waste, Cleaning & Hygiene Management at North & South Airfield along with all BIAL Scope ancillary Buildings. Includes AMC of various systems and manpower deployment
Runway Turf Maintenance	10.94	Airside turf management for New South Parallel Runway, Ancillary building landscape maintenance, wild vegetation management (removal of wild grasses between South side Perimeter wall & Chain link fence, in airside area as & when required with resources like JCB, brush cutters, manually & transport for disposal of waste at designated place). Includes AMC of systems and manpower deployment
Airside Vegetation Management	6.62	Maintenance of vegetation around taxiway and various other airside locations and sprinklers management. Includes AMC of systems and manpower deployment
Airside Civil related contract	9.73	Maintenance for Runway Maintenance, Apron, other Pavements and other airside buildings related civil works. Includes AMC of infrastructure and manpower deployment
Non AGL maintenance contract	4.41	Assisting and carrying out the preventive maintenance and breakdown maintenance of all airside electrical Non-AGL facilities. Includes AMC of systems and manpower deployment
O&M for Passenger boarding bridge	8.21	Managing of all passengers boarding bridge across both terminals. Includes AMC of systems and manpower deployment
Ramp assistants for various taxiway crossings at airside	7.93	Managing of taxiways which involves vehicular movement. This is required from airside safety perspective to ensure vehicles do not cross the designated areas during aircraft movement. This is mainly manpower contract. Cost is based on price discovery and based on minimum wages Act

2. **Consumables & Spares:** Rs 20.66 Crs incurred is towards various consumables and spares related to Airside operations. This majorly includes spares for AGL systems. Currently AGL systems are not under warranty/DLP. Also, it could be noted that the O&M contract listed above is restricted to AMC and O&M support alone and does not cover replacement of spares/consumables.

4.7.48 As can be seen from the above, these expenses are to be mandatorily incurred in order to ensure the continuous availability of the 2 runways at the airport so as to handle the actual traffic growth at KIAB.

d) Terminal related Expenses:

4.7.49 Out of Rs 563.30 Crs costs incurred under Terminal category, 68% of the costs are related to O&M contracts, 27% of the costs are related to housekeeping and security services within the terminal operations and 5% of the costs relate to expenses on consumables related to housekeeping materials.

4.7.50 It may be noted that BIAL has operationalized Terminal T2 in FY 2022-23 with inter terminal movements getting completed in a phased manner during Q2 FY 2023-24. There is an increase in the Terminal area by 1.56 times and this has resulted in an increase in O&M costs for FY 2022-23 (3 months) and FY 2023-24 (12 months) on account of T2 operations. Further, the subsequent years – FY 2024-25 & FY 2025-26 also witnessed impact of expiry of DLP/warranty period for some of the key Airport systems.

4.7.51 The Authority has considered 0% as O&M cost for the year of capitalization (FY 2022-23), assuming that assets were proposed to be capitalized at the end of the year. However, assets were capitalized at various points of time based on "ready to use" basis as verified and validated by statutory auditors. Accordingly, BIAL has incurred O&M expenses during the year of capitalization for various T2 related assets and requests the Authority to true up the same.

4.7.52 It could be noted that as part of EPC contract with L&T, AMC/CMC costs for major T2 related assets were finalized by L&T directly with the respective OEM. A sample of such arrangement is shown in the table given below.

Table 74: Sample of costs as finalized by EPC Vendor with OEM

Costs as finalized by EPC Vendor with OEM	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
AMC	2.31	2.55	3.61	3.68	4.00	4.58	4.71
% change		10%	42%	2%	9%	15%	3%
CMC	4.55	5.24	18.41	19.99	21.27	22.67	24.13
% change		15%	252%	9%	6%	7%	6%

4.7.53 As can be observed from the above table, AMC costs are applicable from Year 1 onwards and also it could be noted that CMC costs significantly increase after Year 2 - which is the end of DLP. BIAL requests the Authority to consider the AMC & CMC costs discovered as a part of EPC contractor selection process for the purpose of true up of expenses.

1. **O&M Contracts:** List of major O&M contracts covering ~85% of O&M expenses (Rs. 323.28 Crs out of 380.94 Crs) under this category are given below.

Table 75: List of O&M Contracts and Expenses covered

(Rs in Crores)

Contract	Category	Amount	Brief scope of work
Screening Equipment maintenance contract	Infra	71.99	CMC of Screening Equipment at both terminals
O&M of Baggage Handling system and Self bag drop BHS	Infra	49.61	O&M contract for carrying out preventive, breakdown, scheduled maintenance and to ensure agreed service levels at departure, arrival conveyer systems
VHT System maintenance contract	Infra	35.86	CMC/AMC of VHT systems including Carrying out preventive, Breakdown, schedule maintenance and ensuring the agreed serviceability
Traffic Management contract	Others	28.37	Management of passenger and vehicular traffic at various locations including parking areas specific to T1 location. Manpower contract with wage rates in line with minimum wages as notified by Central and State Govts.
Digi Yatra and Digi buddy contracts	Others	24.43	Spend specifically incurred to improve Digi Yatra adoption level terminals in line with the directives and mandate from MoCA. This is required to familiarise the passengers about Digi Yatra

Contract	Category	Amount	Brief scope of work
			procedure and to ensure registration and adoption of Digi Yatra. Manpower contract with wage rates in line with minimum wages as notified by Central and State Govts.
Trolley Operations management and control	Others	24.29	Comprehensive contract for trolley management, repair, O&M and deployment of manpower for ensuring trolleys are collected from various locations and restored at designated locations for providing better passenger convenience
Electrical maintenance contract	Infra	19.41	O&M contract for maintenance of Low & high ceiling lighting systems in Terminal buildings, managing of LT Electrical distribution system across Terminals, managing of lower & higher KVA UPS systems.
Shuttle operations for passengers, Inter terminal shuttle for passengers and community shuttle	Others	18.67	Provision of EV operated shuttles for enhancing passenger experience and convenience
Guest Lite contract	Others	9.41	Manpower deployment for guest management and providing support & assistance at VVIP, reserved lounges including porter services to delegates and dignitaries.
HVAC system maintenance contract	Infra	7.10	Comprehensive maintenance of all HVAC Mechanical & Electrical Equipment at Terminal buildings, Common Utility Plant (CUP), East Gate House (EGH), Cooling Towers, Air Handling Units, Ceiling Suspended Units (CSU), Fan Coil Units (FCU), Computer Room Air Conditioning Unit (CRAC), etc by deploying adequate resources in terms manpower, spares, tools, tackles & consumables, etc
Drivers for Terminal Vehicles	Others	7.02	Drivers for operating various vehicles at Terminal including buggy operated at various locations in both terminals. This is required for moving pax from one level to other and also within levels to various locations.
SSCP maintenance contract	Others	6.86	
Green walls and veils maintenance	Infra	5.63	
Hiring of vehicles for customs and immigrations	Others	4.07	Provision of vehicles for customs staff for official movements within airport and from airport to city locations
BMA Loading staff	Others	2.93	
TCV & SLCV maintenance contract	Others	2.90	
AMC of T2 PHE systems	Infra	2.66	
Haj Operations	Others	2.56	Costs incurred towards construction, management and operation of temporary structures for Haj terminal

Contract	Category	Amount	Brief scope of work
O&M Services of T2 FPS installations	Infra	2.41	T2 Fire Fighting Systems & Fire suppression system

2. **Housekeeping Services and Security expenses related to Terminal operations:** These are manpower deployment contracts for managing both Terminals. The major service providers are listed below, and the contract period varies from 3 years to 5 years with option to terminate at convenience. The contracts are awarded based on price discovery through tendering process.

4.7.54 BIAL has segregated the works among these service providers based on specific locations such as T1 Departures, T1 Arrivals, Kerbside and landside rest rooms, T1 BMA, BBA area, T2 Departure, BMA, BBA and basement areas, T2 Arrival areas etc.

4.7.55 As can be seen from the above, these expenses are to be mandatorily incurred in order to ensure the continuous availability of the 2 Terminals at the airport so as to handle the actual traffic growth at KIAB.

e) **Landside related O&M expenses:**

4.7.56 Landside related O&M costs are majorly those contracts where scope of works are clubbed for Terminal location and landside buildings (such as office building, Utilities building, Forecourt area of Terminal) etc. to ensure economies of scale and better price discovery. Costs such as Security, Consumables, Fuel, Landside mechanical, Electronics & Instrumentation, etc. are predominantly for Terminal while portion of cost is also attributable for other buildings/locations.

4.7.57 Major costs covering ~90% of total spends incurred towards landside are listed below . These are mainly regarding various O&M contracts relating to facilities other than the 2 terminals, airside and utilities.

Table 76: O&M Contracts relating to facilities other than Terminals

(Rs in Crores)

Type of Expense	Amount	Nature of Expense
Security	44.57	These are costs incurred towards Security services across airport including security provided at Terminal forecourt areas, various office buildings, major E&M facilities such as HVAC systems, sewage treatment plants, water treatment plants, ponds and irrigation systems and all other airport facilities including roads, junction zones with city infrastructure (across the 4008-acre campus)
Consumables	63.68	Costs incurred towards procuring various consumables required for: • upkeep and maintenance of mechanical systems (elevators, HVAC systems at office locations, etc); • electrical systems (high mast lights, various lighting systems at office locations, etc) • consumables related to fire alarm systems, fire fighting systems installed at office locations • consumables related to landscaping materials • These consumables are majorly for systems deployed under Terminal. Contracts for Terminal and Landside (offices) are given together to get benefit of better rates and hence, classified under Landside.

Type of Expense	Amount	Nature of Expense
Fuel	24.69	Fuel cost primarily for vehicle & equipment on airside viz., follow Me vehicles, specialised equipments such as Crash fire tenders, runway rubber removal equipment, etc. Fuel consumption between airside and landside is ~ in the range of 63%:37%
Housekeeping	17.14	Manpower deployment contract for providing housekeeping services at various locations such as kerbside/forecourt area of terminal, east pier washroom locations, office buildings, corporate office, etc
Landscaping	50.86	AMC contracts for landscaping at main access road to the terminal (Terminal boulevard), south access road, cargo road, landscaping outside terminal including associated green area, lagoon & common areas. • Manpower service contracts for nursery management
Landside mechanical	40.57	• O&M for HVAC Chillers mainly connected to Terminal 1 buillding; O&M for VHT system at office locations, central warehouse and elevated walk way connecting passengers from car park zone to terminals; CAMC of standalone Airconditioning systems other than centralised air conditioning at various locations, etc
LS Civil and Electrical	27.62	AMC towards • Major road repair works not part of sustaining capex • Painting and re-painting works • Drainage management at various locations in the airport campus • Office building maintenance • Landside electrical operations and management These are for entire area in both Terminals, Landside area outside Terminal (Kerbside, Pick up zones, Drop points, parking area, Office buildings, etc
V&E	23.42	AMC towards • Operation of airside vehicles and equipment such as CFT, Rubber paint removal, Trackjet, City cat machines, Specialised vehicles in Airside, Skylift, Runway sweepers, etc • Operation of vehicles used in landside such as road sweepers, water tankers, sky lift, road maintenance city cat machines, • Drivers and equipment operators for all airside and landside vehicles and equipment; • Periodical and annual maintenance of various vehicles and equipment used across airport including airside vehicles such as Follow me vehicles, departmental vehicles (Combination of airside and landside vehicles) Maintenance of equipment such as spider lift, boom lift, etc (equipment used for maintenance within terminal building and other ancillary buildings)
Landside traffic	21.46	Parking management contract for all parking zones in Terminal 1 and 2, remote parking zones, arrival kerbside areas, taxi aggregator zones
Electronics & Instrumentation	8.10	AMC towards fire fighting systems and fire alarm systems deployed in Terminal building and other buildings located in airport campus
Projects	2.54	Housekeeping related spends incurred by Projects charged off to P&L

4.7.58 Post completion of PAL 1 capital expenditure program, there has been a substantial increase in the landside facilities that has been created by BIAL. The below table captures the increase in landside facilities that has been commissioned at KIAB.

Table 77: Landside features commissioned at KIAB

Infrastructure	At the time of Issuance of SCP Order	At the time of Issuance of TCP Order
Landside connectivity	• 4 lane Main Access Road • 4 lane South Access Road • 2 lane North Cargo road	• 10 lane Main Access Road • 4 lane South Access Road • 4 lane Southwest Connectivity • 4 lane North Cargo Road
Landside access	Open Car Park, Bus bay	5 level Multi modal Transport Hub- Bus, Taxis, Cars and Metro enabling works

4.7.59 As can be seen from the above, these expenses are to be incurred against the large-scale expansion in landside assets and the same is fully justifiable. We request AERA to consider the same for true up of expenses for the TCP.

f) **Utilities related O&M expenses:**

i. **O&M Contracts:** Out of Rs 49.58 Crs costs incurred under Utilities, 85% of the costs (Rs 42.04 Crs) are related to various O&M contracts. These contracts are towards preventive and periodical corrective maintenance of various systems and equipments like HT sub-station related equipments, DG management, common utility building related assets; water management systems such as Water supply systems and Water Treatment Plants (WTP), Sewage treatment plants; Aviation noise monitoring management for both runways as mandated by regulatory authorities. Out of Rs 42.04 Crs towards O&M contracts, the major items covering 98%of the costs are listed below.

Table 78: Details on contract related Utility Expenses

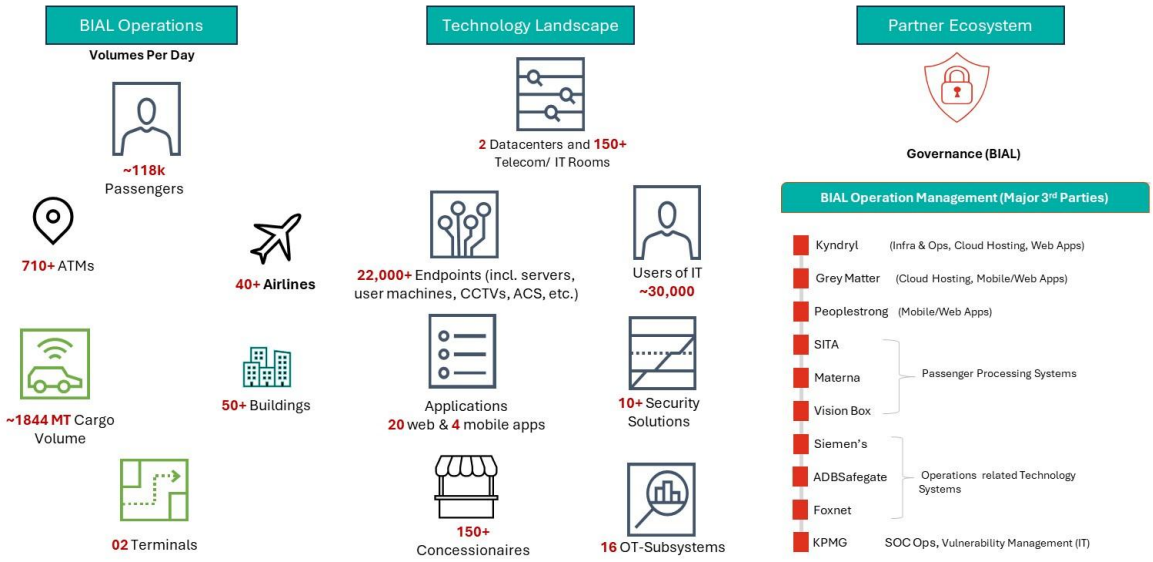
(Rs. in crores)

Contract	Amount	Brief Scope of works
O&M of W&WW System	20.92	Operation & maintenance of Water & Wastewater (W&WW) system as per Scope of Work - Carrying out preventive, predictive, corrective and breakdown maintenance activities of Water & Wastewater equipments
O&M Power System (HT)	9.98	O&M of 66KV and 11KV switchyard, main power substation equipments at Common Utility Power station, maintenance of Powerhouse North equipments, NSPR equipments, New Energy Centre equipments, RMU and transformers across airport campus
Airside noise monitoring	4.60	
Solid waste management	2.75	Disposal of solid waste through State Pollution control board authorised agency
STP management	2.75	O&M for 3.5 MLD Sewage treatment plant

ii. **Consumables & Spares:** Rs 7.54 Crs. was incurred towards various consumables and spares related to Water treatment plant, Pond water maintenance and sewage treatment plant water maintenance to ensure quality of water as prescribed by various regulatory agencies.

g) ICT related O&M expenses

Overview of BIAL ICT Operations Landscape



1. Arrangement with Kyndryl

4.7.60 BIAL, as the operator of Kempegowda International Airport, requires a robust, scalable, and secure IT infrastructure to support its expanding operations across terminals, airside, landside, and support functions. BIAL has engaged Kyndryl for a 10 year period for the following scope of services:

- Continuous availability of mission-critical systems (e.g., AODB, FIDS, ACS, CCTV, TMRS).
- Infrastructure management (servers, storage, network, backup, DR, private cloud).
- Application management (airport and enterprise apps).
- Deskside and field support (end-user computing, IP telephony, CCTV, ACS, PA systems).
- Security services (firewalls, DLP, antivirus, WAF, SIEM integration).

4.7.61 These services ensure that BIAL's IT systems are proactively monitored, maintained, and optimized to meet performance and availability SLAs.

4.7.62 The framework includes:

- Business continuity and disaster recovery planning.
- Compliance with ISO standards (27001, 22301, 20000), IT Act, and aviation security norms.

4.7.63 The agreement provides predictability through a 10-year term with fixed pricing models, with ARC/RRC mechanisms for scaling services.

2. Enterprise related

4.7.64 The airport requires ongoing operational expenditure (OPEX) across a variety of enterprise technology and support platforms. Below is a summary of the business need and justification for each item:

Table 79: Summary & Justification for enterprise related O&M Expenses

Category	Item	Justification for OPEX Spend
Collaboration & Productivity	O365 - Software Subscription	Enables secure enterprise communication, document management, and collaboration essential for all airport departments.
Enterprise & Planning Tools	Maximo	Supports lifecycle management of airport infrastructure and assets.
	Oracle EPM Finance & Budget Planning Tool Subscription	Enables financial planning, forecasting, and budget control for airport operations.
	SAP Maintenance, Support & Consultancy	Ensures ongoing support, updates, and functional enhancements of core business systems.
	HRMS Support for the Existing Tool	Supports payroll, recruitment, and employee lifecycle management.
IT Infrastructure & Connectivity	Laptop Lease Charges	Provides managed end-user devices essential for secure and standardised employee access.
	Internet Leased Line	Guarantees stable, high-speed internet for operational continuity and tenant access.
	Cisco Active Network Subscription & AMC	Critical for maintaining core and edge networking infrastructure that powers all IT systems.
	CCTV Backend Infra & Software - Genetec	Enables surveillance, incident response, and compliance with aviation security norms.
	Spares & Consumables	Required for urgent replacements and continuity of IT systems, including passenger processing platforms.
Airport Operations Platforms	T-Systems AODB App Support	The AODB is central to managing all operational flight and resource data; support is needed to keep it running 24/7.
	Oracle DB for AODB (T-systems)	Core database engine to support the AODB platform. Licensing and support are mandatory for performance and security.
	SCORE Airport Slot Coordination Platform	Manages allocation of airport slots – a regulatory and operational requirement.
	BEONTRA Airport Planning & Forecasting Platform	Enables short- and long-term resource planning based on pax, flights, and seasonality as well as route assessment which forms the basis of discussions with international carriers on introducing new routes ex BLR
	Digital Twin	Supports simulation-based planning, predictive maintenance, and operational intelligence.
Security & Compliance	BCAS AEP Support & AMC	Mandatory regulatory requirement for managing airport entry permits and staff movement tracking.
	TMRS License Fee – Spectrum & Royalty	Payment to DoT or other authorities for radio spectrum usage; critical for airside communication.

Category	Item	Justification for OPEX Spend
External Data Feeds & Subscriptions	OAG / Cirium / Sabre / Airport IS Database Tools	Real-time flight schedules and route data are essential for planning and competitive intelligence on routes being operated at other airports..
Passenger & Community Engagement	Airport Pax Wi-Fi	Passenger expectation and competitive service; required as part of airport digital experience.
	Airport Community App	Used by tenants, stakeholders, and employees for communication, operations, and engagement.
Business Operations & Workflow	ePalm Business Workflow Process O&M Support	Automation of critical workflows across departments, including approvals and task routing and forms the basis of all financial approvals.
	Managed Print Services – (Click & Base Charges)	Enables controlled, cost-efficient printing services across terminals and back offices.
Analytics & Intelligence	Data Analytics & Platform Support	Enables data-driven, operational visibility, performance monitoring (monitoring of output of QMS at each zone, utilization of various processors during peak hours which acts an input for planning) as well as regular compliance reports submitted to BCAS and MoCA on processing of passengers, queue time.

4.7.65 These Operating Expenditure items represent the foundation of digital, operational, regulatory, and passenger-facing capabilities that an airport must maintain on an ongoing basis.

3. Passenger related

4.7.66 The systems listed below represent essential infrastructure, without which service levels, operational readiness, and the passenger experience would be negatively impacted.

Table 80: Summary and Justification for Passenger Related O&M Expenses

Category	Item	Justification for OPEX Spend
Passenger Processing & Facilitation	Self-Bag Drop (SBD)	Enables automated baggage check-in. O&M ensures uptime, integration with airline DCS, and passenger self-service experience.
	Queue Management System AMC	Monitors, manages, and optimizes passenger flow at checkpoints, improving wait time predictability and resource planning.
	PRS (Passenger Reconciliation System) and Kiosk O&M and Licenses	Essential for passenger ticketing and check-in. Licenses and support ensure software compatibility, UI updates, and hardware functioning.
	ATRS (Automated tray retrieval system) Software	Ensures seamless operation of automated tray return systems at security lanes, critical for throughput and efficiency.
	eGates AMC	Maintains automated entry and security egates that improve passenger throughput and security.
	IPTV Subscription	Displays live information for passengers and stakeholders in terminals.

Category	Item	Justification for OPEX Spend
Passenger Communication & Engagement	Passenger WiFi, PM-WANI	Critical passenger service expectation. PM-WANI also complies with government-mandated public internet enablement goals.
	CRM License	Manages passenger queries, feedback, and service requests across channels.
	Engagement Centre & Online Listening Solution	Proactively address passenger concerns and queries posted online.
	Lost & Found Support Charges	Ensures passenger belongings are managed efficiently through digital systems integrated with terminal operations.
Operational & Compliance Systems	SITA Communication & SITATEX Messaging	Provides mission-critical messaging and communication with airlines, ground handlers, and global aviation networks.
	Access Control System (ACS)	Regulates and monitors staff movement across secured airport zones. AMC ensures compliance with BCAS and security norms.
	AMC - PAS (Public Address System)	Vital for routine and emergency communication. AMC covers audio zones, speakers, and backend management system.
Network & Coverage Optimization	Mobile Network Coverage Assessment	Assesses passenger and staff connectivity across the airport. Critical for planning DAS/IBS systems and digital enablement zones.

4.7.67 These systems and services are critical to ensuring a operational compliance, and smooth day-to-day functioning of the airport. Their nature demands recurring OPEX investment to:

- Maintain service levels and SLAs
- Avoid equipment or software downtime
- Comply with aviation and national regulations
- Improve the airport's digital, contactless, and safe experience

4. Cybersecurity

4.7.68 As a critical infrastructure operator, airports are high-value targets for cyber threats, ranging from ransomware and DDoS attacks to insider threats and data leakage. The digital backbone of passenger services, operational control, and stakeholder engagement relies on uninterrupted ICT systems protected by a robust cybersecurity posture. The following are key cybersecurity components that necessitate OPEX spend to ensure 24x7 protection, regulatory compliance, and operational continuity.

Table 81: Summary & Justification for Cybersecurity related O&M Expenses

Category	Item	Justification for OPEX Spend
Security Operations & Monitoring	ICT Security – SOC, MXDR	A Security Operations Centre (SOC) combined with Managed Extended Detection & Response (MXDR) provides continuous monitoring, advanced threat detection, response orchestration, and

Category	Item	Justification for OPEX Spend
		visibility across IT/OT systems. Essential for real-time threat containment.
	Cybersecurity – SIEM Tool & UEBA Licenses	SIEM centralizes log aggregation, correlation, and alerting. UEBA adds behaviour analytics to detect anomalous insider activities and zero-day threats. OPEX is required for licenses, support, and updates.
	Comprehensive Independent Security Assessment	Ensures periodic third-party reviews of airport ICT and OT security posture. Required for risk identification, audit compliance, and threat simulation validation.
Digital Infrastructure Security Identity, Access & Data Protection	Cybersecurity – DDoS Protection	DDoS protection ensures airport-facing applications remain available during volumetric attacks. Paid as an ongoing service.
	Firewalls AMC	Firewalls are critical gatekeepers at the perimeter and internal network zones. O&M ensures updates, patches, and continuous rule base tuning.
	Web Security Gateway Appliance (Content & URL Filtering)	Protects users and endpoints from malicious or non-compliant content, phishing, and risky websites. Requires ongoing subscription and policy management.
	Managed Services for PIM, PAM, and DLP	These services secure privileged user access and prevent sensitive data exfiltration. Managed services provide configuration tuning, alert triage, and continuous improvement.
Threat Simulation & Testing	VAPT Tool	Vulnerability Assessment & Penetration Testing tools are required for regular internal testing. OPEX includes license renewal and updates for latest threat signatures.
Security Operations & Monitoring	ICT Security – SOC, MXDR	A Security Operations Centre (SOC) combined with Managed Extended Detection & Response (MXDR) provides continuous monitoring, advanced threat detection, response orchestration, and visibility across IT/OT systems. Essential for real-time threat containment.

4.7.69 For a high-value, high-risk entity like an airport, consistent Operating Expenditure investment in cybersecurity is not discretionary, it is foundational.

5. BLR Pulse

4.7.70 BLR Pulse is the passenger application for Bangalore International Airport, designed to enhance travel experience by providing essential services to passengers through an app.

4.7.71 A detailed categorization of various aeronautical and non-aeronautical services available on the BLR Pulse platform is presented below. Services such as flight information, flight tracking alerts, and check-in options are considered essential for passengers. Services like airport cabs, flight booking, and duty-free shopping are also available enabling a smoother travel experience through Bengaluru Airport.

Aeronautical services:

1. **Flight Information service**: Service offers a search option based on flight number, city name, or IATA code for both departing and arriving flights.
2. **Flight tracking service**: Flight tracking alerts provide real-time SMS and email notifications based on the flight schedule, making them a valuable feature for keeping users informed and reducing uncertainty during travel.
3. **Flight check-in service**: Web check-in option through respective airline partners has been provided.
4. **Queue management**: Advance information to passengers on estimated wait time across terminal entry, check in and security check point along with which zone may have the least wait time (thereby allowing passengers to make an informed decision)
5. **Terminal maps (Navigation)**: The way finding feature is important given the increase in terminal area.
6. **Wi-Fi services**: Informs users about the free wi-fi registration process & helps access Wi-Fi
7. **Information on Special Assistance services**: Informs passengers about facilities available for PRMs like: Buggy services, medicals services, PRM related, wheelchair assistance, sunflower friendly airport info. This is a special initiative to help passengers who require additional attention during their airport visit. Since all are airport services this information is provided by airport.
8. **Information about major airport Facilities**: Informs passengers about general facilities like baby-care rooms, Smoking lounges, local connectivity, multi faith room, workstation, drinking water points, relaxation zone, sensory room, stroller and children play area. This information is related to airport specific facilities, and it helps users to be informed about the airport.
9. **Information on Critical services required for Passenger convenience**: BLR Pulse runs a lost and found service to help passengers recover their lost items. Similarly, there is a luggage storage facility available for travelers. Both these facilities are important facilities for users and are highly specific airport services.
10. **Information on various modes of transport**: The platform provides user info for City buses, Intercity buses, App taxis, Parking info, Trains-related schedules. Since this information is helpful for the commute of travelers it is nice to have information for all airport travelers. Most of this info except parking related is also available in the original platforms.
11. **Information for International passengers**: This feature helps users with: Regulatory info, Security info, Visa related info, Forex, Immigration related information. All of this is important information for international travelers. Lot of information is available externally but having an authorized information at one place is important.
12. **Information on airport related engagements**: Information on tenders, Info on cargo, careers at BIAL and our Airline and airport partners. All of this is mandatory information from the company's perspective, and it helps other organizations with bidding and opportunities to collaborate with airports. This is exclusive BIAL corporate information.

13. **Information on airports engagement with CSR and green initiatives**: Since Sustainability is one of the core philosophies which BIAL is deeply committed to, the platform showcases all Information on sustainability, CSR activities undertaken by BIAL. Exclusive BIAL-related sustainability initiatives information provided.
14. **Information on Local Art and culture**: Information showcasing Karnataka's rich heritage and culture, and Indias dance forms through work of 43 artists and 60 art works. Information showcasing art works and artists is specific to airport.
15. **Information on airport's Garden and landscape**: Information showcasing the huge and diverse variety of flora at BIAL. This theme is inspired by the Garden city of Bengaluru. Airport specific information.
16. **Information on transfers and self-baggage drop**: The platform provides dedicated information for domestic and international transfers related procedures and automated baggage drop facility related info for both terminals.
17. **Kannada Language option**: To cater to the Lingua Franca of Karnataka, BLR pulse platform is enabled with the translation of content into Kannada in addition to English platform. This Kannada language option is specific to the BLR Pulse platform.

Non-Aeronautical services:

1. **Airport cabs: one of the avenues for passengers to pre book** Cabs to and from airport
2. **Flight booking:** BLR pulse has a Domestic and international flight booking services platform through flight booking aggregator. This feature was built on premise that it will enable convenience for those passengers who either missed their flight or are looking for last minute flight options. Multiple flight booking platforms are available, and this space is already crowded with multiple established players namely airlines, OTAs and bank rewards platforms.
3. **F&B (online and Kiosk):** BLR Pulse provides an online food booking option which has both take-away from store and delivery to gate options. This feature helps passengers order F&B without going to the store and complements the offline channels available at the outlets on the terminals.
4. **Transit hotel booking:** Hotel booking service through BLR pulse required by transiting passengers or for short haul stay. Both Advanced booking and walk-ins are available through other channels available for booking including offline channels.
5. **Airport lounge services booking:** Several international passengers and users who do not have card eligibility prefer for an option to pre-book the lounge option BLR Pulse gives them a convenient way to purchase this option. The purchase can be done through offline channels by the walk-in customers to lounge.
6. **Duty-free shopping:** BLR Pulse app allows passengers to pre-order duty free items..

Table 82: Summary of scores of Aero and Non-Aero services:

Aeronautical services				
S No	**Services**	**Necessity**	**Exclusivity**	**Revenue Generating Capability**
1	Flight Information	5	3	0
2	Flight Tracking alerts	5	5	0
3	Flight check-in services	5	2	0
4	Boarding pass scan/upload	3	3	0
5	Queue management	5	5	0
6	Check-in Time	5	5	0
7	Terminal maps	4	5	0
8	Wi-fi services	5	5	0
9	Info on Special Assistance services	5	3	0
10	Information of major airport Facilities	5	4	0
11	Information of Critical services required for Passenger convenience	5	5	0
12	Information on various modes of transport	4	4	0
13	Information for International passengers	5	4	0
14	Information on Airport related engagements	5	5	0
15	Information on airports engagement with CSR and green initiatives	5	5	0
16	Information on Local Art and culture	3	4	0
17	Garden and landscape	3	4	0
18	NPS (Feedback of services)	5	5	0
19	Information on transfers and self baggage drop	5	5	0
20	Lounge access via credit cards	5	2	0
21	Kannada language option	5	5	0

Non-Aeronautical services				
S No	**Services**	**Necessity**	**Exclusivity**	**Revenue Generating Capability**
1	Airport cabs	3	2	2
2	Flight booking	2	1	1
3	F&B (online and Kiosk)	4	2	3
4	Transit hotel booking	4	2	2
5	Airport Lounge services booking	2	2	1
6	Duty -free Shopping	5	2	1

6. DigiYatra

4.7.72 The DigiYatra initiative, led by the Ministry of Civil Aviation and Digi Yatra Foundation, represents a transformational step in India's aviation ecosystem. The concept of Digi Yatra was initiated by BIAL and its nationwide launch (spearheaded by Ministry of Civil Aviation) has significantly eased congestion noticed across airports. Digi Yatra Foundation Charges are mandatory contributions to the central Digi Yatra platform maintained by the Digi Yatra Foundation.

4.7.73 The Opex spend covers:

- Access to the national DigiYatra identity verification platform
- Integration with airport systems (CUPPS, CUSS, BRS, ACS)
- Data privacy, encryption, and compliance infrastructure provided centrally
- Upgrades and improvements to the national DigiYatra framework

4.7.74 This is a recurring operational cost similar to any subscription-based national infrastructure. It ensures the airport remains compliant and operationally integrated with the central ecosystem.

Table 83: Justification for the Operating Expenditure spend

Component	Justification for OPEX Spend
eGates O&M Support	Ensures 24x7 functionality of facial recognition-enabled eGates across terminal touchpoints (entry, security, boarding). O&M covers software, firmware, hardware repairs, and vendor SLAs.
AMC (Annual Maintenance Contracts)	Covers preventive and corrective maintenance of all DigiYatra hardware and backend software integrations, essential for ensuring uptime and accuracy.
eGate Shifting	Required during terminal reconfiguration, expansion, or operational changes. Ensures minimal disruption to passenger flow and experience.
Additional Setup at New Terminal	As airport operations expand, DigiYatra infrastructure needs to be replicated and scaled.

7. Security

4.7.75 The expense for Perimeter Intrusion Detection System (PIDS) and Bird Activity Surveillance and Hazard Management Software is included as part of ICT spend. The nature of OPEX spent towards these is mentioned below:

a) Perimeter Intrusion Detection System (PIDS)

- **Purpose:** A physical Perimeter Intrusion Detection System is a critical security infrastructure mandated by the Bureau of Civil Aviation Security (BCAS) to detect, deter, and respond to unauthorized access or breaches of the airport perimeter.
- Hardware and software maintenance, analytics calibration, and false alarm management require AMC and vendor support

b) BASHM – Bird Activity Surveillance and Hazard Management Software

- **Purpose:** BASHM is a software platform used to log, analyse, and report bird activity within and around the airport to mitigate the risk of **bird strikes**, which are a major hazard for aircraft safety.

Justification for OPEX Spend:

- Supports compliance with DGCA/ICAO regulations on Wildlife Hazard Management at aerodromes
- Used by airside safety and environment teams to plan scaring, habitat control, and deterrent strategies
- Ongoing support and upgrades are needed to ensure accuracy

4.7.76 Bird strike risk is dynamic and seasonal; therefore, maintaining BASHM as an active platform is mission-critical to ensure safe flight operations.

Analysis of ICT related operations costs incurred for TCP:

1. Overview of Contract with IBM (Kyndryl)

4.7.77 BIAL had previously engaged TCS as the airport's ICT partner. In 2021, when TCS contract came to an end, BIAL has engaged Kyndryl (IBM) for a contract duration of 10 years. With growth in scale of operations (From a 1 terminal airport to having 2 terminals and 2 runways and annual passenger traffic exceeding 70 million passengers per annum), BIAL had selected IBM (Kyndryl) as the ICT partner for a period of 10 years.

4.7.78 The key commercial benefits that have accrued till date are as given below:

Significant cost savings	Out of Rs 92 Crs savings envisaged from the 10 year contract period (FY22-FY32), BIAL has already realized savings to the tune of Rs 27 Crs in the TCP.
Investments	Kyndryl has already invested ~Rs 30 Crs towards various systems and tools development which has helped BIAL for better monitoring, tracking and responding to various ICT related challenges. This includes Kyndryl investments in a dedicated Private Cloud for BIAL for scalability, improvements in SLA targets at no additional cost, and changes in subcontracting ratio along with bringing higher skills.

2. Details of Costs incurred for Enterprise requirements:

4.7.79 Out of the total expenses of Rs 399 Crs under O&M ICT, Rs 139 Crs (35%) relates to various enterprise requirement related ICT costs and the same is explained below. Major expenses relating to this category are summarised below.

Table 84: Major Costs related to O&M ICT

(Rs in Crores)

Major contract	Category	Amount	Remarks
O365 - Software Subscription	Collaboration & Productivity	27.48	BIAL uses Microsoft tool across organisation since AOD and has an enterprise agreement with Microsoft.. BIAL has contracted for 3 years with MS to freeze price thereby avoiding year on year escalation in prices with a phased ramp up of requirement.
Enterprise asset tool management	Enterprise planning tool	19.61	BIAL had engaged with IBM to provide Asset management solution. This was originally envisaged under sustaining capex. However, based on cost evaluation, the same has been considered under opex model. The cost represents license cost for the solution and the application management cost. This is used for managing various E&M infra assets across terminals, airside and landside to streamline work order management, enhance asset performance, reduce downtime and predictive maintenance.
Laptop lease charges	IT Infrastructure & Connectivity	11.08	BIAL provides laptop to eligible employees and has customised the models based on usage. As of FY25, only 48% of the workforce is provided with laptop. Roles that required fixed place of work are provided with desktop.

Major contract	Category	Amount	Remarks
			Contract is done through price discovery with OEM authorised agencies and is typically used for 4-5 years
Network AMC	IT Infrastructure & Connectivity	8.23	BIAL undertook major network refresh during FY19 as the estwhile network systems were deployed during AOD. The contract was awarded to OEM (Cisco). Given the expansion plans for BIAL, we also entered into an Enterprise Agreement with Cisco that gives BIAL price discounts on AMC/CMC cost in managing these NW assets. This cost represent the O&M cost until DLP and AMC costs post DLP expiry in FY24. Key services include 24*7 access to technical assistance centre, Next Business Day hardware replacement for device failures; Major OS upgrades, Minor OS updates and bug fixes among various other support
Airport Operations Database (AODB) system	Airport operations platform	7.89	AODB O&M contract for master data management, real time data capturing, integration with various other airlines systems and internal airport systems, etc. The contract was awarded along with SITC of the solution to the OEM (T systems)
Spares & Consumables	IT Infrastructure & Connectivity	7.42	For various hardware items – routers, switches and network related equipment
TMRS License Fee-Spectrum & Royalty	Security & Compliance	5.96	BIAL has spectrum license for 2476 devices as on FY25 and the same is deployed majorly in airside, airlines, ground staffs, ATC and landside security. As per DoT mandate, license holder has to pay license fee based on number of devices, spectrum fee and fixed fee defined by DoT per device.
Managed Print Services (Click & Base Charges)	Business operations & workflow	5.22	BIAL has hired copier machines for usage at various office locations through tendering process. These include a minimal fixed base fee and click charges (pay per use) to ensure costs are optimised.
SCORE subscription	Airport operations platform	3.16	This is the software subscription fee towards SCORE software used for slot coordination and reporting system. The contract is done directly with OEM to obtain pricing efficiencies
BEONTRA License	Airport operations platform	3.16	The tool aids in market analyses, route development and allocation of valuable capacity resources to meet demand. BIAL can predict and plan its capacity and manage the impact of the airport's growth on daily operations. This is a proprietary tool and the prices are directly negotiated with OEM
SAP ERP Maintenance and Support charges	Enterprise planning tool	3.04	BIAL has deployed SAP solution as ERP since AOD and currently has ~200 licenses. This cost is towards the SAP license fee and towards maintenance & support of ERP.

Major contract	Category	Amount	Remarks
			This is a proprietary tool and the prices are directly negotiated with OEM

3. Details of Costs incurred for Digi Yatra of Rs 13.18 Crs:

4.7.80 This is an industry wide initiative based on MOCA's directions. Each airport must fund its share of the overall Digi Yatra expenses. In this regard, Minutes of Meeting dated 08.11.2023 held by MoCA and Service Agreement for Digi Yatra central ecosystem is attached as Annexure 13.

4. Details of Costs incurred for Cyber Security of Rs 18.58 Crs:

4.7.81 The key component of Cyber Security costs is the costs incurred (Rs 9.28 Crs) towards the services provided by KPMG Assurance & Consulting Services which includes:

a. Cybersecurity service offerings

b. Managed services & deliverables

c. Process flow policy & governance

4.7.82 The balance costs pertain to various tools, protection systems and periodic comprehensive audits that are being performed to mitigate any cyber security related threat to the Airport operations.

5. Details of Costs incurred for BLRPULSE of Rs 16.57 Crs:

4.7.83 BIAL has built a passenger facing platform at a very low cost. The cost incurred under this includes the build & run cost (O&M) of BLRPULSE platform, recurring license cost and cloud subscriptions related to the platform. The costs are broadly categorized as build costs which include cost towards design and building of the platform infrastructure and run costs which include cost towards O&M and annual license required for the platform. Payments are linked to various KPIs such as Up time, performance during concurrent transactions, updated information to passengers among others.

Conclusion

4.7.84 BIAL has always managed its costs very efficiently with stringent measures of Budgeting, controlling and reviews together with staggering and postponements of costs wherever possible, at the same time maintaining service quality standards. These are demonstrated by BIAL's costs being benchmarked as one of the lowest as per the study report being published as part of the Consultation Paper (Appendix III) issued by AERA for TCP and the ASQ ratings consistently maintained by BIAL and the various awards conferred upon BIAL.

1. A comparison of O&M cost per pax between BIAL & various airports is given below:**:**

Table 85 Comparison of O&M per Pax among comparable airports

Airport	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26 (P)
BIAL	28.07	33.83	35.54	35.51	30.16	39.34	40.04	32.13	39.02	123.09	96.13	66.81	79.26	92.24	97.98
HIAL	86.65	83.24	87.10	79.02	72.39	64.87	60.64	58.34	72.83	164.43	118.73	95.53	102.80	102.36	94.43
MIAL	35.63	42.91	65.76	55.68	54.92	59.29	59.72	68.41	80.77	277.76	146.75	95.26	78.60	78.43	95.25
DIAL	62.18	76.32	81.37	98.83	90.00	78.40	63.55	65.12	51.82	155.03	97.38	61.29	62.74	71.67	71.68

O&M includes repairs and maintenance expenses, outsourcing expenses, housekeeping and security expenses and other costs.

4.7.85 The above table is self-explanatory and clearly establishes that BIAL's O&M cost per pax is comparable to its peer airports across all the 3 control periods.

2. Further, on O&M Costs as a % of Gross block, BIAL's incurred costs for TCP are comparable / lower than its peer airports – DIAL & MIAL.

Table 86: Comparison of O&M costs as a % of Gross block among comparable airports

Airport	FY22	FY23	FY24	FY25	FY26	10-year Avg.	15-year Avg.
BIAL	2.09%	1.60%	2.00%	2.55%	3.07%	2.47%	2.26%
HIAL	2.35%	2.25%	2.26%	2.59%	2.77%	3.32%	3.03%
MIAL	2.30%	2.96%	2.88%	3.02%	2.74%	2.82%	2.80%
DIAL	2.42%	2.46%	1.71%	2.01%	2.03%	2.52%	2.39%

3. The choice of FY 2020-21 as the base year for estimation of O&M costs for TCP was not correct as FY 2020-21 was impacted by COVID 19 and hence the correct base year should have been FY 2019-20. Using FY 2019-20 as base year and incorporating the Terminal area increase factor and inflation of 4.6%, the adjusted O&M Costs projections for TCP is given below:

Table 87: Adjusted O&M Cost Projections for TCP

(Rs in Crores)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26(P)	Total
Actuals incurred	131.6	135.10	156.57	213.21	297.44	386.28	471.88	1,525.38
O&M cost increase factors								
Terminal Area	0%	0%	0%	104%	0%	0%	0%	
Inflation		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	
Adjusted Eligible O&M Cost – A		137.65	143.9	307.06	321.18	335.96	351.41	1,459.51
Actual O&M costs - B		135.10	156.57	213.21	297.44	386.28	471.88	1,525.38
Variance C = A-B			-12.67	93.85	23.74	-50.32	-120.47	
Cumulative variance							-65.87	

4.7.86 The cumulative variance is Rs 65.87 Crs which is only 4.50% above the adjusted eligible O&M costs.

4.7.87 In light of the above, BIAL requests the Authority to consider the actual O&M Costs incurred by BIAL in the TCP for true up of Operating expenses.

C. Lease Rent

4.7.88 The actual lease rent incurred by BIAL for the Third Control period is as follows:

Table 88: Actual Lease Rent incurred by BIAL

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
AERA Approved	15.11	21.26	22.87	23.55	24.27	**107.06**

Actuals incurred	15.11	21.26	22.93	17.55	24.32	**101.17**

4.7.89 Ministry of Civil Aviation (MOCA) and Bangalore International Airport Limited (BIAL) had entered into a Concession Agreement (CA) in 2004 wherein BIAL under Public Private Partnership shall develop, construct, operate and maintain Kempegowda International Airport Bengaluru (KIAB). While the initial "term" of the concession period was for 30 years (2008-2038), as per Clause 13.7.1 of the CA and at the option of BIAL, the term shall be extended for a further period of 30 years. Exercising this option BIAL had approached MoCA for the said extension. MoCA in turn had sought comments from Government of Karnataka (GoK) on the subject matter. The matter was examined by Government of Karnataka and after several rounds of discussions, Karnataka State Industrial & Infrastructure Development Department (KSIIDC), GoK which has leased 4008 acres of land for the airport had sought for increase in the site cost and in the land lease rentals for the extended period of the concession period. In light of the above, BIAL requests the Authority to consider actual Lease Rent incurred by BIAL in the TCP for true up of Operating expenses.

D. Utilities Cost

4.7.90 Summary of costs decided by AERA and actual cost incurred by BIAL are as given below:

Table 89: Comparison of actual and approved utility costs for the TCP

(Rs in Crores)

Particulars	Total Approved TCP	Actual Incurred TCP	Inc/(Dec)
Power Cost	228.29	251.70	23.41
Water Cost	27.19	19.49	(7.70)
Total Utility cost	**255.48**	**271.19**	**15.71**

** does not consider Aero utilities revenue recovery adjustment*

4.7.91 Comparison of Individual elements of cost and the analysis is as given below:

Power costs:

4.7.92 The Authority has approved Rs. 228.29 Crs for Third Control Period (Table 141). Element wise comparison of actual net power cost vis a vis cost considered by AERA approved is summarised in the below table.

Table 90: Power Cost as approved by the Authority

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
Contracted demand (kVA)						
AERA	15,000	33,000	45,000	45,000	45,000	
Actual contracted demand	15,000	25,000	25,000	29,000	34,500	
Actual billed demand	12,750	21,250	21,250	26,100	31,000	
Contract demand charges (INR per kVA p.m)						
AERA	240	240	240	240	240	
Actual	260	290	375	365	375	
Contracted demand cost (INR Cr)						
AERA	4.32	9.5	12.96	12.96	12.96	52.70
Actual	3.98	7.4	9.56	11.43	13.95	46.32
Consumption (Mn kwh)						
AERA	77.3	94.99	124.8	124.83	124.82	546.73
Actual	74.41	95.77	142.91	166.48	220	699.57

Particulars	FY22	FY23	FY24	FY25	FY26(P)	Total
(Inc)/Dec	2.89	-0.78	-18.11	-41.65	-95.19	-152.84
Power unit tariff (INR per Kwh)						
AERA	6.7	7.03	7.38	7.74	8.12	7.47
Actual	6.5	6.65	7.65	6.78	5.68	6.56
Power consumption cost (INR Cr)						
AERA	51.79	66.71	92.1	96.62	101.35	408.57
Actual	48.36	63.71	109.37	112.86	124.92	459.22
Recovery %						
AERA	49%	51%	51%	51%	50%	51%
Actual	54%	52%	43%	48%	56%	50%
Recovery cost (INR Cr)						
AERA	27.62	38.85	53.48	55.48	57.55	232.98
Actual	28.18	36.69	51.55	59.42	77.99	253.83
Net Power cost (INR Cr)						
AERA	28.49	37.36	51.58	54.1	56.76	228.29
Actual	24.16	34.41	67.38	64.87	60.88	251.70

Reasons for changes in Power costs are summarized below:

1. While BIAL estimated higher **contracted demand**, based on its estimation, this was reviewed depending on expected loads and BIAL has requested BESCOM to increase the contracted demand in a phased manner instead of a one-time increase to full contracted demand. This has helped BIAL to reduce the demand charges substantially.

2. With respect to **Contracted demand charges (INR per KVA),** during Third Control Period submission, BIAL proposed to increase the demand charges by 5% per annum. However, the Authority proposed to consider NIL increase in demand charges based on CAGR of demand charges from 2009 to 2021. However, in actual scenario, BESCOM had increased the demand charges as tabulated below which increased the cost per KVA.

Table 91: Demand Charges for Third Control Period

(Rs in Crores)

Demand charges (INR per KVA)	FY21	FY22	FY23	FY24	FY25	FY26 (P)
Actual	240	260	290	375	365	375
% change		8%	12%	29%	-3%	3%

4.7.93 However, the reduced contract demand helped in ensuring that the overall demand charges remained within the total estimate approved by AERA. While current demand charges per KVA is INR 365/-, BIAL estimates 13% increase in FY 2025-26 in line with past trends.

3. **Consumption (mn Kwh):** The Authority considered an overall consumption of 546.73 million kWh for the Third Control period. Actual consumption is 699.57 million kWh. Below table provides location wise summary of power consumption.

Table 92: Details of power consumption for the TCP

Million kWh	FY22	FY23	FY24	FY25	FY26 (P)

Power consumption	74.41	95.77	142.91	166.48	220.00
- T1	30.30	36.99	35.90	33.48	33.75
- T2	-	3.09	42.47	54.70	55.09
- Airside	3.85	5.13	4.92	5.02	5.12
- Concessionaires	31.51	37.35	47.09	58.12	109.96
- Other buildings	8.75	13.21	12.53	15.16	16.09

4.7.94 FY 2020-21 and FY 2021-22 were impacted by the aftermath of COVID and hence, FY 2022-23 is to be considered as a typical year for comparison.

a. BIAL has been working on various Power conservation initiatives and activities such as HVAC demand control, Chiller optimization initiative, zone temperature monitoring system, optimized conveyor usage, etc. resulted in lower power consumption in subsequent years.

b. T2 commenced operations in 2022-23. However, operations stabilized from FY 2024-25 (and hence 22-23 and 23-24 are not reflective of the complete power requirement). T2 terminal area is ~ 1.56 times of T1. If this area proportion is to be applied on T1 power cost which is an efficient and stabilized measure, power consumption for T2 works out to approx. 57.7 mn units (36.99*1.56). However, the power consumption in T2 in 24-25 and estimated in 25-26 is lower than this threshold. This is despite the fact that T2 has need for higher power due to:

- 11 kv HT chillers in T2, while T1 has only 450 v LT chillers.
- Security screening systems, baggage handling systems, escalators and elevators, travellators and Passenger boarding bridges, check in counters are higher in T2 as compared to T1.

c. Airside consumption increased in FY 2022-23 is mainly due to additional T2 Apron stands being put to use.

d. BIAL recovers charges from Concessionaires for usage to power. Concessionaires' consumption dropped in FY 2020-21, FY 2021-22 on account of Covid and returned to the earlier levels of FY 2019-20 (37.82 Mn units) in FY 2022-23 in line with traffic recovery. There has been an increase in concessionaire consumption in FY 2023-24 and FY 2024-25 on account of new concessionaires (majorly SWM, SATS, etc). In FY 2025-26 with commissioning of new Infrastructure facilities, such as Cargo expansion, Logistics park etc, consumption is expected to sharply increase vis a vis FY 2024-25.

4.7.95 While BIAL submitted its MYTP in July 2020, this was against the backdrop of COVID scenario. BIAL had made a very conservative estimate of Power consumption in Terminal-2 and other areas. The actual power consumption, while higher than estimate is in line with the consumption in Terminal-1.

4. **Power unit tariff:** Power unit tariff remained within the rates approved by the Authority. The steep reduction in power tariff estimated for FY 2025-26 factors in the investment of Rs. 19 Cr. made by BIAL in a captive power plant (Wind + Solar) in Karnataka.

Conclusion:

4.7.96 Though consumption during the control period was higher, BIAL was able to maintain the overall net power cost with around 10% variation (23.41 Cr) due to lower rate and better concessionaire recovery.

4.7.97 BIAL requests AERA to consider actual power cost for the purpose of True-up of Third Control Period.

Water Cost

Potable water:

4.7.98 The Authority has approved 27.19 Crs for Third Control Period (Table 141). Comparison of power water requirement, cost per KL, potable water cost, recovery and net potable water cost is summarized in the below table.

Table 93: Portable Water Cost Approved by the Authority for TCP

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26	TCP
Potable Water requirement						
Potable water requirement ML pa - AERA	618.31	648.97	1,597.97	1,597.97	1,597.97	6,061.19
Actual water consumption ML pa	641.25	990.46	1,271.18	1,304.18	1,595.09	5,802.15
Rainwater harvesting						
RWH Source – AERA	50%	50%	50%	50%	50%	
RWH Source – Actual	9%	8%	37%	59%	66%	
Potable water cost (INR/KL)						
AERA	98.21	103.02	108.07	113.37	118.92	110.78
Actual	99.85	99.99	99.80	99.72	121.64	103.35
Potable water cost (INR Cr)						
AERA	3.04	3.34	8.63	9.06	9.50	33.57
Actual	5.84	9.09	7.99	5.32	6.57	34.81
Recovery %						
AERA	45%	45%	45%	45%	45%	55%
Actual	46%	42%	60%	100%	108%	68%
Net potable water cost (INR Cr)						
AERA	1.67	1.84	4.75	4.98	5.23	18.47
Actual	3.13	5.31	3.19	0.02	-0.50	11.15

Conclusion

4.7.99 The actual water consumption is lower than Authority approved limits by 4% (259 ML) during the control period. The Authority had considered 50% sourcing of potable water requirements from rainwater harvesting ponds from FY 2021-22 itself, whereas the Rainwater harvesting ponds were fully completed and operationalized towards end of FY 2022-23. However, the quality of water was found not meeting the required quality norms and hence, water treatment plant was upgraded in FY 2023-24 to improve the quality of water. Hence, FY 2021-22 and FY 2022-23 had lower contribution from in-house sources. Potable water requirements are significantly met from RWH ponds effective FY 2024-25 onwards (59% and 66% respectively)

4.7.100 **Net potable water cost** is lower than the Authority approved costs by 40% (11.12 Crs actual against 18.47 Crs approved) for the Third Control Period. This is mainly due to lower consumption coupled with lower rate and higher contribution from RWH ponds in the last 2 years, further improved by higher concessionaire recovery.

Raw water:

4.7.101 Raw water cost incurred for Third Control Period is (8.34 Cr) is 4% lower than 8.72 Crs approved by the Authority, despite marginal increase in the consumption.

Table 94: Raw Water Cost approved by the Authority and Actuals

(Rs in Crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	TCP
Raw water consumption (Cr KL)						
AERA	0.04	0.04	0.07	0.07	0.07	0.29
Actual	0.04	0.05	0.08	0.04	0.13	0.33
Raw water cost/KL						
AERA	26.60	27.90	29.27	30.70	32.21	29.86
Actual	25	25	25	25	25	25
Raw water cost						
AERA	0.97	1.02	2.14	2.24	2.35	8.72
Actual	1.08	1.13	1.98	1.03	3.15	8.37

Conclusion:

4.7.102 Net utilities cost is higher than the Authority approved value by only 18.25 Crs (7.14%). BIAL has submitted detailed analysis and justification for the same as above, and requests that the costs be trued up based on the actuals.

Table 95: Net Utility Cost approved by the authority vs Actuals

(Rs in Crores)

Amount	Net power cost	Net water cost	Total Utilities
AERA Approved cost	228.28	27.19	255.47
Actual cost	251.70	19.49	271.19
Variance	23.42	-7.70	15.72
% variance	**10.3%**	**-28.32%**	**6.15%**

E. Insurance

4.7.103 As per Table 144 of TCP order, AERA had approved Rs 43.91 Crs. as Insurance Costs for the Third Control Period and as stated in para 7.6.3, had decided to true up the actuals at the time of determination of tariff for Fourth control period.

Table 96: Insurance cost approved by the authority and Actuals incurred

(Rs in Crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
BIAL submission	11.59	22.68	24.27	25.48	26.99	**111.01**
Authority approved as per Order	5.11	5.82	10.85	10.98	11.16	**43.91**
Actuals incurred	6.43	7.63	9.95	10.85	11.29	**46.15**

4.7.104 Considering that BIAL has incurred insurance expenditure largely in line with AERA's approved value in the TCP Order, with only marginal variance, we request the Authority to true up the actual insurance expenditure incurred for the TCP.

F. Rates & Taxes

4.7.105 As per Table 145 of TCP order, AERA had approved Rs 59.45 Crs. as Rates & Taxes Costs for the TCP and as stated in para 7.6.3, had decided to true up the actuals at the time of determination of tariff for Fourth Control Period.

Table 97: Rates and Taxes approved by the Authority and Actuals incurred

(Rs in Crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
BIAL submission	9.46	13.54	13.98	14.42	14.88	**66.28**
Authority approved as per Order	8.70	9.12	13.22	13.87	14.55	**59.45**
Actuals incurred	4.92	8.68	9.38	11.86	13.17	**48.01**

G. Marketing Expenses

4.7.106 As per Table 147 of TCP Order, AERA had approved Rs 55.10 Crs as the Sales and Marketing Expenses for TCP and in para 7.6.3 had decided to true up the actuals at the time of determination of tariff for Fourth Control Period.

Table 98: Marketing Expenses approved by Authority

(Rs in Crores)

Year	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Sales & Marketing expense	8.21	9.03	9.93	10.92	12.01	50.10
T2 One off expense		5.00				5.00
AERA approval	8.21	14.03	9.93	10.92	12.01	55.10

4.7.107 As against the above, the actual marketing and advertising expenses incurred during the TCP are given below.

Table 99: Actuals of Marketing Expenses incurred by BIAL

(Rs in Crores)

Year	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Actuals	9.48	21.62	12.33	24.01	20.87	**88.31**

4.7.108 The breakup of the actual costs incurred are as given below:

Table 100: Breakup of Actuals of Marketing Expenses

(Rs in Crores)

Year	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
General Sales & Marketing	8.61	10.27	5.82	20.26	15.09	60.06
T2 related marketing costs	0.74	5.28	2.04	0.40	-	8.45
Customer experience	0.14	0.19	0.38	0.02	-	0.72
Sub total - 1	**9.48**	**15.73**	**8.24**	**20.68**	**15.09**	**69.23**
Unbudgeted Costs						
Inauguration by Hon'ble PM	-	5.70	0.42	-	-	6.13
BLR PULSE related	-	0.06	-	5.68	5.78	11.52
Bad debts	-	0.12	3.66	-2.34	-	1.44
Sub total – 2	**-**	**5.89**	**4.08**	**3.33**	**5.78**	**19.09**
Others (not being claimed in true up)						
Non-Aero Mktg expenses	0.52	-0.19	1.58	0.40	0.52	2.83

Year	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Sub total - 3	**0.52**	**-0.19**	**1.58**	**0.40**	**0.52**	**2.83**
Total	**10.00**	**21.43**	**13.91**	**24.41**	**21.39**	**91.14**

4.7.109 The key reasons for variances vis-à-vis AERA approved costs are as given below:

1. Unbudgeted Costs (not a part of BIAL's MYTP Submissions/TCP Order) incurred towards
   a. T2 Inauguration by Hon'ble Prime Minister of India
   b. Marketing of BLR Pulse App
2. Increase in T2 Marketing expenses

a. Aviation Business Marketing Expenses

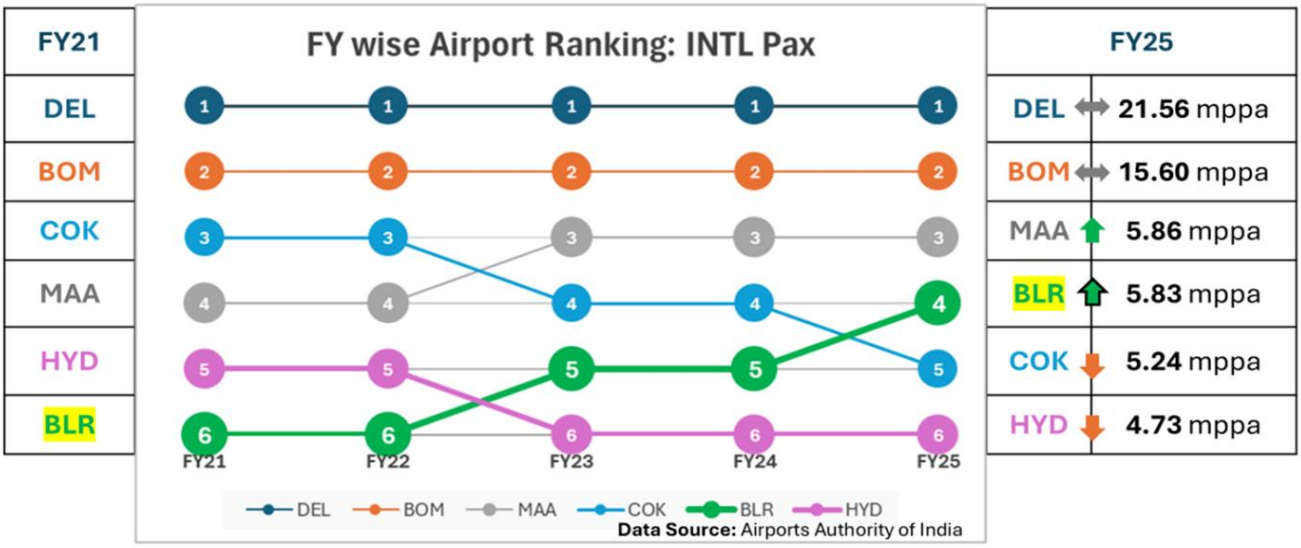
4.7.110 BIAL has extended marketing support to new carriers, particularly on the international segment for new route launches and limited support for increase in frequency on existing routes. BIAL has not encouraged any form of cash incentive and instead has provided marketing support majorly in the form of billboard advertisement within the airport campus, media spends, joint promotion of routes in the form of social media campaigns, digital marketing and influencer campaigns, publication in magazines, etc. Such expenses are done through a proper RFQ/RFP process in line with BIAL Procurement policy for finalizing the vendor based on lowest quote.

4.7.111 Additionally, BIAL has also incurred expenses on attending conferences and seminars mainly to identify new business prospects and target groups which could aid in building connect with airlines and understand airlines strategy for launch of new routes, new sectors, enhancement in capacity, new airlines in existing route, etc. These typically are Routes Asia, IATA slot conference, World Routes, CAPA India Aviation summit, ACCAAI conventions, ACFI cargo symposiums, Air cargo India, etc. Most of these are international conferences covering both passenger and cargo business.

4.7.112 In regard to Cargo marketing initiative spends, BIAL has LogiConnect program in which BIAL collaborates with Cargo partners to conduct meetings/outreach to cargo partners in various cities to attract more cargo agents and feeder services which currently are being managed through other airports. BIAL also incurred expenditure for Cargo logo launch event under Cargo marketing initiatives.

4.7.113 The various marketing efforts from KIAB Airport supported the carriers – both domestic and international, to add new destinations and/or increase their existing frequencies. The substantial increase in international passenger numbers attributes to international network additions by IndiGo, new and additional daily frequencies to London Heathrow, along with increased services from several foreign carriers including Cathay Pacific, KLM, Japan Airlines and Qantas.

4.7.114 As a result, in FY 2024-25 KIAB Airport increased its overall ranking for international operations in India from 5th position to 4th position. Thereby becoming the only major airport in India to see an increase in international traffic rankings. The momentum is expected to continue, and we expect the international growth to be 1.5x in the current financial year as well.



4.7.115 KIAB now offers non-stop connectivity to 77 domestic and 34 international destinations.

Source: BIAL Internal data

4.7.116 BIAL's sustained marketing efforts on International route development has led to an increase of 3.75 million international passengers over and above AERA approved numbers for FY 2024-25 & FY 2025-26. This alone has contributed to an additional international UDF revenue of Rs 280 Crs approximately in the TCP.

Cargo development initiatives:

4.7.117 Over the past few years, KIAB Airport has secured multiple new airline operations and route expansions, significantly boosting its cargo handling capacity and reinforcing its position as a key logistics hub. These additions are a direct result of proactive initiatives like VTP, that have made KIAB an attractive destination for global cargo carriers.

- UPS (July 2022): The launch of five weekly flights by UPS marked a major win in attracting one of the world's largest logistics players. This operation has strengthened express connectivity and positioned KIAB as a critical node in UPS's global network.
- Sichuan Airlines (October 2022) & YTO Airlines (September 2023, Charter): The entry of Sichuan Airlines & YTO enhanced our China–India trade corridor, offering direct access to one of Asia's largest manufacturing hubs and facilitating seamless cargo movement for automotive, electronics, and high-value shipments.
- Amazon Prime Air (January 2023): The commencement of daily operations by Amazon Prime Air established KIAB as a strategic base for e-commerce logistics, enabling faster delivery timelines and improving service levels across South and Central India.
- IndiGo Freighter A321 (July 2023): IndiGo's introduction of its A321 freighter service from KIAB reflects growing domestic air cargo demand and the increasing importance of regional connectivity in the Indian logistics ecosystem.
- Oman Air (December 2023, Freighter): Oman Air's freighter service added significant capacity to Middle East trade lanes, reinforcing KIAB's role as a bridge between South India and the GCC region.
- Singapore Airlines – AMS Route (April to December 2024): The addition of Amsterdam (AMS) via Singapore Airlines created new access to European markets, supporting pharma, perishables, and electronics trade lanes during a strategically important window.
- FedEx Airlines (October 2024): FedEx doubled its frequency from 5 to 10 weekly flights, reflecting growing volumes and operational trust in KIAB's handling capabilities. This expansion significantly enhances express connectivity and last-mile delivery reliability.
- Turkish Airlines (February 2025): Turkish Cargo's frequency increase from 2 to 4 weekly flights strengthens access to Western Europe, CIS countries, and the U.S., leveraging Istanbul as a key transshipment hub.
- Aerologic (New Routes: LEJ, HKG, EMA): Aerologic introduced new international routes connecting KIAB to Leipzig (LEJ), Hong Kong (HKG), and East Midlands Airport (EMA)—opening vital links to high-demand cargo destinations in Europe and Asia.
- SF Airlines (March 2025): The arrival of China's largest express carrier, SF Airlines, with freighter operations, marks a significant milestone in cross-border e-commerce and B2B logistics, reinforcing KIAB's growing relevance in the Asia-Pacific cargo landscape.

4.7.118 These new operations and service expansions signify not only increased capacity and enhanced global connectivity but also reflect the strong confidence of international carriers in KIAB Airport's infrastructure, efficiency and growth potential. They are a testament to the effectiveness of our strategic marketing initiatives in successfully attracting and diverting cargo traffic from other major gateways to KIAB. This approach has led

to a notable increase in diverted cargo volumes from various catchment areas and neighbouring stations, reinforcing KIAB's role as a consolidated gateway for international and domestic trade. Exporters across the region now view KIAB as a reliable, efficient, and well-connected hub capable of meeting their evolving logistics needs.

4.7.119 As a result, KIAB Airport continues to strengthen its position not only as a preferred export-import hub, but also as a key enabler of trade growth in Southern and Central India. This success highlights the strategic importance of sustained marketing efforts aligned with infrastructure development and service excellence.

4.7.120 Based on the above success/achievements, the Aviation Business Marketing expenses incurred by BIAL is fully justified and BIAL requests the Authority to consider the amount of Rs 15.19 Crs for the true up of aeronautical expenses for the TCP.

b. T2 Inauguration Expenses

4.7.121 The Authority had approved a sum of Rs 5 Crs towards T2 that was scheduled to be commissioned in Dec 2022. At time of MYTP submissions by BIAL or at the time of issuance of TCP Order, the inauguration of Terminal T2 by the Hon'ble Prime Minister was not envisaged. Hence, this expense was totally unbudgeted and not factored in the TCP Order.

4.7.122 The Hon'ble Prime Minister had inaugurated the Terminal 2 of Kempegowda International Airport at Bengaluru on 11th November 2022. In this connection, BIAL had incurred an expense of Rs 6.12 Crs for the function. The Prime Minister's event was a highlight event wherein a special lounge with specific seating arrangements and other amenities were created for the said visit. In addition to this, a, curved LED screen that showcased the making of Terminal 2 was erected and a 3D model of Terminal 2 was created as an exhibit for the event. The foundation stone and an extended red carpet for PM's walkthrough were also arranged for the event.

4.7.123 Based on the above, BIAL requests the Authority to consider the sum of Rs 6.12 Crs for the purposes of the true up of aeronautical expenses for TCP.

c. BLR Pulse related costs

4.7.124 BLR Pulse is the application developed by BIAL for the use of passengers to KempeGowda International Airport and is designed to enhance travel experience by providing the following services.

a) Flight Information services
b) Flight tracking service
c) Flight check-in service
d) Boarding pass scan & upload
e) Queue management
f) Counter check-in time
g) Terminal maps (Navigation)
h) Wi-Fi services
i) Information on Special Assistance services
j) Information about major airport Facilities
k) Information on Critical services required for Passenger convenience
l) Information on various modes of transport

m) Information for International passengers
n) Information on airport related engagements
o) Information on airports engagement with CSR and green initiatives
p) Information on Local Art and culture
q) Information on airport's Garden and landscape
r) NPS (feedback of services)
s) Information on transfers and self-baggage drop
t) Lounge access via credit cards

4.7.125 BIAL had launched this BLR Pulse app in the month of June 2023. Marketing costs are recurring costs incurred to promote and build customer base and retention around the application. BIAL has incurred Rs 11.52 Crs as marketing expenses for this App in TCP.

4.7.126 Initiatives focused on building awareness for the app, travel and flight related information and so on. This was done through Google and Meta ads, on ground activities, social media etc. This resulted in 14 million passengers visiting our platform due to these awareness building activities.

4.7.127 In FY 2025-26, the App has been scaled up so as to serve more passengers with new features and services that support QMS, lost and found, navigation, transport facilities etc. This will further help increase awareness of the Pulse App to 20 million new passengers, through the same channels - Google and Meta ads, on ground activities & events and social media. Other key success factors would be increasing total registered users from 710,000 to 1.2 million.

4.7.128 Considering the overwhelming nature of passenger-oriented services which are being offered in the APP, BIAL requests the Authority to consider the entire sum of Rs 11.52 Crs for the purpose of the true up of aeronautical expenses for the TCP.

2. General Sales and Marketing expenses

4.7.129 Moving from being a one terminal airport to a two terminal airport came with its set of challenges. While the terminal was being operationalized, the marketing team had to ensure that information about T2 and the changes at the airport had to be communicated clearly to passengers, stakeholders, employees and citizens of Bengaluru and other cities in India who travel through BLR Airport. A comprehensive 360-degree marketing and communication plan was executed that included communicating about the new terminal through films, radio, on-ground signages and on social media. The purpose of rolling out such a detailed campaign was to ensure that passengers were clearly informed about the new terminal and knew how to reach T2. Videos on social media, radio announcements and branding on taxis and buses that ply to the airport – clearly communicated that passengers were required to check their boarding passes to ensure they reached the right terminal.

4.7.130 Connections by BLR – an identity was created to increase awareness about the ease of transfer between the two terminals. Transfer buses were branded for passengers to easily identify the vehicles that commute between T1 and T2. On-ground branding and signages were also placed for a seamless passenger experience.

4.7.131 In addition to this, BLR Airport had commissioned filmmakers to capture the entire video journey of T2 right from groundbreaking in 2019 to the operationalization of the terminal. This footage was also used to produce a documentary titled Superstructures – The Making of Terminal 2 – that was aired on national television channel – National Geographic and also on the OTT platform Disney+ Hotstar. Snippets from the film were used on social

media to create awareness about the transition to T2. This helped in building the brand image not just in India but also globally and consequentially, several articles about T2 were covered not only in the Indian media but also in international publications such as New York Times and CNN.

4.7.132 While the overall communication plan focused on T2's operations, another additional campaign that helped elevate passenger journey was the Art Programme at T2. The idea of art in public spaces was brought to life with the 60+ artworks that were installed at T2. These artworks were commissioned and artists from Karnataka and other parts of the country participated and created these pieces exclusively for the new terminal. Signages that gave more information about each artwork were installed across T2 and a social media campaign, media walkthroughs and an official launch event were hosted to create awareness about these artworks.

4.7.133 Another key campaign that BLR Airport worked on was the development of the identity for the cargo vertical – BLR Cargo. Considering the tremendous growth in the cargo tonnage being processed since 2020, and the loyalty of the cargo partners and stakeholders, it was essential to create this identity for the cargo vertical to further strengthen the airport's position as a leading air cargo hub. The identity was promoted at the stakeholder level and media engagement was also done to create awareness about it. As a result of this constant B2B communication and engagement the cargo business has been a key talking point for BLR Airport. In FY 2024-25, BLR Cargo recorded an impressive tonnage of 500,000 metric tonnes and BLR Airport continues to be India's No.1 Airport for perishable exports.

4.7.134 Several other key initiatives too have played a vital role in enhancing passenger experience and showcasing the airport's commitment to innovation and convenience. These include:

- Digi Yatra – a seamless, contactless travel experience – a 360-degree communication campaign was rolled out to create awareness about the app and also increase adoption
- Self Baggage Drop – biometric-enabled, quick and easy process to check-in bags
- T2 Commercial Launch – creating awareness about the retail and F&B options at T2 that make for memorable passenger experience
- Airport Taxi EVs roll out – a new branding design was created for the newly introduced EV taxis. The taxis were officially launched with an on-ground event and promotional activities

4.7.135 Each of these campaigns was designed with a passenger-first mindset, aligning with BLR Airport's positioning as a technology-forward airport that prioritizes comfort, accessibility, and digital innovation.

4.7.136 To further enhance familiarity with the airport and its services, including sustainability initiatives and inclusive design, several smaller campaigns were rolled out. Dasara and Rajyotsava events were celebrated to showcase the state culture and heritage, and to imbibe a sense of belonging among citizens of Karnataka who visit and travel from the airport.

4.7.137 As of today, BLR Airport is the No.1 followed Indian airport on LinkedIn and second on Instagram. Press releases concerning important announcements and campaigns are sent on a regular basis to newspapers, TV channels and digital news media platforms. Media walkthroughs have been held at both Terminal 1 and Terminal 2 and also at the cargo terminals to familiarise media with the developments at BLR Airport.

4.7.138 BIAL has incurred Rs 40.27 Crs as general sales and marketing expenses in this regard for TCP and requests the Authority to consider the same for the purposes of the true up of aeronautical expenses for the TCP.

3. Customer experience

4.7.139 These are expenses related to preparation for Skytrax assessment for both terminals. These expenses could be attributed directly to passenger experience in the form of improved signage, improved satisfaction levels, etc and hence submitted for true up as aero expense.

4.7.140 KIAB is certified as a **4-Star Airport** with Terminal 2 ranked as a 5-Star Terminal for the facilities, comfort, cleanliness, shopping, food & beverages, staff service and security / immigration.

4.7.141 Kempegowda International Airport's Terminal 2 becomes India's first to receive a 5-Star Airport Terminal Rating from Skytrax, reflecting excellence in service. The recognition was conferred after a rigorous audit conducted by Skytrax, which evaluated over 800 passenger-related touchpoints across more than 30 categories. These included key parameters such as terminal architecture, hygiene standards, digital integration, safety protocols, passenger services, inclusivity, sustainability practices, and overall hospitality, ensuring a consistently world-class travel experience. Skytrax has lauded the airport's efforts, noting that the 5-Star Airport Terminal Rating is the highest form of recognition an airport can receive.

4.7.142 This international distinction comes on the heels of another major recognition for the Bengaluru airport. For the third year in a row, Kempegowda International Airport was awarded the Airports Council International's (ACI) Airport Service Quality (ASQ) Award for 'Best Airport for Arrivals Globally' in 2024.

4.7.143 Based on the above, the expenses of Rs 0.73 Crs incurred by BIAL is justified and BIAL requests the Authority to consider the spend of Rs 0.73 Crs for the purposes of true up of aeronautical expenses for the TCP.

H. Concession Fee

4.7.144 Concession Agreement (CA) was entered into between Ministry of Civil Aviation, Government of India (GoI) and BIAL on 5th July 2004. For the grant of concession, exclusive rights and privilege to carry out various activities as listed in the CA (Article-3), BIAL has to pay an annual fee 4% of annual gross revenue to the GoI. The payment terms, accounting, provisional payment, interest and taxes have been detailed in Article 3.3 of the CA.

4.7.145 The concession fee at a rate of 4% of the gross revenue payable as provided in the Concession Agreement has been considered and provided as a year-on-year expenditure.

I. General & Admin Expenses

4.7.146 As per Table 149 of TCP order, AERA had approved Rs 148.84 Crs. as General Administration Costs for the TCP and as stated in para 7.6.3, had decided to true up the actual at the time of determination of tariff for Fourth Control Period.

Table 101: General & Admin Expenses approved by the Authority

(Rs in Crores)

Year	FY22	FY23	FY24	FY25	FY26	Total
Consultancy & Legal costs	18.79	19.71	20.67	21.69	22.75	103.61
Travel Costs	6.55	6.87	7.20	7.56	7.93	36.10
Office Costs	1.38	1.80	1.89	1.98	2.08	9.13
Total General Administration Costs	**26.72**	**28.37**	**29.77**	**31.22**	**32.75**	**148.84**

4.7.147 As against the above, the actual expenses incurred by BIAL for TCP are as given below:

Table 102: Actual expenditure of General & Admin Expenditure Incurred by BIAL

(Rs in Crores)

Year	FY22	FY23	FY24	FY25	FY26 (P)	Total
Consultancy & Legal costs	13.89	21.23	21.60	31.53	34.92	**123.16**
Travel Costs	8.09	13.50	19.29	24.71	26.94	**92.53**
Office Costs	3.35	3.68	4.73	6.67	4.55	**22.98**
Total General Administration Costs	**25.33**	**38.41**	**45.62**	**62.91**	**66.42**	**238.68**

**Excludes loss/ profit on sale of asset. This is reported separately below*

Reasons for Cost increase:

Table 103: Consultancy & Legal costs

(Rs in Crores)

Details	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Actuals	13.89	21.23	21.60	31.53	34.92	**123.16**
AERA Approval	18.79	19.71	20.67	21.69	22.75	**103.61**
Difference						**19.55**

4.7.148 The details of actual expenses incurred are as given below

Table 104: Details of Consultancy & Legal Costs

(Rs in Crores)

Nature of spend	INR	Remarks
Legal consultancy	19.46	Towards defending & protecting contractual and legal rights under various agreements/contracts /compliances
ESG	10.08	Water sustainability, IGBC, Circular economy, carbon credits, etc
Customer experience	2.64	Spends on ACI ASQ, Skytrax, Pax surveys & pre-assessments, CMS, etc.
BASHM Consultant	0.38	Consultant for providing wildlife management specialized services
BCM ISO	0.10	ISO audits and certifications
General consultancy	21.39	
Professional charges	17.85	Professional consultants in Fin, Corp affairs, Aviation Business etc.
IT - Software & License	11.57	IT software and license costs
Director remuneration	9.73	Director sitting fee and remuneration
Marketing Retainer	6.89	Retainer consultancy for corporate communications
Commercial	7.58	Retail design consultancy, Lounge study, etc
Sub total	**107.67**	

4.7.149 Further, certain "one time" / non-recurring expenses have been incurred as below, which has resulted in actuals being higher than the approved numbers.

Table 105: One time Consultancy & Legal Costs

(Rs in Crores)

One time spends	INR	Remarks
Master planning report by NACO	7.85	Master planning study conducted as per requirements of Concession Agreement
Cargo tender consultancy	1.81	Cargo tendering process, new cargo terminal plan, Customs cargo service provider & Custodian ship, etc.

One time spends	INR	Remarks
OLS Survey and CNS building study	0.52	OLS survey for airside operations, CNS building stability study, etc.
Project expansion related consultancy charges (accounted in P&L as per relevant accounting standards)	2.30	
HR related studies	2.04	Compensation study, GPTW survey spends, skill development & PMS process assessment, Whistleblower, Forensic study, etc.
ICT Consultancy services	0.60	
Landscaping Consultancy services	0.38	
Consultancy services for Business development of Non aero and Non-Airport activities	8.98	Feasibility studies (Excluded from Operating Expenditure for ARR given above)
In-flight catering tendering consultancy	0.09	Catering tendering process related consultation
Sub total	**24.57**	

4.7.150 In the Third Control Period Order, the Authority has approved the incurrence of legal expenses and based on the same, BIAL had incurred the same. The legal expenses incurred by BIAL are an essential part of Airport Activities as defined in the Concession Agreement and are being claimed on an actual incurrence basis. Legal expenses are incurred mainly to defend & protect BIAL's vested rights and concessions provided under the Concession & State Support Agreements & reputation of BIAL, which will have direct bearing on the credit worthiness of BIAL.

4.7.151 With the above background and considering the fact BIAL has incurred expenditure in line with AERA's approved figure in TCP Order, we request the Authority to true up the actual legal expenditure incurred for the TCP.

Table 106: Travel costs comparison of AERA approved and actual incurred for TCP

(Rs in Crores)

Travel costs	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
AERA Approval	6.55	6.87	7.20	7.56	7.93	**36.10**
Actuals	8.09	13.50	19.29	24.71	26.94	**92.53**
Difference						**56.43**

4.7.152 The details of actual expenses incurred are as given below

Table 107: Actual Travel Expenses incurred by BIAL

(Rs in Crores)

Travel costs	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Domestic & Intl travel	0.60	3.17	3.49	7.05	7.32	**21.63**
Director's travel	0.01	0.43	0.79	0.70	0.6	**2.53**
Others	0.20	0.57	1.50	0.35	0.42	**3.04**
Sub total	**0.81**	**4.17**	**5.78**	**8.09**	**8.35**	**27.20**
Employee transportation costs	7.28	9.33	13.51	16.62	18.59	**65.33**
Total	**8.09**	**13.50**	**19.29**	**24.71**	**26.94**	**92.53**

4.7.153 As can be seen from the above, the sole factor that has led to the increase in travel costs is the expenses incurred by BIAL on Employee transportation costs.

4.7.154 The following factors must be considered while evaluating the employee transportation costs.

1. Unlike other major airports, BIAL is situated at an average of 35 kms from the city center. Unlike other airports, BIAL is not well connected with public transportation systems like suburban rail & Metro. While BMTC operates airport buses, their routes are designed with airport passengers in mind, and they ply on specific routes and does not cover majority of routes from where employees are located. Even though there is a railway station at a distance of around 5 kms from T1, the train services are very limited and does not cover all the shift timings. This means that BIAL has to provide sufficient employee shuttles for commuting to the office.

2. Considering the number of employees, optimal occupancy level and route planning, BIAL had to increase the number of vehicles for employee shuttle services.

3. BIAL also encourages employees to opt for shuttle services from a sustainability and safety perspective. BIAL also recovers a fixed amount from the payroll cost towards employee transportation cost recovery.

4.7.155 At the time of issuance of TCP order, AERA had escalated FY 2020-21 costs at 4.9%. However, the increased manpower on account of commissioning of assets like Terminal T2 phase 1, MMTH etc. (from Dec 2022) which necessitated a corresponding increase in number of vehicles that were being used for staff transportation, has not been factored in the Travel costs decided in the Tariff order.

4.7.156 To cater to the needs of transportation of additional BIAL Staff and given the fact that the existing transportation contract was nearing its end of tenure, BIAL had selected a vendor based on a competitive tender process. It may also be noted that fuel (diesel) prices have significantly increased during the last 6 years and this directly impacts the transportation cost.

4.7.157 BIAL has engaged a new vendor from November 2022 by following due process as prescribed in procurement policy. Further the number of users have increased from 930 in 2022 to 1320 in 2025 as below:

No of users trend				
Year	**2022**	**2023**	**2024**	**2025**
No of users	930	1227	1278	1320

4.7.158 Other Domestic and International Travel costs have been incurred towards regular Business Expenditure including activities undertaken to increase passenger, Airline routes and for generation of incremental cargo traffic.

4.7.159 Considering the above factors, BIAL requests the Authority to consider the actual expenses incurred for the true up of travel costs.

1. Office costs

4.7.160 Summary of Office costs submitted by BIAL (Table 130 of TCP), costs proposed by Authority (Table 131), costs decided by Authority (Table 149) and actuals incurred as per IGAAP are given below.

Table 108: Office costs as proposed by the Authority

(Rs in Crores)

Office costs	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
BIAL MYTP Submissions	18.91	34.04	37.45	41.19	45.31	**176.90**

Office costs	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
AERA Proposal in TCP Consultation Paper	11.99	15.59	16.35	17.15	17.99	**79.08**
AERA decision in TCP Order	1.38	1.80	1.89	1.98	2.08	**9.13**
Actuals incurred	3.35	3.68	4.73	6.67	4.55	**22.98**

4.7.161 BIAL submitted office costs with an annual increase of 10% except for FY 2022-23, wherein a 80% increase was sought, in line with the increase in operations. In the Consultation Paper No: 10/2021-22 issued for TCP, the Authority proposed in para 7.2.57, an adjustment factor of 30% to Office Costs to account for the increase in the number of employees due to commissioning of T2 Phase 1.

4.7.162 However, the Authority has not considered this in the TCP order and had only considered inflation (4.9%) adjustment with FY 2020-21 actuals as the base.

4.7.163 BIAL submits the summary of actual expenses incurred as given below:

Table 109: Actual Office Costs as incurred by BIAL

(Rs in Crores)

Office costs	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Membership & Subscription	1.43	1.87	2.05	2.89	0.84	**9.09**
Business Meeting Expenses	0.26	1.23	1.08	1.43	0.81	**4.81**
Printing & Stationery Expenses	0.10	0.18	0.47	0.37	1.30	**2.42**
Corporate Communication expenses	0.04	0.22	0.47	0.43	1.26	**2.42**
Others	1.52	0.18	0.66	1.54	0.34	**4.24**
Total	**3.35**	**3.68**	**4.73**	**6.67**	**4.55**	**22.98**

4.7.164 **Membership & Subscriptions**: Below is the summary of key expenses incurred under this head.

Table 110: Key Membership & Subscription incurred

(Rs in Crores)

Institutions	Amount	Remarks
ACI subscriptions	3.84	ACI ASQ Departure/Arrival annual subscription. Global ACI CX Summit; ACI Pacific membership
IT Gartner subscription	1.43	Research subscription for core IT Research, peer & practitioner insights. IT Key metrics data reports, etc
IATA IS Subscription	1.05	Membership fee for access to industry information; data analytics services, etc
CAPA	0.26	Access to global aviation news; data and analysis from Centre of Aviation
DGCI&S Cargo subscription	0.21	Export import data and analytics related to cargo
Total	**7.00**	

4.7.165 Business meetings include expenditure incurred related to meetings with key stakeholders such as BCAS, DGCA, CISF, various regulatory institutions and airport stakeholders.

4.7.166 All costs incurred under Office Expenses are towards regular business expenses of BIAL, on an efficient basis.

4.7.167 Considering the above facts, BIAL requests the Authority to consider the actual expenses incurred for the true up of Office costs for TCP.

J. Other Borrowing Costs

4.7.168 BIAL is in the process of refinancing its existing debt taken for PAL – 1 expansion project by way of issuance of NCD which will optimise the overall cost of debt and improve efficiency. The re-finance debt will reduce the cost of debt by over 1%. In order to carry out the refinancing activity, BIAL estimates to incur certain costs in the nature of Arrangement and Advisory Fee, Pre-payment charges etc. and costs relating to additional rating and surveillance fee etc.

4.7.169 These fees/expenses are classified as Other borrowing costs and are included as part of Operating Expenditure is as below:

Table 111: Other borrowing costs included in Operating Expenditure

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26 (P)
Loan Processing, Rating, Surveillance, Renewal, Commitment charge and Other charges, Lender Engineer/ Security Trust Fee, Bank Charges	2.90	5.95	12.75	9.29	4.70
Refinance NCD issuance related One time charges - Arrangement Fee, Advisory Fee, Prepayment Fee, Additional Rating and Surveillance fee, Documentation and Stamp Duty charges					57.25
TOTAL	**2.90**	**5.95**	**12.75**	**9.29**	**61.95**

K. Other/ Miscellaneous costs:

4.7.170 Collections costs approved by the Authority for Third Control Period was 38.39 Cr. Actual cost incurred against the same is 33.64 Cr, in line with the passengers.

4.7.171 Profit on sale of asset is grouped under Office cost. To reflect correct office cost trend, same is detailed separately as below

Table 112: Loss/Profit on sale of asset

(Rs in Crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Loss/Profit on sale of asset	-0.44	0.54	-5.65	4.07	0.00	**-1.48**

Allocation of Expenses into Aeronautical and Non-Aeronautical

4.7.172 Segregation of Operating and Maintenance expense in Aeronautical and Non-Aeronautical is as discussed below:

Table 113: Allocation Ratios for Opex

Operating expenses	Basis of allocation
Personnel expenses	Employee Head count ratio has been computed based on categorisation of employee departments into Aero/ Non-Aero and Common. Head count ratio of the respective year has been used to segregate Employee Cost into Aero and Non-Aero

Operating expenses	Basis of allocation
O&M	O&M expenses are incurred for maintenance of Airport Infrastructure and assets across the airport. These expenses have been segregated based on the Asset Gross Block Ratio.
Lease Rent	Aeronautical Lease Rent has been computed by excluding the land given to BACL being considered as Non-Airport.
Utilities	Utility expenses (net of recovery) have been considered fully as Aeronautical.
Insurance	Insurance expenses have been segregated based on the Asset Gross Block ratio.
Rates & Taxes	Rates and taxes mainly comprise of Property taxes. These expenses have been segregated based on Lease Rent allocation ratio.
Marketing & Advertising	Marketing and Advertising expenses have been considered as common expenses and segregated based on the Asset Gross Block Ratio
CSR	Corporate Social Responsibility expense have been segregated by considering the Aeronautical Proft Before Tax for the period.
General admin costs	General and administrative expenses have been considered as common expenses and segregated based on the Asset Gross Block Ratio
Concession fee	Concession Fee has been computed based on the respective Aeronautical / Non-Aeronautical Revenues for the year.

1. Employee Head Count Ratio (EHCR)

4.7.173 The Employee head count ratio has been utilized for computing the aero portion of Personnel expenses as given below:

Table 114: Employee Head count ratio for true-up of TCP

Category	Department	Allocation	FY 22	FY 23	FY 24	FY 25	FY 26
Support Services	MD & CEO	Common	4	3	3	3	3
	Finance	Common	56	63	69	75	83
	Human Resources	Common	18	19	20	26	29
	Administration	Common	8	8	8	9	9
	Legal	Common	8	10	10	13	19
	CMO Office	Common	5	6	8	16	19
	Marketing	Common	4	4	3	0	0
	Corporate Communications	Aero	2	2	3	3	3
	Corporate Affairs	Aero	6	6	7	8	7
Commercial	Corporate Social Value	Common	3	4	4	5	5
	VP - Commercial Office	Non-Aero	2	2	2	3	4
	F & B and Retail	Non-Aero	25	28	34	37	39
	Facilities	Common	0	3	3	3	7
	Landside Traffic(Commercial)	Non-Aero	13	17	18	24	25
Operations	Advertising	Non-Aero	5	8	9	10	12
	Head – Operations and E&M	Aero	4	5	7	6	6
	Aviation Stakeholder & Quality Management	Aero	0	0	0	0	0
	Customer Engagement and Service Quality	Aero	12	14	20	21	20
	Terminal Operations	Aero	108	147	219	243	246
	Airside Operations	Aero	87	97	121	123	126
	Landside Technical	Aero	0	0	0	0	0
	Aviation Safety	Aero	18	22	23	26	28

Category	Department	Allocation	FY 22	FY 23	FY 24	FY 25	FY 26
	Bird AirStrike Hazard Management	Aero	9	11	12	12	12
	Enterprise Risk & Corporate Resilience	Aero	6	7	7	7	7
	Security	Aero	54	65	64	76	90
	Security Screening	Aero	127	170	304	326	319
	ARFF	Aero	222	209	214	232	230
Corporate Strategy & Development	ICT	Common	60	46	56	60	75
	Corporate Strategy & Development	Aero	2	2	0	0	0
	Forecasting and Slots	Aero	5	4	5	0	0
	Centre of Excellence	Common	6	5	5	1	0
	Business Planning	Common	5	4	7	9	9
	Aviation Business	Aero	12	11	15	17	19
	Ops Planning & Project Co-ordination	Aero	4	4	3	10	12
Engineering & Maintenance	Innovation Lab	Aero	3	4	3	2	4
	Technical & Engineering	Aero	16	17	17	22	25
	Landside Maintenance	Common	50	106	126	144	157
	Landscaping	Aero	27	16	17	19	22
	Environment & Utilities	Aero	52	45	57	64	66
	Airfield Maintenance	Aero	60	77	82	90	93
	Total		1108	1271	1585	1745	1830
		Aero	836	935	1,200	1,307	1,335
		Non-Aero	45	55	63	74	80
		Common	227	281	322	364	415
		Total	**1,108**	**1,271**	**1,585**	**1,745**	**1,830**
		Aero	1,051	1,200	1,506	1,651	1,727
		Non-Aero	57	71	79	94	103
		Total	**1,108**	**1,271**	**1,585**	**1,745**	**1,830**
		EHCR (A)	**94.86%**	**94.41%**	**95.02%**	**94.61%**	**94.37%**
Total personnel expenses			208.28	255.24	316.60	384.35	439.15
Personnel Cost (C=A*B)			197.56	240.98	300.82	363.65	414.43

2. Terminal Building Ratio

4.7.174 BIAL has considered the Overall Terminal Building Ratio (combining T -1 & T -2) of 87.10%.

3. Gross Block ratio

4.7.175 BIAL has considered Gross Block Ratio for allocation of expenses such as Insurance cost, Marketing expenses, General and Administrative expenses and other miscellaneous expenses. The Gross Block Ratio for the True-up of the Third Control Period is as given below:

Table 115: Gross Block Ratio for allocation of expenses

Particular	FY22	FY23	FY24	FY25	FY26 (P)
Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%

4.7.176 CA certificate on allocation ratio of expenses is given in Annexure 15.

4.7.177 Based on the expense allocation ratio as detailed above, the Aeronautical Operating Expenditure is as follows:

Table 116: Aeronautical Operating Expenditure to be considered for true-up of TCP

Sl.no	Particulars	FY22	FY23	FY24	FY25	FY26 (P)	Total
A	Personnel expenses	197.56	240.98	300.82	363.65	414.43	**1,517.44**
B	O&M	144.72	198.02	269.35	347.79	424.76	**1,384.63**
C	Lease Rent	15.08	21.19	22.85	17.40	24.02	**100.54**
D	Utilities	28.37	40.85	72.55	65.89	63.53	**271.19**
E	Insurance	5.94	7.09	9.01	9.77	10.16	**41.97**
F	Rates & Taxes	4.91	8.65	9.35	11.76	13.00	**47.67**
G	Marketing & Advertising	8.76	20.08	11.17	21.62	18.79	**80.41**
H	Collection Charges	2.87	5.62	7.25	7.94	9.96	**33.64**
I	General admin costs	23.41	35.67	41.31	56.64	59.79	**216.82**
J	Waiver and bad debts	-	0.11	5.42	-2.12	-	**3.42**
K	Misc. Expenses	-0.41	0.50	-5.12	3.66	-	**-1.36**
L	Other Borrowing costs	2.68	5.53	11.55	8.37	55.76	**83.88**
	Total Aero operating expenses	**433.90**	**584.28**	**755.50**	**912.38**	**1,094.20**	**3,780.26**
M	Concession fee	13.52	36.07	56.71	78.01	83.01	**267.31**
N	CSR	-	-	-	-	0.24	**0.24**
	Total Aero operating expenditure	**447.42**	**620.35**	**812.21**	**990.38**	**1,177.44**	**4,047.80**

4.8 True up of Non-Aeronautical Revenue

4.8.1 The Authority decided the following in respect of Non-Aeronautical Revenues (NAR) in the order for Third Control Period:

"8.6. Based on the material before it and its analysis, the Authority has decided the following with regards to the Non-Aeronautical revenues for the Third Control Period:
8.6.1 To consider Non-Aeronautical Revenues as set out in Table 169 for the Third Control Period.
8.6.2 To consider real estate revenue as Non-Aeronautical revenues
8.6.3 To treat interest income as Non-Aeronautical revenues
8.6.4 To true up the Non-Aeronautical Revenues for the current control period, at the time of determination of tariff for the next control period."

4.8.2 The approved Non-Aeronautical Revenues (Ref: Table 169 pf TCP Order) for the Third Control Period is provided below:

Table 117 : Non- aeronautical revenues decided by the Authority for the Third Control Period

(Rs in Crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Car Park revenue	37.40	80.63	110.04	134.44	163.97	526.48

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Retail Revenue	27.69	113.63	145.36	175.51	209.49	671.69
F&B Revenue	23.73	54.37	72.42	88.36	107.58	346.47
Lounge Revenue	10.25	27.74	37.22	48.64	63.23	187.08
Advertising & promotion	38.94	84.41	103.96	127.01	154.91	509.23
Rent and land lease	38.88	50.29	52.78	59.27	62.14	263.37
Flight catering	8.35	9.08	11.71	12.74	13.87	55.75
Miscellaneous non-aeronautical	22.89	25.32	27.62	30.20	33.05	139.08
Utility charges	3.07	3.07	3.37	3.54	3.71	16.76
Real estate	4.17	12.82	20.90	38.73	61.40	138.03
Interest income	20.84	12.77	3.51	5.38	19.40	61.90
Total NAR	**236.21**	**474.13**	**588.89**	**723.82**	**892.75**	**2,915.84**

Key Trends for the period FY 2021-22 – FY 2024-25

4.8.3 Overall, there is a growth of 42% over the approved NAR, whereas the domestic pax is lower by 2% & International pax is higher by 28% (overall growth is 0.72%)

4.8.4 BIAL experienced a V-shaped recovery following the challenging COVID years. This recovery was underpinned by the strategic implementation of the "Concessionaire Support Policy," which provided vital support to their partners during this period. By integrating iconic global brands, celebrated Indian brands, and cherished local heroes into our retail and food & beverage footprint, we create a unique and engaging environment that resonates with travellers.

Car Parking

4.8.5 Parking revenue is 16% lower (₹152 Crs vs ₹127.82 Crs during the Third Control Period). While the authority projected a 5% annual increase in revenue per passenger (pax), actuals were impacted by lower penetration due to Increased availability of parking in the vicinity of Begur – South Parallel access road (located outside the airport campus) at minimal rates.

4.8.6 Further, BIAL had re-tendered the Parking contract in FY 2024-25-FY 2025-26 as the previous contract had expired. While 4 bidders participated, the contract was awarded to Gateway group who was the H1 bidder. The new contract is revised to a concessionaire-based model as against the previous O&M model. The Bidder has to take manage the existing assets and invest capital expenditure in parking management systems (approx Rs 14 Crs). Hence, the Revenue share per pax has got reduced and the same is reflected in FY 2025-26 numbers.

Advertisements

4.8.7 BIAL submitted the projections for the Third Control Period based on the advertisement contract with 74% revenue share. The contract had expired in FY 2021-22 and BIAL had initiated tendering process for award of Advertisement contract for a 12-year period. While 7 bidders participated (JCDecaux, Times OOH, Laqshya, Manpho, Leadspace, Signpost, Pioneer), the proposed revenue share discovered (H1 basis) was lower owing to the COVID effect and JCD had emerged as H1 bidder with 70% base revenue share with an annual increase of 1% until FY 2026-27. The reduction in revenue share also is partly attributable to the investments the bidder has to make for building the media infrastructures (hoardings etc). Accordingly, actual revenue in Third Control Period is lower than the projections of AERA by 10%

Exclusions / Inclusions to Non-Aeronautical Revenues

4.8.8 The Hon'ble TDSAT Order in AERA Appeal No. 04 of 2021 has pronounced that Other Income, Income from development of Non-Airport Activities are required to be excluded from the calculation of Non-Aeronautical revenues. The Hon'ble Tribunal has also pronounced that activities of CGF are non-regulated activities and the revenue received by the Airport Operator from the service providers of CGF are non-aeronautical charges. The issue of applying notional lease rentals for space provided to AAI and also retrospective application of the same in the SCP along with application of notional lease rentals from Airport opening Date (AoD) for the space provided to BAHL are already contested and appealed in the Hon'ble TDSAT vide AERA Appeal No. 5 of 2021. Hence, the same is also not a part of Non-Aeronautical revenue submissions for the purposes of True up of Third Control Period and for Fourth Control Period. Detailed interpretation of the above issues are given below.

Treatment of CGF Services as Aeronautical Services & Income thereon as Aeronautical

4.8.9 Section 13(1)(a)(vi) of AERA Act stipulates that AERA shall consider concessions offered by the State in an agreement, memorandum of understanding or otherwise. The Hon'ble Supreme Court has interpreted Section 13(1)(a)(vi) in Civil Appeal No. 8378 of 2018 in DIAL v. AERA 2024 1 SCC 716 and has laid down that "*23. [...] legislative intent itself incorporates and requires the prior agreements to be taken into consideration albeit along with certain other parameters/requirements*".

4.8.10 BIAL's Concession Agreement, being a pre-legislative contract is also recognized in the Statement of Objects and Reasons ("SOR") of the AERA Act and thus, forms a part of the statutory framework that governs AERA. AERA being a creature of statute (AERA Act) is therefore, bound to give effect to the concessions in the Concession Agreement.

4.8.11 The full bench of Hon'ble TDSAT, in a recent development, has held in AERA Appeal No. 04 of 2021 titled GMR Hyderabad International Airport Ltd. v. AERA (hereinafter referred to as "HIAL case") that

a) The concession agreement, having been entered into by the President of India, should be honoured and respected and should be accepted as it is by AERA.

b) AERA is empowered to regulate only the 'Regulated Charges' and it cannot assume jurisdiction over the 'Airport Activities.' The Terms Regulated Charges and Airport Charges/ Activities are not the same, they are different and distinct.

c) The judgment dated 16.12.2020 in the case of BIAL v. AERA and other connected matters requires re-consideration in paragraph 309/Pg. 158.

4.8.12 In light of the above, BIAL's Concession Agreement needs to be given the effect of a concession and since the Concession Agreement, specifically, categorically and without any ambiguity describes those activities, for which the Regulated Charges are to be levied by BIAL, which shall be approved by the Authority and considering the fact that the Regulated Charges are clearly defined in the Schedule 6 of the Concession Agreement, the Authority shall give due consideration to give effect to the concessions offered to BIAL as mandated under the proviso of Section 13(i)(a) for the purposes of tariff determination and treat such activities covered under the Regulated Charges alone as aeronautical services in the case of BLR Airport.

4.8.13 As CGF and ICT services are not a part of the activities covered under the ambit of Regulated Charges attached in the Schedule 6 as against the comprehensive list of Airport Activities detailed out in Part 1 of Schedule 3, BIAL is free, without any restriction, to determine, levy and retain charges for CGF and ICT services. The

words/phrases "shall be free" and "without any restrictions" make the intention amply clear – neither will IRA / AERA fix charges nor in any manner lay any claim to the revenues / proceeds.

4.8.14 The Hon'ble TDSAT in AERA Appeal No. 4 of 2021 has held that "the decision of AERA to treat Cargo, Ground Handling and Fuel Services as aeronautical services and the revenue generated therefrom as aeronautical revenue is incorrect, improper & unjustified. We hereby hold that the activities of CGF in case of HIAL are non-regulated activities and the revenue received by the Airport Operator – Appellant from the service providers of CGF are non-aeronautical charges.'

4.8.15 Hence, it is submitted that, being a similarly placed airport, having identical Concession Agreement and in light of the findings of the full bench of Hon'ble TDSAT against the Learned Single judge of the Hon'ble Tribunal in judgment dated 16.12.2020, in the case of BIAL too, CGF & ICT services are not to be considered as aeronautical services and the income accruing from the same needs to be treated only as Non-Aeronautical revenues.

Treatment of Income from Non-Airport Activities

4.8.16 A concession has been provided to BIAL through the definition of "Airport Activities" and "Non-Airport Activities". These activities are mentioned in detail in Part I and Part II of Schedule 3 of the BIAL Concession Agreement. Non-Airport Activities to be undertaken by the Airport Operator at the "Site", by their very nature are unrelated to the operations of Airport. These activities are provided beyond the precincts of the airport and hence they are neither aeronautical services nor non-aeronautical services. Thus, in fact, the Non-Airport Activities which are referred in Part 2 of Schedule 3 cannot be treated as non-aeronautical services.

4.8.17 AERA vide its tariff orders has treated "Non-Airport Activities" as "Non-Aeronautical Services". This is incorrect and runs counter to the clauses of Concession Agreement and is in violation of the AERA Act, 2008.

4.8.18 In the HIAL case, the Hon'ble TDSAT has categorically stated in para 341 that "*AERA has relied upon the decision of Learned Single Bench dated 16.12.2020 in case of BIAL. This judgment has not appreciated the clauses of the Concession Agreement as stated hereinabove to be read with the clauses of Land Lease Agreement. The said judgment has also not appreciated the fact that "Site" as defined in the Concession Agreement includes Airport, but reverse is not true meaning thereby to "Airport" and not to be construed as "Site". This distinction between 'Site' and 'Airport' has been overlooked and we therefore do not agree with the interpretation of the Learned Single judge of this tribunal in judgment dated 16.12.2020 in case of BIAL. In fact, both the terms have been defined separately and, therefore, "Site" and "Airport" are not inter-changeable terms otherwise there would have been no need to define them separately". The Hon'ble TDSAT also observed in para 304 that "the judgment dated 16.12.2020 passed by the Learned Single Judge of this Hon'ble Tribunal in the case of BIAL needs reconsideration as (i) the facts as well as documents which exist in the case of HIAL were not placed before the Learned Single Judge in the case of BIAL; and (ii) as pointed out hereinabove, the reliance of the Learned Single Judge on the phrase 'Subject to Applicable Law' occurring in Article 10.1 is erroneous*."

4.8.19 In para 342, the Hon'ble TDSAT has categorically and unambiguously decided as given below:

"*We, hereby, hold that income from Real Estate Development (RED) is from Non-Airport Activities and it cannot be treated as Aeronautical, nor it can be treated as Non-Aeronautical, but they are simply "Non-Airport Activity" revenue. AERA has no power or jurisdiction over such revenue.*"

4.8.20 Hence, it is submitted that, being a similarly placed airport, having identical Concession Agreement and in light of the findings of the full bench of Hon'ble TDSAT against the Learned Single judge of the Hon'ble Tribunal in judgment dated 16.12.2020, in the case of BIAL too, income from Non-Airport Activities are not to be considered as Non-Aeronautical revenues.

Treatment of Other Income as Non-Aeronautical Revenues

4.8.21 It is submitted that once revenue from an activity, whether aeronautical or non-aeronautical, is already being reckoned and considered for the purposes of tariff determination, any money that accrues to BIAL post the same cannot be subject to further reckoning for tariff determination, failing which, this would amount to AERA double dipping into BIAL's legitimately earned revenues, which is impermissible. There is no jurisdiction to do so under any statute or policy.

4.8.22 The Hon'ble Tribunal in AERA Appeal No.1 of 2016 and AERA Appeal No.1 of 2021 vide detailed judgment and order dated 21.07.2023 in the case of DIAL Vs. AERA & Ors. in paragraph number 88 and 90 as under:

"88. *The contention raised for the counsel for Respondent No.1 to the effect that the income of "dividend" and "interest" are in fact from the income derived by the respondent by performing aeronautical and non-aeronautical services and, therefore, "other income" has rightly been treated as part of revenue, from "Revenue Share Assets". It is also contended by the counsels for respondents that the "dividend income" as a part of other income is a part of Third Control Period because dividend income is earned by DIAL through joint ventures set up with other group entities of DIAL who are carrying aeronautical related services and other non-aeronautical services provided in OMDA which if carried out by DIAL itself, would have earned surplus non-aeronautical income. These contentions are not accepted by this Tribunal mainly for the reason that "other income" is not relatable to and generated from the provision of any service by this Appellant and, therefore, it cannot be considered for cross-subsidization of aeronautical charges (i.e. as a part of revenue from Revenue Share Assets).*

90. *Such type of addition by AERA of "other income" as part of revenue from revenue share assets is beyond bargain (i.e. beyond the terms of contract)."*

4.8.23 Further, in HIAL TDSAT judgement, the Hon'ble Tribunal, in paragraphs 343-359, has affirmed the above findings and held that interest income received by HIAL does not correspond to any services rendered by HIAL and as such, it is beyond the regulatory ambit of AERA. The conclusion of the Hon'ble Tribunal is as follows:

"359. *In view of the aforesaid facts and reasons, the decision of AERA to bring "Other Income" within its regulatory purview is incorrect, improper and unjustified. We hereby hold that Income from interest and dividend earned by this appellant is because of Cash Management Process (CMP). In fact, there is no legal base, to treat "Other Income" as a part of revenue for calculation of cross-subsidization."*

4.8.24 In light of the above, AERA's decision taken in the past orders for BIAL, is in the teeth of the consistent findings of this Hon'ble Tribunal in the above AERA appeals. Therefore, we request AERA not to consider "Other Income" as Non-Aeronautical revenue.

Treatment of Notional Lease Rentals from AAI

4.8.25 AERA does not have the power to reckon notional lease rentals under Section 13(1)(a)(v) of the AERA Act because under the said section AERA has to reckon revenue actually received. The word "revenue" in the Section 13(1)(a)(v) is succeeded by the word "received" (receive in past tense). Plainly and unambiguously, only after (actual) revenue is "received" such revenue can be reckoned for tariff determination. There is no cause or occasion that arises to depart from the natural meaning of the words in Section 13(1)(a)(v) of AERA Act. [Gurudevdatta V. KSSS Maryadit and others v. State of Maharashtra and others [2001 (4) SCC 534], Para 26; Nasiruddin v. Sita Ram Agarwal reported in (2003) 2 SCC 577, Para 35]. The orders mentioned in para 1.2.2 of TCP Tariff Order as the tariff guiding principles also do not envisage "notional" revenue / cost being ascribed and reckoned by AERA.

4.8.26 In fact, Clause 5.21 of AERA's Order No 13/2010-11 dated 12.01.2011 containing the Regulatory Philosophy and Approach in Economic Regulation of Airport Operators, which are a part of AERA's guiding principles for the TCP Tariff Order provide for consideration of the revenues accruing/accrued to BIAL and not notional revenues. Hence, the decision to reckon notional lease is ultra vires AERA Act, without jurisdiction and consequently is violative of Article 14 of the Constitution.

a) Initial Space provided to AAI

4.8.27 AAI is responsible for providing services of Communication Navigation & Surveillance (CNS) and Air Traffic Services (ATS) services in all airports in India. For providing this certain office space has been leased to AAI by BIAL. BIAL and AAI entered into CNS/ATM agreement dated 06.04.2005 prior to establishment of AERA. Clause 7.4 of the CNS/ATM agreement states that AAI shall pay lease rentals to BIAL in consideration for providing the facility and office space and the lease rental rate shall be calculated on cost recovery basis.

4.8.28 AAI by its letter dated 12.11.2020 informed BIAL that the costs of the assets, control tower etc., as verified by EIL, an independent agency was a sum of Rs.14,69,61,924/ and a sum of Rs.14,69,39,338/- was paid by AAI towards rent. AAI under the said letter requested for a waiver of Rs.22,586/- as rental. The same was accepted by BIAL by its letter dated 23.11.2020. As the cost recovery has been completed, there are no further lease rentals payable by AAI to BIAL.

4.8.29 In the TCP Order, AERA has considered notional lease rentals from AAI to the extent of Rs. 39.09 Crore in SCP True up (para 3.9.25) and Rs. 80.13 Crore in TCP (para 8.2.34).

4.8.30 AERA in the tariff orders issued for the first and second control period tariff orders, has reviewed the terms of the lease rental arrangements executed between BIAL and AAI and considered the lease rentals received by BIAL from AAI, as aeronautical revenues at the time of determination of aeronautical tariffs for BIAL. As a part of MYTP submissions for TCP, all documents pertaining to the lease between AAI and BIAL have been submitted to AERA. AERA has never disputed the cost recovery principle or the underlying facts pertaining to reconciliation of lease rentals paid vis-a-vis the capital costs verified by EIL for the agreed capital cost recovery.

4.8.31 While AERA has considered the entire lease rentals as Aero revenues in the determination of ARR, the recovery of capital cost incurred by BIAL has not yet been provided in full in terms of ARR. This is due to the fact that the useful life of the buildings is 30 years while the cost recovery of asset has happened at a much faster pace (12 years approximately) as per the terms of the CNS/ATM Agreement which pre-dates the establishment of AERA.

4.8.32 In the True-up of First Control Period, AERA had decided as follows:

"4.5.22 The Authority accordingly decides to consider lease rentals received from Aeronautical Service Providers for space relating to operations that are integral to the core aviation service to be treated as Aeronautical Revenues and other lease rentals as Non-Aeronautical Revenue and compute the ARR accordingly"

4.8.33 In other words, BIAL has frontloaded the recovery of cost in the form of lease rentals and passed on the same as aeronautical income to airport users, thereby reducing tariffs for the previous control periods. Having enjoyed the benefit, AERA now cannot come apply notional rentals for the remaining period (difference between useful and date of completion of cost recovery).

b) Additional Space provided to AAI

4.8.34 Pursuant to the operationalization of the new runway – NSPR and considering the terminal expansion, AAI has been given additional office space for carrying out CNS/ATM activities. With respect to additional space provided to AAI, AERA has failed to consider the provision of Greenfield Airports Policy, 2008 issued by Ministry of Civil Aviation, which provides as follows:

4.8.35 "Air Traffic Services (ATS): Functions related to ATS are being discharged by AAI. The Applicant will have to enter into a CNS/ATM Agreement with AAI for the provision of ATS services at the proposed airport. ATS would be provided on a cost recovery basis and AAI would publish a standard agreement for this purpose. *The Airport Company would also provide the required infrastructure to AAI free of cost for provisions of ATS*.".

4.8.36 When the applicable Greenfield Policy prescribes that required infrastructure should be provided to AAI free of cost; AERA cannot prescribe notional lease for the said infrastructure. BIAL is precluded by the policy from levying lease rentals which ought to be considered by AERA. Indubitably, AERA is bound by policy decisions of the Central Government.

4.8.37 It is submitted that AERA's decision to consider notional lease rentals for the space leased out to AAI is not in consonance with AERA Act or the Greenfield Airports Policy, 2008. A copy of the standard agreement by AAI (Ref Annexure 16) will indicate that no lease rentals are payable by AAI in line with above mentioned Greenfield Policy.

4.8.38 It is settled law that a regulator such as AERA has to exercise or regulate within the framework by the Central Government. [MTNL v. TRAI, 2000 SCC Online TDSAT 1, Para 32]. However, the same has not been considered by AERA. AERA has erroneously held that there cannot be differential treatment among various stakeholders at the airport. Stakeholders which are governed differently by applicable rules/policy, have to be treated in accordance with the applicable policy/rules. The lease rentals permitted to be collected from AAI is as per the policy of GoI and there is no differential treatment accorded by BIAL.

4.8.39 Therefore, we humbly submit to AERA to not consider the notional lease rentals application in the true up of Non aeronautical revenues for SCP & TCP and also for the subsequent periods.

Treatment of Notional Lease Rentals from BAHL

4.8.40 In the TCP order, AERA has considered that lease rentals are payable by Bangalore Airport Hotel Limited to BIAL from the Airport Opening Date (AoD) and has ascribed notional lease rentals to the same.

4.8.41 While arriving at the non-aeronautical revenues for BIAL, the inclusion of notional lease for hotel activities from AoD when the hotel concessionaire was not even in operation amounts to reducing BIAL's ARR entitlement. This retrospective action places an unreasonable restriction on BIAL's right to trade and commercial freedom to carry on business as per its commercial prudence.

4.8.42 Hotels form a part of Non-Airport activities as described in Schedule 3 Part 2 of the Concession Agreement. Non-Airport Activities cannot be treated as non-aeronautical services. AERA vide its tariff orders has treated "Non-Airport Activities" as "Non-Aeronautical Services". This is incorrect and runs counter to the clauses of Concession Agreement and is in violation of the AERA Act, 2008.

4.8.43 As held by Learned TDSAT in HIAL case, income from Non-Airport Activities cannot be treated as Aeronautical, nor it can be treated as non-aeronautical, but they are simply "Non-Airport Activity" revenue. AERA has no power or jurisdiction over such revenue.

4.8.44 AERA cannot unilaterally adopt commercial terms that has not been adopted by BIAL in the conduct of the non-airport business, for the purpose of tariff determination to the detriment of BIAL. AERA may not do indirectly what it is not empowered to do directly – control or regulate non-aeronautical/ non-airport activities. [MTNL v. TRAI, 2000 SCC Online TDSAT 1, Para 26].

4.8.45 Hence, we request AERA not to consider lease rentals from BAHL which is performing a non-airport activity as non-aeronautical revenues.

4.8.46 BIAL requests to true-up the Non-Aeronautical Revenue for the Third Control period as given in the table below:

Table 118: Non- Aeronautical Revenue to be considered for True up

(Rs in Crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Concessionaries rental income						
Car Park revenue	38.48	74.54	98.96	132.30	141.32	**485.60**
Retail Revenue	61.96	160.28	233.24	295.05	376.45	**1,126.98**
F&B Revenue	31.34	84.34	108.76	124.67	153.04	**502.15**
Lounge Revenue	20.35	93.06	126.73	162.22	201.91	**604.28**
Advertising & promotion	36.05	69.69	96.59	116.00	137.50	**455.83**
Flight catering	4.96	16.11	15.92	33.91	37.08	**107.98**
Other Non-Aeronautical Revenue						
Rent and land lease	64.96	69.46	129.37	173.88	198.93	**636.60**
Utility charges	12.60	17.65	24.88	32.00	29.38	**116.52**
Miscellaneous non-aeronautical	7.60	14.77	18.32	24.54	21.63	**86.86**
Other income	6.66	10.45	17.64	6.32	15.38	**56.46**
Aviation Concession Revenue						
Cargo Revenue	59.36	50.39	87.52	126.78	144.20	**468.25**
Ground Handling Revenue	29.46	51.96	66.75	80.40	97.32	**325.89**
Fuel	4.39	5.86	8.06	8.87	39.60	**66.78**
ICT & CUTE CUSS	55.10	74.75	92.48	119.51	137.62	**479.46**
Total NAR	**433.27**	**793.31**	**1,125.22**	**1,436.46**	**1,731.37**	**5,519.63**

4.9 True Up of Taxation

4.9.1 "As per Decision No. 9.6 of Order No. 11/2021-22, the Authority decided:

"9.6.1 To consider tax outflow estimate as set out in Table 172 for the Third Control Period.

9.6.2 To true-up the aeronautical tax estimates based on actual tax outflow at the end of the current control period."

Table 119: Aeronautical tax estimate decided by the Authority for the Third Control Period

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26 (P)	Total
Aeronautical PBT	**470.67**	**-73.49**	**207.13**	**303.08**	**420.03**	
Effective tax rate	0.00%	0.00%	0.00%	17.45%	17.51%	
Aero tax	**0**	**0**	**0**	**52.88**	**73.55**	**126.44**

4.9.2 Tax for the applicable years in the Third Control period have been paid by BIAL, on the basis of Minimum Alternate Tax. The Minimum Alternate Tax % applicable for BIAL for the Control period is 17.47%. This has been computed on the Aeronautical Profit before tax computed for ARR.

Inclusion of 30% Non-Aeronautical Revenues as part of Aeronautical Revenue Base for computation of Aeronautical Taxes

4.9.3 As per Hybrid Till Mechanism adopted by AERA, 30% of Non-Aeronautical revenues will be used to cross-subsidize aeronautical charges. As per the Learned TDSAT's decision dated 21.07.2023 in AERA Appeal No.1 of 2021, in case of DIAL Vs. AERA & Anr., it has been observed in paragraph 135 (c) and paragraph 137 of this judgment as under:

"135. (c) Once the amount of "S-factor" which is 30% of the gross revenue generated from Revenue Share Asset becomes part and parcel of the target revenue, it also having a color of aeronautical revenue and, therefore, tax-T ought to be calculated even upon amount equal to "S" factor.

137. We do not agree with the aforesaid reasons by AERA mainly for the reason that because the target revenue as per the aforesaid formula is determined, based on aeronautical building block post cross subsidy of 30% revenue from Revenue Share Assets and, therefore, out of total target revenue, 30% has been recovered from the revenue generated by JVC from Revenue Share Assets. In view of this formula of Target Revenue, it is abundantly clear that in a recovery of Target Revenue for aeronautical services, "S-factor" is one of the mechanism of calculation in the formula of TR thus, the amount of "S-factor" partakes the character of aeronautical revenue and, therefore, once the part of aeronautical revenue has been recovered from 30% of revenue from Revenue Share Assets, the effect of "S-factor" should also be given in "T" (i.e. corporate tax pertaining to aeronautical services)."

4.9.4 In its order dated 14.02.2024 on AERA Appeal No 4/2021, the Learned Tribunal based on its decision in the case of DIAL, has once again held that the amount of 30% of Non-Aeronautical Revenues partakes in the character of Aeronautical Revenues for HIAL. The Learned TDSAT, therefore, had concluded that the tax calculated on NAR ought to be included in "T". NAR becomes part and parcel of ARR and has a colour of aeronautical revenue when used for cross-subsidization of Aeronautical Revenue. The extract of the Learned TDSAT's findings are given below:

"418. In view of the aforesaid decision, the amount of 30% of Non-Aeronautical Revenue (NAR) partakes in the character of Aeronautical Revenue and, therefore, in case of HIAL, the tax calculated on NAR ought to be included in "T". NAR becomes part and parcel of ARR and has a colour of aeronautical revenue when used for cross-subsidization of Aeronautical Revenue. For ready reference it is pertinent to peruse the formula for the same which reads as under: ***"ARR= (FRoR x RAB) + D + O+ T – NAR"***

419. *Thus, ARR is determined, based on aeronautical building blocks, post cross-subsidy of NAR, meaning thereby to part of aeronautical revenue has been recovered from non-aeronautical revenue (NAR). In view of this formula for arriving at ARR, it is amply clear that NAR is a mechanism of recovery of ARR. In view of these facts, NAR is a subset of Aeronautical Revenue. Thus, once the part of Aeronautical Revenue has been recovered from NAR, the effect of NAR should always be given in "T".*

420. Looking to Clause 5.5 of the Tariff Guidelines, (which has been incorporated in para 395 of this judgment), ***AERA has to compute taxation by taking into consideration all incomes utilized in ARR.*** *Therefore, as NAR is also used for computing the ARR, the same ought to have been taken into account while computing taxation."*

4.9.5 In light of the above orders of the Learned TDSAT and its applicability for BIAL, we request AERA to consider and apply the same principle for BIAL also.

4.9.6 Accordingly, the Aeronautical Tax for the 5 years in Third Control period is computed as below:

Table 120: Aeronautical Tax for True-up of Third control Period

(Rs in Crores)

Particulars	FY22	FY23	FY24	FY25	FY26 (P)
Average RAB	4,369.38	6,993.71	9,724.97	9,633.24	9,057.37
Cost of Debt	7.33%	7.74%	8.49%	8.88%	8.42%
Gearing %	48%	48%	48%	48%	48%
Interest Cost for Aero Tax	153.73	259.83	396.31	410.61	366.16
Aeronautical Income Statement					
Aeronautical Revenue	340.79	906.47	1,426.61	1,956.96	2,078.95
30% Non Aeronautical Revenue	129.98	237.99	337.57	430.94	519.41
Total Revenues	**470.77**	**1,144.46**	**1,764.17**	**2,387.90**	**2,598.36**
Aeronautical Expenditure	447.42	620.35	812.21	990.38	1,177.44
Aeronautical Depreciation	378.20	513.37	902.93	901.44	893.45
Interest Cost	153.73	259.83	396.31	410.61	366.16
Total Expenditure	**979.36**	**1,393.55**	**2,111.45**	**2,302.43**	**2,437.05**
Profit for Tax computation	-508.59	-249.09	-347.27	85.47	161.31
Minimum Alternate Tax Rate	17.47%	17.47%	17.47%	17.47%	17.47%
Aeronautical Tax for ARR				**14.93**	**28.18**

4.10 True Up of Aeronautical Revenue

4.10.1 The actual Aeronautical Revenue for BIAL is as given below:

Table 121: Actual Aeronautical Revenue incurred during the Third Control Period

(Rs in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
User Development Fees	153.13	607.80	935.64	1,237.98	1,331.43	**4,265.98**

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Parking Charges	1.83	2.77	4.03	7.55	11.20	**27.38**
Landing Charges	169.78	281.26	444.86	640.26	685.82	**2,221.97**
Housing Charges	16.05	14.64	42.08	71.17	50.50	**194.44**
Total	**340.79**	**906.47**	**1,426.61**	**1,956.96**	**2,078.95**	**6,709.77**

4.11 True up of Aggregate Revenue Requirement (ARR) for the First Control Period

4.11.1 "As per Decision No. 13.6 of Order No. 11/2021-22, the Authority decided:

13.6.1 To consider Aggregate Revenue Requirement (ARR) as detailed in Table 182 as the eligible ARR for the Third Control Period for BIAL.

13.6.2 The Authority decided to consider the Variable Tariff Plan (VTP) for the Third Control Period with the exception of the Airline Partnership Program, as it does not meet the non-discrimination guidance clause of ICAO.

13.6.3 To carry forward the shortfall of INR 940.63 cr. as on 31st March 2022 to the next control period.

13.6.4 The Authority directs BIAL to ensure the principles of non-discrimination of ICAO are not violated.

13.6.5 The Authority directs BIAL to keep a separate record of accounts for incentives granted, revenue generated and the expenditure incurred in this regard during the third control period for the information of all stakeholders and AERA so as to take a considered view for determination of aeronautical tariff for next control period."

Table 122 : Aggregate Revenue Requirement (ARR) decided by the Authority for the Third Control Period

(Rs in Crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26 (P)	Total
Average RAB (A) (refer Table 102)	4,768.61	7,849.78	10,383.66	10,006.68	9,694.08	
FRoR (B) (refer Table 108)	11.59%	11.59%	11.59%	11.59%	11.59%	
Return on RAB (C = A*B)	552.87	910.1	1,203.88	1,160.17	1,123.93	4,950.96
Depreciation (D) (refer Table 101)	288.61	432.29	573.15	565.07	568.44	2,427.57
Operating Expenditure (E) (refer Table 152)	393.63	460.31	550.53	611.58	653.83	2,669.89
Working Capital Interest (F) (refer Table 175)	4.56	5.43	5.44	5.43	5.43	26.3
Tax (G) (refer Table 172)	0	0	0	52.88	73.55	126.44
Gross ARR (H = C+D+E+F+G)	**1,239.67**	**1,808.14**	**2,333.01**	**2,395.14**	**2,425.19**	**10,201.15**

4.11.2 The Authority in the TCP order had unilaterally resorted to defer recovery of eligible ARR of Rs 940.63 Crs of BIAL to the Fourth Control Period. BIAL has appealed against this decision of AERA in its Appeal No 5 of 2021 in Hon'ble TDSAT and the matter is subjudice and pending for adjudication.

4.11.3 In its order dated 14.02.2024 against AERA Appeal No 4/2021 filed by GHIAL, the Hon'ble TDSAT has quashed and set aside the decision of AERA to postpone the part of recovery of ARR in the next Control Period and directed AERA to allow the Airport Operator to recover the full eligible ARR during the Control Period. This decision of AERA made in GHIAL's appeal is squarely applicable for BIAL also.

4.11.4 While setting aside AERA's said decision, the Hon'ble TDSAT has stated that "*AERA has no power, jurisdiction or authority to apply the "True Up Mechanism" by reducing the determined ARR to make it recoverable in the next Control Period. It ought to be kept in mind that ARR is determined in a particular Control Period which entitles the Airport Operator to recover the said amount during the period of 5 years of that Control Period and if there is any over-recovery or under-recovery by the Airport Operator, then "True Up Mechanism" can be applied during next Control Period, but, there is no power vested in AERA, not to allow the Airport Operator to recover part of ARR of one Control Period and thereafter to allow to recover that postponed part of ARR to be recovered in the next Control Period*."

4.11.5 The figures for FY 2025-26 has been based on BIAL estimates. The actual figures will be provided at the end of the Financial Year.

4.11.6 In light of the above decision of Hon'ble TDSAT, BIAL requests the Authority to true up the eligible ARR for BIAL as given below:

Table 123: True Up for ARR for the Third Control Period

(Rs in Crores)

Particulars	Ref.	FY 22	FY 23	FY 24	FY 25	FY26 (P)	Total
Average RAB	A	4,369.38	6,993.71	9,724.97	9,633.24	9,057.37	
FRoR	B	11.77%	11.77%	11.77%	11.77%	11.77%	
Return on Average RAB	**C=A*B**	**514.40**	**823.36**	**1,144.90**	**1,134.10**	**1,066.31**	**4,683.06**
Depreciation	D	378.20	513.37	902.93	901.44	893.45	**3,589.39**
O&M Expenses	E	447.42	620.35	812.21	990.38	1,177.44	**4,047.80**
Aeronautical Tax	F	-	-	-	14.93	28.18	**43.12**
Interest on Working Capital#	G	2.44	0.08	0.10	-	-	**2.62**
True up of upto SCP^	H	4,914.47	-	-	-	-	**4,914.47**
ARR	**I=Sum (C:H)**	6,256.93	1,957.16	2,860.13	3,040.85	3,165.38	17,280.46
Non-Aeronautical Revenue		**433.27**	**793.31**	**1,125.22**	**1,436.46**	**1,731.37**	**5,519.63**
30% of NAR	J	129.98	237.99	337.57	430.94	519.41	**1,655.89**
Net ARR	**K=I-J**	**6,126.95**	**1,719.16**	**2,522.57**	**2,609.91**	**2,645.97**	**15,624.57**
Aeronautical Revenue	L	340.79	906.47	1,426.61	1,956.96	2,078.95	**6,709.77**
Under/ (Over) recovery	**M=K-L**	**5,786.16**	**812.69**	**1,095.96**	**652.96**	**567.02**	**8,914.80**
PV of Under/ (Over) recovery of Third Control Period as on 31-Mar-26	**N**	10,094.19	1,268.44	1,530.39	815.75	633.78	**14,342.55**

5 TRAFFIC FOR THE FOURTH CONTROL PERIOD

5.1 Executive Summary

Objective

5.1.1 BIAL has engaged NACO to undertake a traffic study and forecast passenger, ATM and cargo traffic for the period FY 2025-26 to FY 2035-36. NACO is an industry expert in airport master planning, traffic estimation, airfield and airspace, terminal planning and design.

Methodology adopted by NACO

5.1.2 NACO's traffic forecast methodology includes a combination of a top down outlook for Indian aviation based on socio economic and macro economic growth factors for the Indian economy which are then adjusted for bottom up inputs including:

1) **Growth plans for Indian carriers** – a combination of fleet orders, aircraft delivery trajectory as well as inputs from carriers through interviews to better understand their specific plans for KIAB
2) **KIAB's historical aviation growth trajectory** along with a review of infrastructure development plans to be able to handle the anticipated growth –
    a. This includes the traffic trend at KIAB from FY 2014-15 onwards to assess growth rates pre Covid as well recovery post COVID pandemic.
    b. Understanding of BIAL's plans to expand airside, terminal and landside infrastructure along with timing of such developments
3) **Potential impact of New airport development projects:** Development of Jewar (Noida) and Navi Mumbai airports is expected stimulate domestic growth and whether it may impact BIAL's international passenger growth.
4) Over the forecast period, NACO has also used its experience to taper growth elasticity at KIAB to reflect the growth profile of larger airports while adjusting for the fact that Indian economy is expected to continue growing steadily at around ~5.6% p.a. over the next decade.

5.1.3 NACO understands that there are discussions around development of a 2nd greenfield airport for Bengaluru city. While development of a competing airport will impact passenger and cargo traffic handled by KIAB, the impact of such development has not been factored into the forecast developed by NACO for FY 2026-2036 due to lack of clarity about when the new airport will be operationalised.

Outlook for Indian aviation

5.1.4 India has emerged as the 2nd largest aviation market in Asia and among the top 4 aviation markets globally. India's aviation growth has been driven by a combination of strong economic growth as well as growth of Low cost carriers.

5.1.5 Based on economic forecast published by Oxford Economics, the economic growth outlook for India remains robust with a compounded annual growth projection of 5.6% over the period 2025 - 2035.

5.1.6 Specific to Bengaluru Metropolitan region, the key drivers for growth continue to be Bengaluru's positioning as India's Silicon Valley which will continue to aid growth of business and leisure travel.

KIAB's Historical traffic trends

5.1.7 KIAB has witnessed rapid growth in passenger traffic since inception. Having commissioned operations in May 2008, BIAL has witnessed its passenger traffic grow from under 10 million in the first year of operations to 41.8 Million passengers in FY 2024-25.

5.1.8 KIAB has been the beneficiary of growth of low cost carriers. Since inception, the growth of domestic passenger has continued to outpace international passenger growth at BLR owing due to the latter's geographical location, limitations on bilaterals and lack of focus of Indian carriers on international routes. As a result, BLR is connected to only about 30 cities globally of 92 cities connected from Indian airports.

5.1.9 As a result, despite being the 3rd busiest airport, unlike DEL and BOM where international passenger share is in the range of ~25% of the airports' overall passenger base, KIAB's international passenger share has trended at between 13% - 14% of annual traffic.

Growth of Indian carriers

5.1.10 Growth of Civil aviation in India has been led by growth of Indian carriers viz., Indigo, Air India Group (which includes Air India, Vistara, Air India Express and Air Asia India), Akasa Air and other regional carriers.

5.1.11 The key carriers between them have placed orders for nearly 1650 aircraft which are expected to continue to provide tailwinds for growth of the sector. However the key factor that will determine growth in the near to medium term will continue to be ability to induct new aircraft which has lagged projections owing to supply chain issues faced by both Airbus and Boeing.

5.1.12 In order to assess the growth for KIAB over the next 5 years, NACO has held interviews with carriers who represent nearly 90% of KIAB's domestic traffic to better understand how they intend to grow domestic routes out of KIAB as well as plans for international growth. The specific inputs are reflected in the forecast NACO has developed for KIAB.

Infrastructure

5.1.13 We have reviewed infrastructure development plans for KIAB - existing and proposed along with timelines on when new capital programs will be commissioned. The key highlights of the infrastructure include.:

- Existing - 2 independent parallel runway network
- 140+ Code C equivalent aircraft stands which will be expanded in phased manner over the next few years
- Enhancement of taxiway network for better airside circulation
- Terminals with a combined capacity of 51.5 MPPA which will be increased to 60 MPPA upon completion of Terminal 1 refurbishment and 80 MPPA by mid FY 2029-30 once Terminal 2 Phase 2 is operationalized.
- Development of a new ATC tower basis requirement from AAI

5.1.14 Overall, KIAB with the planned infrastructure additions will be well placed to handle the passenger & passenger ATM growth projected over the next few years

Table 124: Traffic projections for BIAL for the Fourth Control Period

Particulars	UoM	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Domestic Pax	Mn	44.91	48.12	51.37	54.89	59.14	258.43
International Pax	Mn	8.04	9.03	9.71	10.37	12.69	49.83
Total Pax	**Mn**	**52.95**	**57.16**	**61.08**	**65.26**	**71.83**	**308.26**
Domestic ATMs	'000 Nos	291.64	311.68	331.67	353.17	368.11	1,656.27
International ATMs	'000 Nos	49.48	55.85	60.17	62.24	73.93	301.68
Total ATMs	**Nos**	**341.12**	**367.54**	**391.85**	**415.41**	**442.04**	**1,957.96**
Domestic Cargo	'000 MT	202.83	214.50	227.13	240.79	255.58	1,140.83
International Cargo	'000 MT	370.88	400.80	432.40	465.69	500.70	2,170.48
Total Cargo	**'000 MT**	**573.71**	**615.31**	**659.53**	**706.48**	**756.28**	**3,311.31**

6 CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

6.1 Background

6.1.1 The capital expenditure submissions by BIAL includes:

I. PAL -2 Capital Expenditure

II. Non PAL 2 projects

a. ICT
b. Sustaining Capital Expenditure
c. Mandatory Projects
d. Other Projects

6.2 Capital Expenditure (CAPEX) for the Fourth Control Period

I. PAL – 2 Capital Expenditure

Hub Strategy for KIAB

6.2.1 Air transport delivers broad and substantial economic impact, through its own activities and as an enabler of other industries. As per Ministry of Civil Aviation (MoCA), every Rs 100 invested in civil aviation results in economic output of Rs 325 for India. This demonstrates the exponential upside to the economy at large in addition to the industry-internal gains.

6.2.2 India is projected to become the world's third largest economy by 2030. Already the world's third-largest aviation market, India is on a significant growth trajectory as one of the fastest-growing aviation markets in the world. India's domestic air transport demand is forecasted to triple by 2030. International traffic to/from India is also picking up as India's economy becomes increasingly globally intertwined. India's overall air traffic is projected to comprise over 1 billion air travelers by 2040.

6.2.3 Despite its large size and projected growth, Indian airlines occupy a relatively weak competitive position for international traffic to/from India, controlling only 36% of the "India-International" market segment and are almost completely absent from "International-to-International" (I-I) traffic flows, with less than 1% market share.

6.2.4 Over the last 2 decades, several airports and airlines around the world – either through their own efforts or as part of national strategies have built out their networks centered around creating successful hubs that serve as traffic aggregators enabling increased network, amplifying the connectivity of the cities and regions in which these hubs are located. India's efforts for an effective hub development have till date remained largely absent, leaving India's aviation system as a relative feeder market despite its size.

6.2.5 Ministry of Civil Aviation had engaged the services of Arthur D Little to develop a report on "Hub Strategy". As per this report, It is projected that, with an effective hub strategy in place, India's aviation industry can reach a global champion position to deliver the ambition of making India **as the "AVIATION HUB OF CHOICE" for Indian passengers by 2030 & "AVIATION HUB OF CHOICE" for passengers from around the World by 2047.**

6.2.6 The report also sets forth a comprehensive strategy for the development of aviation hubs in India, presenting an assessment of the current market and the capabilities of the key players and envisages the way forward with a hub structure for the country and recommendations for the key stakeholders in the ecosystem - Ministry of Civil Aviation, leading airports and leading airlines for developing the vision and hub strategy for India.

6.2.7 While the Airports will serve as key enablers of this strategy as they are responsible for providing the infrastructure essential to hub operation, the government and AERA will also play the critical role of the accelerator – putting in place the necessary policy and regulatory support to airports and airlines that are focused on facilitating the goals set forth for 2030 and 2047 to deliver India's hub strategy ambitions.

6.2.8 In response to a question raised in the Rajya Sabha, the Hon'ble Minister of Civil Aviation in his reply on 2nd Dec 2024, has stated that under the National Civil Aviation Policy, 2016, various steps have been initiated to promote the growth of Civil Aviation sector in the country, which include developing International Aviation Hubs. For the developments of aviation hubs, the Ministry has formulated an International Aviation Hub Strategy.

6.2.9 In the final report, Ministry of Civil Aviation has identified the following as part of Vision 2030:

a. Indian carriers to account for 45% of International travelers' to/from India
b. 80% of International traffic to/from India flies to their destination without connecting via a 3rd country (Source: Figure 3, Executive Summary of Report developed by AD Little on "Aviation Hub Strategy)

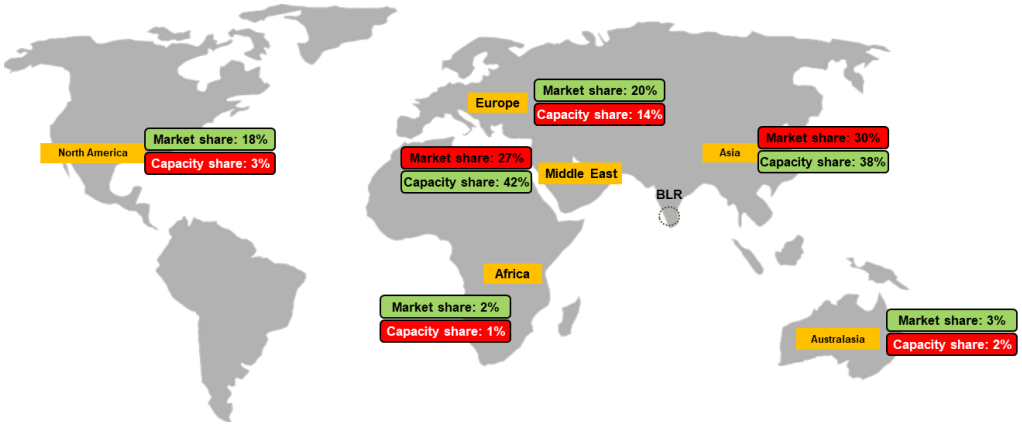
6.2.10 Despite being the 3rd busiest airport in India (expected to handle over 47 million passengers in FY 2025-26), BIAL's international passenger share compares unfavorably vis a vis Delhi and Mumbai as depicted below. The underperformance is a combined impact of geographical location of BLR (competitive market) and legacy factors where BLR is often not part of Port of Call agreements.

Table 125: % of international traffic to total traffic

% of international traffic to total traffic	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
Delhi	26.9%	26.5%	27.0%	26.5%	14.6%	28.5%	27.3%	26.8%
Mumbai	27.5%	28.1%	30.8%	26.9%	11.0%	14.6%	25.5%	27.1%
BLR	15.7%	14.2%	13.4%	14.2%	4.3%	7.19%	11.9%	12.4%

Source: AERA True-up actuals for MIAL & DIAL; BIAL – Actuals

6.2.11 Majority of our international long haul traffic transits through Middle Eastern and Southeast Asian hub airports.



6.2.12 Lack of direct long haul connectivity by Indian carriers has led to a large proportion of BLR's international traffic being funneled through hub airports outside of India. Beyond hubs outside India, we also experience leakage of international traffic through Delhi and Mumbai Airports. Only ~21% of International traffic is carried by Indian carriers (AI, 6E) and nearly 60% of our long-haul traffic is one stop (through Middle East or Southeast Asian hubs).

6.2.13 Post-commissioning of Terminal 2, BIAL has a much larger capacity for handling international passenger traffic. In terms of connectivity to North America which is a key market given Bangalore city's status of being the Silicon Valley, while we had secured commitments from United Airlines and American Airlines, both are unable to operate because of the Ukraine war (restrictions on American carriers to fly over Russian airspace).

6.2.14 While we are seeing Indian carriers introduce flights to short haul destinations, the share of **Indian carriers** in long haul routes remains abysmal. Only Two long haul destination (SFO- San Francisco & LHR - Heathrow are currently being served from BLR by AI.

6.2.15 Therefore, for BLR to increase its international share of passengers to around 20% - 25% in line with Delhi and Mumbai, there is a need to work with carriers (Indian and International) to establish a Hub at BLR with specific focus on establishing long haul (LH) and ultra-long-haul (ULH) routes (e.g., direct connectivity to destinations >5,000 km from BLR).

6.2.16 This intention of developing an international hub is therefore aligned with the strategy laid out by MoCA to transform Indian airports into aviation hubs and encourages domestic airlines to contribute to the establishment of an international civil aviation hub in India.

6.2.17 In a bid to elevate Bengaluru's status as a premier aviation hub for southern India, BIAL has forged a strategic partnership with Air India. This collaboration, set to unfold over the next five years, aims to bolster international connectivity, operational efficiency and passenger experience. Complimenting this hub strategy MoU, the Tata Group also intends to setup MRO & aerospace facility in the Airport campus. For BIAL, AI's intention to build wide body hangars for handling A-350 aircraft gives additional comfort about the latter's intention to develop a hub for long haul routes ex BLR. A similar strategic partnership with Indigo is underway.

6.2.18 Bengaluru holds the promise of becoming a hub, not only for Indian airlines but also for International carriers, given the city's abundant business opportunities. A significant asset in this regard is the recently constructed runway and the airport's substantial reliance on automation, both of which strongly attract airlines. Any strategic partnership will be linked to the airlines ability to meet the long-haul departure criteria/day and shall be different for each IATA season over 5 years. This ensures that benefit accrues to airlines only upon achieving the mutually agreed target levels.

6.2.19 The real beneficiary of increased direct long-haul connectivity is going to be the city of Bangalore, state of Karnataka and the citizens on account of

- Easier, better connectivity shall improve the standing as the Startup capital /Silicon Valley of India
- Being able to reach their destination without having to transit through a 3rd airport.
- Improved productivity as reduced time spent transiting through hub airports outside of India
- Generation of indirect employment through increased business activity and tourism

6.2.20 BIAL's Fourth Control Period tariff proposal has been prepared keeping in mind the above strategy and vision, We request AERA to evaluate the tariff filings with the above perspective in the background.

Master plan Update 2024

6.2.21 Efficient airports are an essential part of the transportation network for all successful economies. A comprehensive Master Plan of the airport should endeavour to adopt a balanced approach that considers economic, environmental and cultural resources whereby present needs are met without compromising the ability of future generations to meet their own needs.

6.2.22 BIAL had undertaken the previous Master Plan Update (MPU) in 2018-19 and the key highlights from the 2018-19 MPU were:

1) The saturation capacity of the Airport was determined to be approximately 92 million passengers per annum (MPPA) along with an airside capacity of over 600,000 air transport movements (ATMs) per annum
2) BIAL (which had handled 33.3 million passengers in FY 2018-19) would touch 65 MPPA by FY 2024-25 with ATM movements expected to grow to over 450,000 per annum.
3) While BIAL has just concluded a US $2B investment programme to meet traffic demand of ~55-60 MPPA, to handle this expanded traffic by FY 2025-26, BIAL would have to complete the following projects forming part of Planning Activity Level 2 (PAL 2):
    a. Develop Terminal 2 Phase 2 (T2 P2) to its saturation capacity of 45 MPPA. Current capacity of T2 Phase 1 is ~25 MPPA
    b. Develop Airside infrastructure including the Elevated Western Cross Taxiway (WCT) and associated airside infrastructure including taxiway extensions
    c. Increase the number of aircraft stands
    d. Develop and expand the landside infrastructure including the Metro stations and Eastern Connectivity Tunnel (ECT) road
    e. Expand associated utility infrastructure and network to meet this demand

6.2.23 Clause 7.1 of BIAL's concession agreement mandates BIAL to carry out masterplan updates every five years. The previous Master Plan Update (MPU) for BLR Airport was carried out in 2018-19.

6.2.24 To be able to accommodate the growth of traffic in the next 20 years (until 2044), BIAL appointed Netherlands Airport Consultants B.V. (NACO), a leading global agency for the Master Plan Update.

6.2.25 The Master Plan contains an update of the airport layout in which the primary facilities are sized and configured to have sufficient capacity and operational flexibility for BLR Airport to meet the growing air traffic demand. The Master Plan contains extensions and developments of the passenger terminal buildings and development of supporting infrastructure on air and landside. Other vital airport facilities such as Cargo & Fuel have also been considered. Furthermore, the plan entails all supportive airport facilities such as GSE handling, utilities etc.

6.2.26 The development of a Masterplan involves several crucial activities, and one of them is the facility sizing, which aims to determine the functional requirements for future development of the airport infrastructure. The key to

facility sizing is to avoid oversizing and disinvestments, while ensuring sufficient capacity for future growth. This process involves a step-by-step analysis that plans the airport from the airside to the landside. The outcome of the facility sizing process yields site requirements (floor area, footprint, and plot size) for key airport facilities from 2024 to 2044. The Planning Activity Levels (PALs) for the project are 2024, 2029, 2035 and 2044. Summary of Master Plan update is enclosed as Annexure 17

6.2.27 Based on the traffic projections, the projected Facility requirements have been arrived at as given below:

Table 126: Facility Requirements as per MPU 2024

Airside Infrastructure	2024	PAL 2 2025 -2029	PAL 3 2030 -2035	PAL 4 2036 - 2044
Runways	2	2	2	2
Runways Capacity	60 ATM/hr (declared capacity)	60 ATM/hr (declared capacity)	90 ATM/hr (mixed mode)*	90 ATM/hr (mixed mode)*
Critical Aircraft	A380-900	A380-900	A380-900	A380-900
Parallel Taxiways (per runways)	2	2	2	2
Crossfield Taxiways	2	4	4	4
Instrument Approach capability	South RWY: CAT III North RWY: CAT I	CAT III	CAT III	CAT III

Particulars	2024	PAL 2 2025 -2029	PAL 3 2030 -2035	PAL 4 2036 - 2044
Airside Stands				
Total Code C Equivalent Stands	143	209	235	263
Passenger Terminal Capacity (MPPA)				
Terminal T1	26.5	35	35	35
Terminal T2	25	45	45	45
Terminal T3			20	35
Total	51.5	80	100	115
Terminal Area (m^2)				
Terminal T1	163,535	163,535	163,535	163,535
Terminal T2	255,645	500,000	500,000	500,000
Terminal T3			300,000	400,000
Total	419,180	663,535	963,535	1,063,535

Road Infrastructure (lanes)	2024	2029	2035	2044
Terminal Boulevard	3	5	4	5
Airport City Avenue	1	5	4	5
Cargo Avenue	2	3	2	2
North Access	1	2	2	2
West Access	3	6	5	6
South Access	2	4	4	4

Parking infrastructure	2024 (Existing)	2029	2035	2044
T1 & T2 Passenger Parking	1650	4870	4550	5380
T3 Parking	-	-	2120	2530
Taxi Parking	1400	1520	1420 bays west 660 bays east	1680 bays West 790 bays East
Bus Parking	50	61	57 bays West 27 bays East	67 bays West 32 bays East
Employee Car Parking	520	1810	1510 bays West 670 bays East	1370 bays West 610 bays East
Employee 2- wheeler Parking	1625	1010	970 bays West 430 bays East	1140 bays West 510 bays East

Cargo and Support Facilities	2024	2029	2035	2044
Cargo Terminal Area Plot- first line	58,100	88,400	1,22,000	1,23,200
Express cargo terminal area plot	41,100	62,400	86,100	1,15,200
Cargo area plot- second line (freight forwarders)	54,600	82,800	1,14,000	1,53,000
Truck management plot	12,300	18,700	25,800	34,500
VIP terminal	As in existing			
Hajj Terminal	As planned by BIAL			
General aviation plot	4000 sqm+apron(as planned by BIAL)			
GSE staging	35,100	54,400	61,800	70,900
GSE maintaining plot	24,900	37,700	44,600	48,300
MRO	As planned (Indigo expansion and site allocated to AI and TASL)			
ARFF landside plot	3500 sqm			
ARFF aviation academy	20,000 sqm			
Airport health services plot	2,500 sqm			
Animal/plant quarantine facility	2,500 sqm			
Airport recovery	As in existing			
Bomb squad	As in existing			
K9 dog kennel	As in existing			

6.2.28 Based on the Master Plan update, the following Projects are being taken up for implementation in the period FY 2024-25 - FY 2030-31.

Table 127: PAL – 2 projects implemented from FY 25- FY 31

Sl. no	Category	Description	Completion Date
1	Airside	West Cross Field Taxiway	30-Mar-28
2	Airside	Airfield works (Taxiway extension, Isolation bay etc)	31-Dec-28
3	Airside	T-2 Apron (13 Stands)	30-Mar-28
4	Airside	T-2 Phase 2 Apron (40 Stands)	30-Jun-29
5	Airside	Taxiway Z & Enabling works	30-Jun-26
6	Airside	T2 Phase 2 West Apron (18 Stands)	31-Dec-30
7	Airside	Cargo West Apron (12 Stands)	31-Jan-27
8	Airside	North Airside Perimeter Wall & Perimeter Road	30-Jun-27
9	Airside	Taxiway B9 & Enabling Works	31-Mar-27
10	Terminal	T1 Upgrade	30-Sep-27
11	Terminal	T2 Enhancement	31-Dec-26
12	Terminal	T2 Phase 2	31-Dec-29
13	Terminal	T1/T2 Connectivity - Pier Expansion	31-Mar-30

Sl. no	Category	Description	Completion Date
14	Terminal	GA Terminal	30-Jun-27
15	Terminal	Airport Staff Parking & Cafeteria	31-Mar-28
16	Terminal	Contingency Facility	31-Dec-26
17	Terminal	New Air Traffic Control Tower (ATCT)	31-Mar-30
18	Landside	Eastern Connectivity Tunnel (ECT)	30-Jun-29
19	Landside	Airport Terminal Metro Station (ATMS)	30-Jun-27
20	Landside	KIA West Metro Station(KWMS)	30-Jun-27
21	Landside	T1 to T2 & Metro Connector (walkway)	31-Dec-26
22	Landside	North West Road Expansion (2+2 Lane)	31-Dec-26
23	Landside	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	30-Dec-27
24	Landside	T1 & T2 Departure and arrival recirculation	30-Jun-27
25	Landside	MAR Recirculation Link	30-Jun-27
26	Landside	MAR-SWR Interchange Upgrade	31-Mar-30
27	Landside	North Boundary Road (Landside North East Road)	31-Mar-29
28	Others	Utilities	30-Jun-29
29	Others	MMTH Enhancement	30-Sep-26
30	Others	Green Belt Development	31-Dec-29
31	Others	Rainwater Harvesting Pond-1	31-Mar-30

6.2.29 The summary of cost plan for the various Projects that are proposed to be implemented in the PAL 2 Program is enclosed as Annexure 18.

6.2.30 Brief description of the key projects to be undertaken in PAL 2 Program is given below.

A. Air Side Projects:

1. Elevated Western Crossfield Taxiways and associated Infrastructure

6.2.31 This project involves construction of two new Code E compliant parallel taxiways (Taxiway J & K) which will be perpendicular to the existing North and South runway. The proposed taxiways will cross the landside roads in the central area and will include overpass of the North Cargo Road (NCR), Pond-8, Main Access Road (MAR), the proposed Metro Line and South Access Road (SAR). This will be an elevated stretch (with a mix of viaduct portion and fill, as required) of approximately 1,360m length with an overall width of 225m. This Project will consist of

- Western Connectivity Taxiway J and K including modifications to the section of Taxiway K between Taxiways A and B;
- Adding connector taxiway, B5 between Taxiways A and B east of Taxiway K
- Extending Taxiways G and H to the West.
- Adding a connector taxiway parallel to and West of Taxiway H8.
- Partial Parallel taxiway to existing runways Relocating the Isolation Parking Bay.

6.2.32 The need for the Project is to increase airfield capacity and is confirmed by requests from airlines. Airlines request emanated from prolonged taxiing times (of up to 20 min) causing consequential delays in flight schedules, misconnections and inconvenience to passengers. These extended taxi times result in environmental concerns besides the financial impact of additional fuel consumption. From the point of view of Runway handling capacity optimization, there was a need for additional queuing area towards existing runway 09L end and second runway 09R end. This would result in safety improvements and operational efficiency.

6.2.33 WCT is expected to significantly improve airfield circulation and provide additional connectivity between the north and south airfields thereby having the following major benefits:

- Improve taxi times across the airfield, especially for aircraft operating from Terminal 1 departing the South Runway in an easterly direction (i.e., departing Runway 09R) and those arriving on the South Runway in a westerly direction (i.e., Runway 27L), both of which, are preferred segregated operating modes. The savings in time would be approx 10 min and 6 min respectively in the above mentioned cases.
- This will also have a major impact on sustainability due to lower pollution and help in lowering fuel usage (direct cost benefit) to airlines.
- With the dual parallel taxiways extending the full length of both runways and the dual Crossfield taxiways on both the east and west sides of the airfield, there will be efficient air traffic flow around the airport.

Table 128: Aircraft Parking Stands & associated works

Details of Existing Infrastructure	Code-C Equivalent Stands
Current Available Stands	142
Stands to be demolished for TWY B Extension	(-)12
Net Available Stands	**130**
Total Stands Required by 2031	227
Additional Stands Requirement	97

6.2.34 Demand requirement from Airlines:

Table 129: Demand Requirement from Airlines

By end of	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
Night Parking						
Air India	40	43	49	54	54	54
Indigo	63	69	79	82	82	82
Akasa Air	27-29	29-20	30-33	33-36	33-36	33-36
Total Night Parking	132	142	161	172	172	172

6.2.35 Based on the above, the proposed Stand developments to meet the demand from airlines is as given below:

Table 130: Proposed Stands Development

Proposed Stands development to meet Demand	
Project-1: T2 Phase-2 Apron	40
Project-2: T2 West Apron	18
Project-3: T2 East Apron	13
Project 4: Cargo West Apron	12
Sub total	**83**

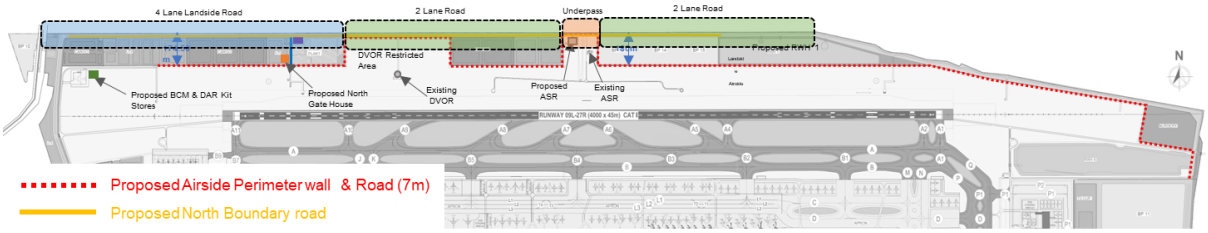
2. Relocation of North Airside Perimeter wall, construction of Perimeter Road & Landside Road

6.2.36 To meet the forecast demand, various support facilities need to be expanded which will require additional landside access. This landside access requirement will be met by converting some portion of airside land on the North as landside. North Side Developments which need landside access include Rainwater Harvesting Pond (RWH-1) of 700 ML, Additional space for augmenting the Solar plant capacity, Expansion of Solid waste

management facility & additional Cargo Facilities – as Cargo volume is expected to grow from 0.45 million MT to 0.77 million MT in the Fourth Control Period.

6.2.37 Currently, the entire North area (North Runway to the North Boundary) is on the airside. To accommodate the developments as per the Master Plan Update, around 180m of land along the North Boundary Wall needs to be converted to landside, which will involve

- Construction of a new Airside Perimeter Wall from existing SWM facility till RWH-4.
- Construction of a new two-lane Perimeter Road of 7m width
- Installation of a Perimeter Intrusion Detection System (PIDS) and other utilities
- Development of a Landside road (2 Lane / 4 Lane) within the property to access the new developments - from NWR to RWH-1. Underpass to be provided under the proposed ASR due to lack of right-of-way.



- Project Construction Details:
  - Boundary Wall & PIDS : Around 7Km long
  - Airside Perimeter Road : Around 7Km long - 7m wide road
  - Landside Boundary Road : Around 1.6 km of 4-Lane road and 2 km of 2 Lane road with 200m of Underpass
- It is proposed to relocate entire stretch of existing boundary wall and perimeter road in a single phase
  - Landside requirements, Contractor staging and landscaping
  - To avoid multiple BCAS approvals and requirement for increasing height
  - To avoid repetition of works such as perimeter road widening, utilities relocation including AAI cables & PIDS

B. Terminal side Projects:

1. Terminal T1 Upgrade

6.2.38 Terminal 1, originally envisaged as an integrated passenger terminal building, was commissioned in May 2008. To cater to robust passenger traffic growth, Terminal 1 has undergone two expansion phases in 2013 and again in 2020. Post the 2 rounds of expansion, a total area of about 163,535 sqm and design capacity of handling 26.6 million annual passengers (MAP). Post commissioning of Terminal T2 Phase 1, Terminal 1 is catering to only domestic operations with Indigo being the anchor carrier for Terminal – T1.

6.2.39 The reallocation of traffic and conversion of T1 international facilities for domestic use provides an opportunity for upgradation of T1. As such, several mechanical systems on T1 are nearing the end of their design life, including baggage system, utilities, and other supporting facilities. In addition to improving and replacing these systems, there is an opportunity to increase terminal capacity and improve passenger level of service. With the ongoing robust recovery and traffic levels having exceeded pre-pandemic levels, the upgradation will accommodate additional terminal and landside requirements for meeting the anticipated traffic demand.

6.2.40 Pursuant to the issuance of Tariff order, BIAL had commissioned M/s Landrum & Brown to undertake the Concept Design for the T1 upgrade project and the same was thoroughly reviewed and validated by M/s AECOM.

6.2.41 To alleviate congestion at major airports in India, the Bureau of Civil Aviation Security (BCAS) has implemented several measures, including the issuance of guidelines for the approval of floor plans in the Security Restricted Area (SRA) of airports. These guidelines define key parameters such as unit area norms and levels of service. It is mandatory for all major airports in India to adhere to these guidelines when determining the space and size requirements of passenger terminal buildings and seeking approval for their floor plans.

6.2.42 The goal of renovation of Terminal 1 is to transform it into a dedicated domestic terminal having a capacity of 35 MPPA with compliance to BCAS guidelines.

2. Terminal 2 Phase 2

6.2.43 KIAB currently has two passenger terminals:

- Terminal 1 will have 35 MPPA capacity (post upgrade) & will serve domestic operations of Indigo, Akasa and SpiceJet.
- Terminal 2 Phase 1 has 25 MPPA capacity, handling both international and domestic traffic.

6.2.44 Based on the passenger traffic forecast, Traffic in the Fourth Control Period is estimated to exceed the available terminal capacity of 60 MPPA (post T1 upgrade) in FY 2028-29. Hence, there is a need to increase the Terminal capacity. In this regard, various possibilities were evaluated by BIAL.

6.2.45 Multiple terminal options were evaluated during the 2024 Master Plan Update:

- Option-1: Terminal-1 Sweating / Expansion: T1 is currently being upgraded, which will increase the T1 capacity from 26.5 to 35 MPPA. Further, sweating of T1 within the current footprint is not possible as T1 is constrained on all sides with existing roadway and airside infrastructure limiting capacity enhancement / expansion.
- Option-2: Terminal-2 Phase 1 (Existing) Sweating: T2 Phase-1 has been developed with a capacity of 25 MPPA (with ~ 10 MPPA International / 15 MPPA Domestic) with a clear view that it will be expanded to the South to increase capacity.
- Given the constraints around Terminal 1 and the forecasted growth, the logical and the recommended approach in the Master Plan is to add Terminal capacity, by bringing forward the second phase of Terminal 2 (T2 Phase 2), located adjacent to T2 Phase 1 in the south side.
- This area has been earmarked for T2 phase-2 to grow without any constraints taking T2 to 45 mppa. (Selected Option)

6.2.46 T2 Phase 2 expansion will add 20 MPPA capacity to bring the overall terminal capacity at KIAB to 80 MPPA.

6.2.47 The Phase 2 expansion of Terminal 2 at Kempegowda International Airport continues the design approach that established Terminal 2 as a globally recognized model for airport architecture. Rooted in the idea of "a Terminal in a Garden," the project reflects Bangalore's identity as the Garden City while offering an airport experience defined by nature, clarity, and comfort. The Phase 2 expansion builds directly on this foundation—not only scaling capacity, but elevating spatial quality, passenger experience, and operational performance in unison.

3. New ATC Tower

6.2.48 The existing ATC tower was designed in 2006-07 for an ultimate saturation capacity of 40 MPPA. Traffic has grown much faster, and the current tower cannot meet long-term needs of KIAB. The existing facility has the following constraints:

- Space limitations to accommodate all the planned controller work positions (CWPs)
- Additional cemented walls are unavailable to secure SCADA & Network panels
- Inadequate emergency exits

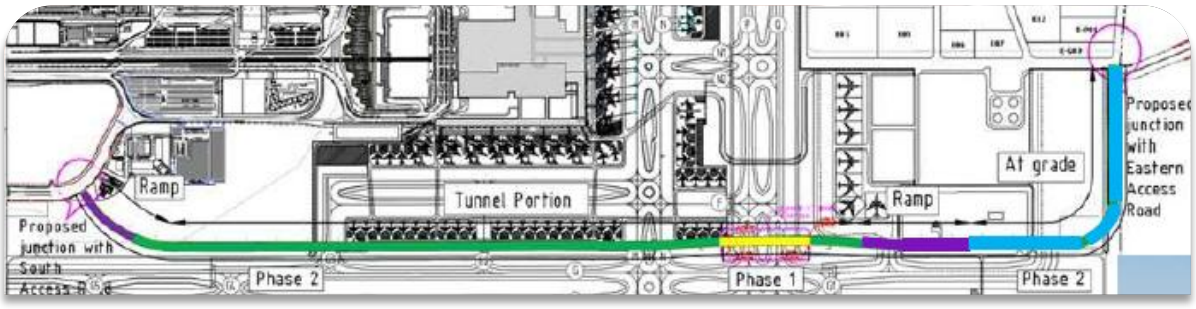
6.2.49 As ATC systems have a 10-year lifespan, they need to be replaced with newer systems. The current facility has no more space left for either expansion or for installation of new systems (with expanded capability). AAI has requested BIAL to construct a new ATC Tower so that it is possible to ensure that it is possible to handle >90 movements per hour. A copy of letter dated 4th Feb 2025 from AAI in this regard is enclosed as Annexure 19.

C. Landside Projects:

1. Eastern Connectivity Tunnel (ECT)

6.2.50 KIAB is connected to the city of Bengaluru through the Trumpet exchange on NH 44 (earlier NH 7) and the South Access Road created by BIAL. Considering the fact that having a single point of connectivity through NH44 poses a serious security concern, BIAL had explored alternate connectivity options to the airport from east & southeast side of the airport boundary.

6.2.51 Based on the evaluation of various options & discussions with Government of Karnataka (GoK), Infrastructure Development Department (IDD), an Eastern Connectivity Road providing connection to State Highway SH104 was decided as the alternative to the existing Trumpet exchange connectivity to the airport. The same was also confirmed through a direction from ACS Commissioner, in a letter dated 26th August 2016 for creating the access to Eastern side of the airport (Refer Annexure 20). The Eastern Connectivity road/ tunnel is being proposed to be developed as per the recommendations of the Government of Karnataka to reduce congestion on NH 44 and connect the airport terminals from the eastern side of the airport. The ECT project along with the Metro stations have been identified as Priority Projects for Government of Karnataka (GoK) and the same was communicated to AERA by GoK in its response to the Consultation paper issued by AERA for Third control period (Ref Annexure 21).



6.2.52 Currently 25-30% of the Airport Traffic using the Hebbal junction and connecting to NH 44 is originating from the Eastern part of the city, which clearly shows need for an alternate access to the terminal from the eastern & southeast side. The alternate route will enable to split the passenger & cargo traffic over next 5-10 years. This

Eastern connectivity option would ease the road journey of airport passengers from East Bengaluru by eliminating the need to access the Hebbal flyover touch point.

6.2.53 BIAL plans to build 2.8 kms approx. long tunnel inside the airport campus that connects the Airport Terminals to SH104 & KIADB Aerospace Park Road. A portion of the tunnel (Phase 1 for 300m length) has already been built & commissioned during the operationalization of the 2nd runway. As this tunnel passes through the active taxiway & apron (airside), the same has been designed & built as per the guidelines & approval of Bureau of Civil Aviation Security (BCAS).

6.2.54 The ECT Project starts from the proposed access road from existing SH104 on eastern side and ends at Southern Access Road (SAR) within the KIAB campus. The Main Tunnel will have 4-lane road and will be about 2.5 kms long. Out of this 2.5 kms length, about 1.3 km passes under the aprons and the cross field` taxiway of the airside development.

2. Metro Stations

6.2.55 The Bangalore Metro Rail Corporation Limited (BMRCL) is a Joint venture of Government of India and Government of Karnataka and is a special Purpose Vehicle entrusted with the responsibility of implementation of Bangalore Metro Rail Project. GoK has given Cabinet approval to the Airport Metro Line and the Union Government has also approved the Metro scheme. The metro rail connectivity to KIAB will help air passengers and airport community who travel 35 kms by road from the city reach the airport faster with metro transit. This infrastructure also decongests access roads, landside roads and improves the overall level of service at the airport.

6.2.56 BIAL entered into an MOU with BMRCL wherein BIAL has agreed that it will develop the two (2) metro stations that will be located within the Airport boundary. The copy of the MOU is enclosed as Annexure 22. The arrangement between BIAL and BMRCL is based on the understanding that the cost of designing and constructing the metro stations shall be borne by BIAL and necessary approvals required from AERA for such capital expenditure, would also be obtained by BIAL.

6.2.57 With the above background, BIAL is implementing two metro stations inside the airport campus:

- Located close to first roundabout / trumpet on west to serve both BIAL , cargo, ground handling, airline staff and other concessionaire employees working in airport community. This includes both landside and airside employees.
- Located in terminal forecourt area inside the Multi Modal Transport Hub (MMTH) to serve mainly passengers, meeter / greeters and employees working inside terminal as shown below.

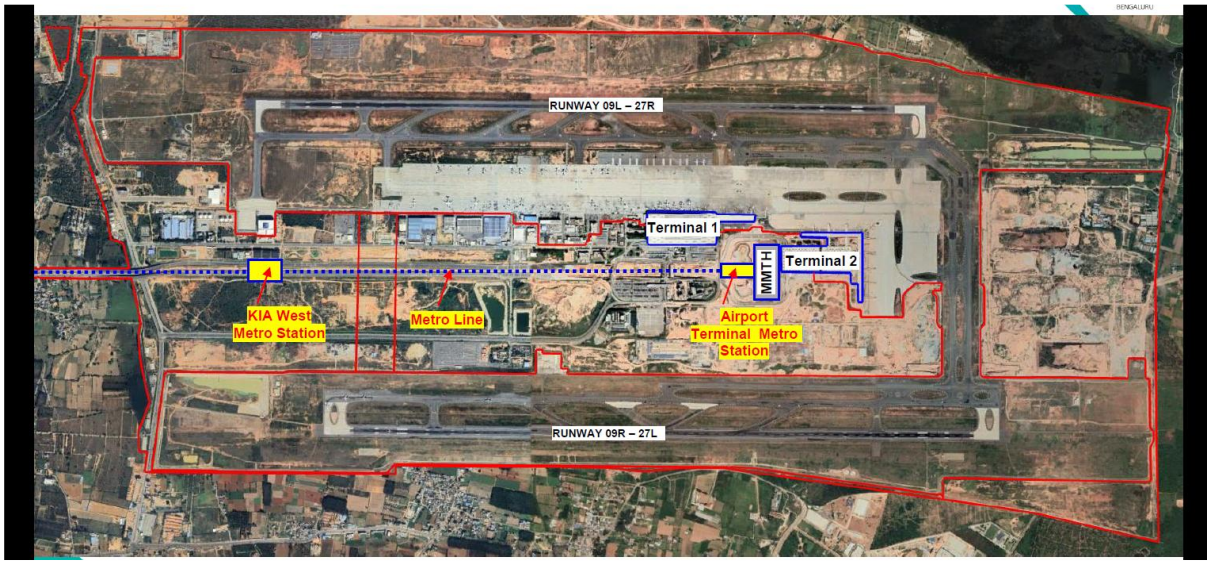
6.2.58 AERA by its letter dated 05.02.2018 (refer Annexure 23 issued to the Additional Chief Secretary, Infrastructure Development Department, Government of Karnataka, stated as follows:

"In case KIA funds the portion of the metro line within the airport premises, the same can be considered as a Regulated Asset of KIA for determination of aeronautical tariff of KIA. On commissioning of the asset. The assets related to the metro line can be considered as Regulated assets only if these assets belong to KIA and fair rate of return shall be paid on the capital amount incurred by KIA to create such assets, once the assets are capitalised and put to use."

6.2.59 Status of Airport Metro line as of 31st March 2025:

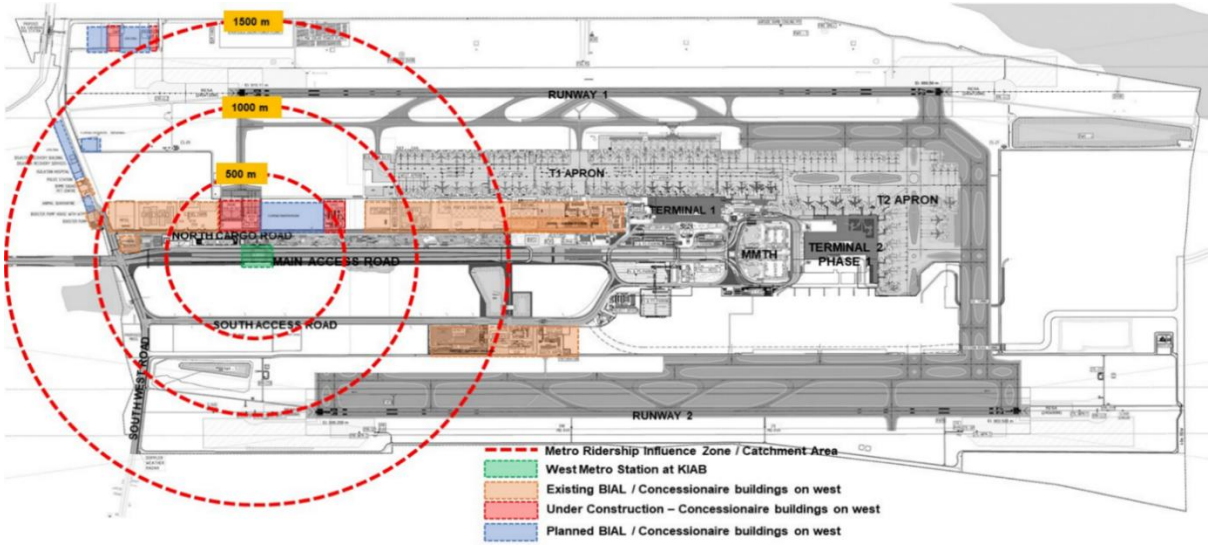
- Government of India has approved the 56-km metro line connectivity (Phase 2A & 2B) at a cost of Rs 14,788 crores.
- On the financing front, BMRCL has already signed loan agreements with the ADB and JICA
- M/s NCC Ltd has been awarded the construction contract for Phase 2B in November 2021.
- Construction has commenced in February 2022, and the line is expected to be operational by September 2026
- Construction Progress within Airport Boundary
    - Substantial piers for elevated portion have been constructed and viaduct erection in progress.
    - Track bed works are in progress for the at-grade portion of the line.

Location of Metro stations



6.2.60 In para 5.2.59 of TCP order, the Authority noted that the terminal metro station can be commissioned only after the commissioning of the entire airport metro line. The Authority was of the view that the commissioning of the airport metro line might be delayed beyond FY 2025-26. In case BIAL capitalizes the asset in the TCP, the Authority had allowed to true-up the actual cost of this asset during the next control period. Considering the fact that metro line is expected to be made operational by September 2026, BIAL requests the Authority to consider the inclusion of Airport Terminal metro station in the RAB for FY 2026-27.

6.2.61 In para 5.5.28 of TCP order, the Authority had disallowed capital expenditure for the KIA West Metro station based on the misconception that this is a "*city side metro station constructed by BIAL for its employees and the users of commercial services and does not serve the airport passengers*." AERA had misunderstood the need for the KIA West Metro station.



6.2.62 The KIA West Metro users would primarily comprise of employees of Cargo terminal operators, Ground Handling Agencies, Fuel Farm Agency, Central Industrial Security Force (CISF) and Other Government Agencies (Statutory Agencies), proposed Indigo MRO, Air India aviation academy, Airlines staff, staff working at Utility infrastructure and other airport support facilities, Retailers and Other Concessionaires at the Airport etc.

6.2.63 If KIA West Metro station was not constructed, the alternate choice of boarding/deboarding for such persons would be from the Terminal metro station, which would substantially increase the traffic movement and create severe congestion around the terminal forecourt area. Moreover, "Airport Users" under Section 2(c) of the AERA Act means 'any person' availing of passenger or cargo facilities at an airport. That the definition must be interpreted purposefully and a facility which will be enjoyed substantially by people and agencies which are pivotal for the running of the Airport ought to be considered as a part of RAB.

6.2.64 If all airport users are compelled to use the Airport Terminal metro station, it would result in clogging of the said metro station and the roads, as the airport terminal metro station is primarily meant for passengers and meeters and greeters. Since there is 2-3 km distance between the 2 stations, to decongest the area near Terminal Metro station, the KIA West metro station is required.

6.2.65 Thus, the said metro station is necessary and will contribute to reduction of traffic and will be used by airport users as defined under AERA Act is undisputed. This capital expenditure ought to be a part of the RAB. Therefore, AERA is requested to consider the inclusion of KIA West Metro station as a part of RAB.

6.2.66 Status of stakeholder consultation for these projects is as detailed below:

Table 131: Status of Stakeholder Consultation

Cost Code	Programs	Stage 1	Stage 2	Stage 3
A	**Airfield Works**			
A.1	West Cross Field Taxiway	22-May-24	22-May-24	15-Nov-24
A.2	Airfield works (Taxiway extension, Isolation bay etc)	22-May-24	22-May-24	15-Nov-24
A.3	T-2 Apron (9 +4 Stands)	22-May-24	22-May-24	22-May-24
A.4	T-2 Phase 2 Apron (40 Stands)	21-Apr-25	21-Apr-25	

Cost Code	Programs	Stage 1	Stage 2	Stage 3
A.5	Taxiway Z & Enabling Works	22-May-24	22-May-24	22-May-24
A.6	T2 Phase 2 West Apron (18 Stands)	21-Apr-25	21-Apr-25	
A.7	Cargo West Apron (12 Stands)	21-Apr-25	21-Apr-25	
A.8	North Airside Perimeter Wall & Perimeter Road	21-Apr-25	21-Apr-25	
A.9	Taxiway B9 & Enabling Works	Below 50 Cr	Below 50 Cr	
B	**Passenger Terminal**			
B.1	T1 Upgrade	26-Aug-20	26-Aug-20	22-May-24
B.2	T2 Enhancement			
B.3	T2 Phase 2	21-Apr-25	21-Apr-25	
B.4	T1/T2 Connectivity - Pier Expansion	21-Apr-25	21-Apr-25	
B.5	GA Terminal	Below 50 Cr	Below 50 Cr	
B.6	Airport Staff Parking & Cafeteria			
B.7	Contingency Facility	Below 50 Cr	Below 50 Cr	
B.8	New Air Traffic Control Tower (ATCT)	21-Apr-25	21-Apr-25	
C	**Landside Access and Parking**			
C.1	Eastern Connectivity Tunnel (ECT)	Done in 2018	Done in 2018	
C.2.1	Airport Terminal Metro Station (ATMS)	22-May-24	22-May-24	22-May-24
C.2.2	KIA West Metro Station(KWMS)	22-May-24	22-May-24	22-May-24
C.4	T1 to T2 & Metro Connector (walkway)	21-Apr-25	21-Apr-25	
C.5	North West Road Expansion (2+2 Lane)	21-Apr-25	21-Apr-25	
C.6	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	Below 50Cr	Below 50Cr	Below 50Cr
C.7	T1&T2 Departure and Arrival recirculation works.	21-Apr-25	21-Apr-25	
C.10	MAR Recirculation Link	21-Apr-25	21-Apr-25	
C.11	MAR-SWR Interchange Upgrade	21-Apr-25	21-Apr-25	
C.12	North Boundary Road (Landside North East Road)	21-Apr-25	21-Apr-25	
D	**Others**			
D.1	Utilities	21-Apr-25	21-Apr-25	
D.2	MMTH Enhancement	Below 50Cr	Below 50Cr	Below 50Cr
D.3	Green Belt development	Below 50Cr	Below 50Cr	Below 50Cr
D.4	Rainwater Harvesting Pond-1	21-Apr-25	21-Apr-25	

Non- Applicability of Normative Costing methodology

6.2.67 The Hon'ble TDSAT vide order dated 16th April 2025 has observed that no benchmarks with respect to capital costs should be used by AERA. Following is the excerpt from the order:

*"If impugned order is held as a valid one and if the cost of runway has to be revaluated by AERA and subsequently allowed to be reduced, it will have a disastrous effect because with a lower cost, lower quality of runway will be given. This is not permissible, especially for the construction at the airport because every construction at the airport has a definite specification and sometimes as per international standards (i.e. for runway etc.). If the international standards are to be maintained, then the cost arrived at after due process of bidding which is known as "**market discovered price**" ought to have been allowed by AERA because it is a "**cost incurred**" as per Section 13(1)(a)(i) of AERA Act, 2008. At no cost, the project cost can be reduced by AERA which has a direct bearing upon the operational efficiency of the airport and, therefore, Section 13(1)(a) of AERA Act, 2008 has used the words "the Capital Expenditure incurred". Thus, by virtue of the impugned order (**Annexure .....**), AERA cannot provide benchmark of capital expenditure."*

6.2.68 We request Authority to not apply normative benchmarks while approving the costs for PAL 2 Capital Expenditure program that will be implemented between FY 2024-25-FY 2030-31.

6.2.69 Summary of Capital Expenditure for the above is detailed as below:

Table 132: Summary of Capital Expenditure

Project	Amount
Airfield Works	3,021.45
Passenger Terminal	5,928.81
Landside Access and Parking	2,511.36
Others	728.51
Total Hard capex *	**12,190.13**
Indexation	970.14
Taxes (net of ITC) & Cess @ 15%	1,974.04
Total additions	**15,134.31**
Soft Costs	1,816.12
Total Additions excluding IDC	**16,950.42**
IDC	1,684.86
Total Additions including IDC	**18,635.28**

** As per Cost Plan the estimate is Rs. 12,281.52 Cr. The amount included herein, excludes part Capitalisation for T-1 Upgrade estimated in FY 26 (Third Control Period)*

II. Non PAL-2 Projects

6.2.70 Below is the summary of Non-PAL 2 Projects consisting of operational sustaining capex, ICT general capex, Mandatory Projects & other projects for the Fourth Control Period.

Table 133: Non-PAL 2 Projects Summary

(Rs. in Crores)

Details	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Operational sustaining Capital Expenditure	200	185	165	120	120	790
ICT General Capital Expenditure	33	77	111	102	70	394
Total Non PAL2 Projects	**233**	**262**	**276**	**222**	**190**	**1,184**

A. Operational Sustaining capex estimates

6.2.71 Majority of the sustaining capex is towards the replacement of old assets based on the end of life and end of support considered by OEMs. Some of the major sustaining capex requirements are listed below.

Table 134: Major Sustaining capex proposals under E&M

Proposal	Remarks
Replacement of T2 Terminal lights in passenger movement area.	Periodical replacement to improve serviceability. Out of 16,700 lights, 4400 is proposed to be replaced
Provision of new fixtures for the AGL system for south runway- taxiway	AGL fixtures pertaining to south runway- taxiways are commissioned in the year 2019 and after 10 years of its life, it is recommended to replace with new fixtures.

Proposal	Remarks
Refurbishment of guidance signages	The guidance signages are prone to deteriorate due to it exposed to harsh conditions which includes jet blast etc. Considering the photometric requirement and other aspects the same is proposed to replace.
Replacement of T1 Screw Chillers	Replacement along with associated Primary Pumps, Secondary Pumps, Cooling Towers (FM approved), Condenser Pumps and associated electrical starter panels in a phased manner. These were commissioned in 2008

Table 135: Major Sustaining capex proposals under Safety & Security

Proposal	Remarks
Crash fire tenders	BIAL has identified pool of CFTs that are due for replacement. BIAL proposes to replace the same phase wise. These are based on confirmation from OEMs for end of life.
AVDGS Requirements	Visual Docking Guidance Systems (VDGS) are crucial for safe and efficient aircraft parking at airports. They guide pilots to their designated parking spots with precision, minimizing the risk of accidents and improving turnaround times. By automating the docking process, VDGS reduces the need for manual marshalling, freeing up ground personnel for other tasks and enhancing overall airport efficiency. BIAL proposes to replace old and obsolete VDGS in the contact stands and also to install VDGS in all the remote stands in a phased manner.
Land side fire Station	This fire station is critical and mandatory requirement in line with growth of the airport.
Replacement of BDDS equipment viz TCV,SLCV and MROV	Existing Bomb Detection and Disposal system (BDDS) equipment consisting of Threat containment vehicle (TCV); Suspect luggage containment vehicle (SLCV) and Mini remote operated vehicle (MROV) were procured during FY16 and has been declared End of Life and End of support by OEMs. Hence, there is a need to replace the same.
FOD Detection System for North & South Runway	With increase of runway use, the time for FOD inspections will not be available. Increased number of FOD is expected with increased operations. Hence the provisioning of FOD Detect system is imperative for ensuring aircraft safety.
Rubber removal equipment	The equipment has reached “End of support” and has been in service since AOD.
Radiology Detection Equipment (RDE)	To be implemented as mandated by BCAS AVSEC order 8/2024 directing Airport Operator to operationalize RDEs.

Table 136: Major Sustaining capex proposals under Terminal operations

Proposal	Remarks
Passenger Trolley	Replacement of trolleys based on obsolescence. Around 2600 trolleys over 5-year period
Signage refresh	Replacement of existing signages within and outside terminal

Proposal	Remarks
Queue managers	Replacement of queue managers with magnetic base to ensure better durability. These will also help keep the queue arrangement in neat and proper way at all times enhancing the look and feel of the area.
Smart Hand baggage trolleys	This will significantly enhance the exceptional level of service by providing quick and efficient customer service for all our passengers traveling through Terminal 1.
ATRS additional trays	Replacement of trays based on damage

Table 137: Major Sustaining capex proposals under Utilities & Environment

Proposal	Remarks
DSITC of new 3.0 MLD STP	Existing sewage treatment plant is managing the entire load beyond design capacity. New sewage treatment plant is required considering increase in area and Terminal 2 Phase 2 in FY31.
Upgradation of Existing STP	Upgrade from Activated sludge process(ASB) to Membrane Bio reactor (MBR) technology for increasing from 1 MLD to 2.5 MLD
Potable & Non potable water supply systems	Existing water pipeline network across BIAL campus connecting to various facilities were installed during AOD with marginal improvements during the last 15 years. BIAL proposes to replace both potable and non portable water pipleline network system.

A1. Interior works at new corporate office.

6.2.72 In the Third Control Period MYTP Submissions, BIAL had proposed the construction of a new Corporate office – Alpha 4 as the existing office space at Alpha 2 had been handed over to AAI (Air Navigation Service provider) as they required additional staffing space for second runway related operations. Given the then prevalent COVID 19 scenario, BIAL has accommodated its current staff at different locations across the airport on a short-term basis and had planned the completion of this Alpha 4 facility in the latter part of Third Control Period. A sum of Rs 205 Crs was proposed by BIAL. The Authority, in para 5.2.70 of TCP Order had held the view that Alpha 4 was not a urgent requirement and had decided to postpone the said capital expenditure to the next control period – Fourth Control Period. BIAL has now decided to opt for lease model and not the capex model. BIAL will be required to incur only the capex pertaining to the interior works and shall incorporate all the services including power, water, ICT, Communication, audio visual equipment's etc.

B. ICT General Capex:

6.2.73 BIAL has charted out a 10-year plan for its ICT initiatives keeping in mind the future requirements and have prepared a detailed budget for the same. These initiatives have been designed by the airport with a goal to enhance the overall safety and security of the airport along with the passenger experience and ensure compliance with regulatory requirements.

BIAL ICT CAPEX | Smart hub initiative

Table 138: List of initiatives and CAPEX under Smart Hub Initiative (all figures are excluding taxes and inflation)

Project	Description
IoT-based Asset Tracking	IOT based metering for water, electricity and gas along with monitoring of water quality. Will also enable real time monitoring of systems like HVAC, IT assets etc.
Digital Airport Asset Management & Maintenance Solution	Implementation of a digital asset management solution covering extensive use cases with real time monitoring and analytics
Total Airport Management (TAM)	Extension of digital airport asset management & maintenance solution to include solutions for passengers and air side. Being conceived as an upgrade from existing ACDM system as the solutions available in market have limited capability
AI enablement & enhancement	POC development, enhancement & integration AI solutions (including Gen AI solutions being developed for various functions)

BIAL ICT CAPEX | System refresh

Table 139: BIAL ICT Capex for System Refresh

Project	Description
Refresh of servers and networks	Refresh of core IT equipment and system, servers, racks and other equipment approaching end of life
Licenses and software refresh	Renewal or upgrade of existing software solutions and licenses related to core systems
Refresh of end user assets	Refresh of core IT equipment including displays, laptops, workstations and other equipment approaching end of life
Cybersecurity upgrade	Overall cybersecurity refresh including projects such as Zero Trust Architecture/ SASE, Operationalizing of UEBA, Refresh of core security tools, etc.
Campus-wide Network Refresh	Includes refresh of key network elements including connectivity solutions like LAN network, radio equipment, antennas, switches, routers etc.
Data Centre Network Modernization	Upgradation of routers, switches and other network systems reaching end of life
AODB replacement	Replacement of the existing T-systems Airport Operations Database deployed in 2022

Table 140: BIAL ICT CAPEX for Innovation

(Rs in Crores)

Project	Description	5-year total CAPEX
Integration & security testing facility	Virtual replica of network providing a sandboxed environment for developing prototypes and for training staff. Cyber security can be a key area of focus and attacks can be stimulated or tested	5.9
ESG & digital projects	Will include all other digital initiatives being planned by BIAL, comprising of various ESG initiatives and solutions proposed for the monitoring and maintenance of the airport nursery.	16.9
Innovation & Pioneer projects	This shall include projects being developed under the innovation lab (similar to the DigiYatra project) which shall have the potential for later implementation across the country	16.9

6.2.74 The detailed Cost report for the ICT capital expenditure is enclosed as Annexure 24.

C. Mandatory capex based on directions from BCAS:

6.2.75 In a meeting held under the Chairmanship of Union Home Secretary, it has been decided that two major airports – Delhi and Bangalore are to be saturated with Full Body Scanners (FBS). Based on the above, there is a need for installation of 50 number of FBS- 21 for T2 Phase 1 & 29 for Terminal T1

6.2.76 Additionally, BCAS has issued a circular dated 29th March 2023, wherein there is a need to replace the dual view X ray machines with CTX machines - 16 for T2 Phase 1 & 24 for Terminal T1.

6.2.77 Installation of Radiation Detection Equipment (RDE) has been mandated at all Airports by BCAS.

6.2.78 The table below captures the capital expenditure requirements for these Mandatory Projects. BIAL has currently not included this as part of RAB for The Fourth Control Period pending final confirmation from BCAS. BIAL requests AERA to consider these costs as part of RAB if clarity/ circular before issuance of Order and to this effect, BIAL will be updating the Authority as and when relevant contracts are placed . In case of issuance of circulars after the completion of Tariff determination process, the said capital expenditure shall be approved on incurrence basis and trued up in the subsequent control period.

Table 141: Capital Expenditure requirements for mandatory projects

(Rs in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31
Body Scanners - T2-Phase 1 (21 #s)	67.20				
Body Scanners - Terminal 1 (29 #s)		92.80			
CT X Ray Machines to replace dual view X Ray machines (16 #) - T2-Phase 1	48.00	48.00			
CT X Ray Machines to replace dual view X Ray machines (24 #) - Terminal 1			72.00	72.00	

6.2.79 Based on the details given above, the total additions for the Fourth Control Period is as follows:

Table 142: Total Additions for Fourth Control Period

(Rs in Crores)

Project	Amount
PAL-2 capex	18,635.28
Non PAL-2 capex (Sustaining, ICT, and Others)	1,180.33
Total additions	**19,815.61**

**Excluding additional FA of Rs. 449.22 crores*

6.3 Allocation of Assets into Aeronautical and Non-Aeronautical Asset

6.3.1 PAL-2 Assets capitalised under each project have been assigned an Aeronautical Ratio as follows:

- Airside Projects are considered fully Aeronautical
- Aeronautical Ratio for Terminal 2 - Phase 2 assets and other Terminal related asset additions have been considered as per Terminal 2- Phase 1 Aeronautical floor ratio.

- Allocation ratios for Other common projects have been considered based on the overall Terminal Building Ratio of 87.1%

6.3.2 For Capital Expenditure other than PAL-2 assets aeronautical ratio of 90% has been considered.

6.3.3 BIAL requests the Authority to true up the allocation ratios based on actual capital expenditure at the time of true up.

6.4 Depreciation for the Fourth Control Period

6.4.1 BIAL has adopted the useful life as specified in para 4.5.158 of the Third Control Period True-up of this submission for computing depreciation for the Fourth Control Period.

6.4.2 The projected aeronautical depreciation for the Fourth Control Period is as follows:

Table 143: Projected Aeronautical Depreciation for the Fourth Control Period

(Rs in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Buildings & Civil Works	161.31	168.98	173.36	199.79	294.06	**997.50**
Runway, Taxiway, Apron	78.57	81.73	169.51	211.74	221.56	**763.11**
Roads, Boundary Wall, Security Fencing	115.22	124.22	71.58	260.45	369.12	**940.60**
Plant and Equipment	262.78	347.10	373.55	479.00	545.93	**2,008.35**
Electrical Installation & Equipment	100.13	136.82	176.63	281.96	354.05	**1,049.58**
Computers and Accessories	27.29	49.48	57.91	79.19	169.93	**383.80**
Office Equipment	2.38	4.72	7.47	12.00	16.72	**43.28**
Furniture and Fixtures	31.27	45.39	50.64	54.13	60.07	**241.50**
Vehicles	7.99	3.97	2.57	2.29	1.94	**18.77**
Intangible assets	19.55	16.54	8.21	8.40	22.18	**74.88**
Total Depreciation	**806.47**	**978.95**	**1,091.44**	**1,588.96**	**2,055.56**	**6,521.38**

6.5 Regulatory Asset Base (RAB) for the Fourth Control Period

6.5.1 RAB for the Fourth Control Period, based on the above and considering additional Financing allowance as per the computation on equity invested on the project, is as follows:

Table 144: RAB for the Fourth Control Period

(Rs in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Opening RAB	8,734.00	9,344.30	12,111.77	12,075.58	22,598.87	
Add: Additions	1,397.40	3,738.29	1,103.19	11,885.15	667.63	**18,791.66**
Add: FA Additions	65.13	56.37	3.88	291.35	-7.36	**409.37**
Less: Disposals	-	-	-	-	-	**-**
Less: Depreciation	806.47	978.95	1,091.44	1,588.96	2,055.56	**6,521.38**
Less: Depreciation on FA	45.76	48.24	51.82	64.25	79.35	**289.42**
Closing RAB	**9,344.30**	**12,111.77**	**12,075.58**	**22,598.87**	**21,124.23**	
Average RAB	**9,039.15**	**10,728.04**	**12,093.68**	**17,337.23**	**21,861.55**	

7 FAIR RATE OF RETURN FOR THE FOURTH CONTROL PERIOD

7.1 Cost of Debt

7.1.1 **Existing Debt from Banks / Financial Institutions**: As explained in Para 4.6.8 and 4.6.10, BIAL currently has 2 NCDs (including the proposed refinance of PAL-1 loans). The interest rates for these two loans are 8.35% and 8.15% p.a.p.m respectively.

7.1.2 **PAL-2 Loan**: BIAL is in the process of discussions with lenders to raise Project Term Loans for financing the PAL-2 expansion project. The cost of debt for PAL-2 projects is assumed as SBI 1 year MCLR plus 50 basis points. Considering the fact that the current SBI 1 year MCLR is at 9%, the cost of debt for PAL-2 loans is considered at 9.5% for the Fourth Control Period.

7.1.3 Based on the above, cost of debt estimate for Fourth control is computed as below:

Table 145: Debt computation for the Fourth Control Period

(Rs in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31
Opening Balance	10,985.90	13,636.47	16,993.27	20,023.16	21,516.29
Drawdown during the year (PAL-2)	2,800.57	3,834.80	3,574.13	2,037.39	357.69
Repayment during the year (Existing Debt)	-150.00	-478.00	-544.25	-544.25	-544.25
Closing Balance	13,636.47	16,993.27	20,023.16	21,516.29	21,329.73
Average Debt	12,311.18	15,314.87	18,508.21	20,769.72	21,423.01
Interest Cost	998.32	1,287.46	1,598.46	1,822.70	1,894.15
Cost of Debt	**8.25%**	**8.53%**	**8.73%**	**8.82%**	**8.86%**

7.2 Cost of Equity

7.2.1 As explained in the true up of FRoR for Third Control Period, BIAL has factored the cost of equity at 15.05% as per the Third Control Period Order passed by the Authority, which was fixed on the basis of the study report of IIM Bangalore and adopted by the Authority for the purpose of arriving at the cost of equity, and the same is considered for the purposes of filing this MYTP with the Authority for the Fourth Control Period. This is without prejudice to the claims and pleas made by BIAL and reliefs sought in the civil appeals filed in Hon'ble Supreme Court.

7.3 Fair Rate of Return (FRoR)

7.3.1 Based on the cost of equity, cost of debt and gearing ratio, for the Fourth Control Period, BIAL submits and requests AERA to consider the FRoR given in the table below for the purposes of the Fourth Control Period.

Table 146: Projected FRoR for the Fourth Control Period

Particulars	Reference	FY27	FY28	FY29	FY30	FY31
Cost of Debt (%)	A	8.25%	8.53%	8.73%	8.82%	8.86%
Cost of Equity (%)	B	15.05%	15.05%	15.05%	15.05%	15.05%
Gearing (%)						48%:52%
Cost of Debt (%)	C					8.69%
Cost of Equity (%)	D					15.05%
FRoR (%)						**12.00%**

8 INFLATION FOR THE FOURTH CONTROL PERIOD

8.1.1 The WPI projections are based on a review of reports issued by the Reserve Bank of India (RBI). As per the recent "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 94th released on 6th June 2025 published by the Reserve Bank of India (RBI), the mean of WPI (all commodities) and the mean of CPI combined (General) for the Fourth Control Period are as follows:

Table 147: WPI annual and quarterly rates

Particular	FY27	FY28	FY29	FY30	FY31
WPI (All commodities)	2.8%	2.8%	2.8%	2.8%	2.8%

Quarters	WPI All Commodities			
	Mean	Median	Max	Min
Q1 :2025-26	1.2	1.0	2.8	0.4
Q2:2025-26	1.7	1.9	3.2	0.6
Q3:2025-26	1.8	1.7	3.4	0.5
Q4:2025-26	2.4	2.4	5.1	0.1

8.1.2 Based on the above, BIAL has assumed WPI inflation of 2.8% for all years in the Fourth Control Period starting from FY 2026-27 onwards. while estimating capital expenditure.

9 OPERATION EXPENSES FOR THE FOURTH CONTROL PERIOD

9.1.1 BIAL has estimated the Operating Expenses to be incurred during the Fourth Control Period considering the following:

1. Capitalisation of PAL 2 program assets resulting in Increased area of operations. Key projects include Western cross taxiway, Terminal 2 Phase 2 & associated Apron, Eastern connectivity tunnel and various landside projects, etc.
2. Baseline year considered as FY2025-26

9.1.2 Based on the above premise and principles, estimates of Operating Expenses are elaborated below.

I. Personnel costs:

a. Headcount:

9.1.3 BIAL has been prudent about in its addition of manpower growth wherein we have staggered the addition instead of hiring employees in one go. Moreover, spreading out employee addition prior to asset capitalization is necessary as the incoming staff needs to be adequately trained in airport systems, processes, safety and security protocols.

9.1.4 Accordingly, BIAL proposes to add manpower only during the years when capacity increase is factored. Accordingly, manpower addition is proposed only in the years of asset addition/capacity creation (FY28 – 43; FY30 – 300; FY31 – 150). The additions are proposed across FY30 and FY31 in line with T2 Phase 2 commencement in a phased manner.

9.1.5 This measured approach to workforce planning enables BIAL to align training schedules with commissioning timelines, optimizing both operational readiness and cost efficiency. As new facilities such as Terminal 2 Phase 2 and associated infrastructure come online, the gradual onboarding of new personnel will support seamless transitions while minimizing disruptions. This strategy reflects an understanding that the quality and preparedness of staff are as critical as numbers, especially in a dynamically expanding aviation environment.

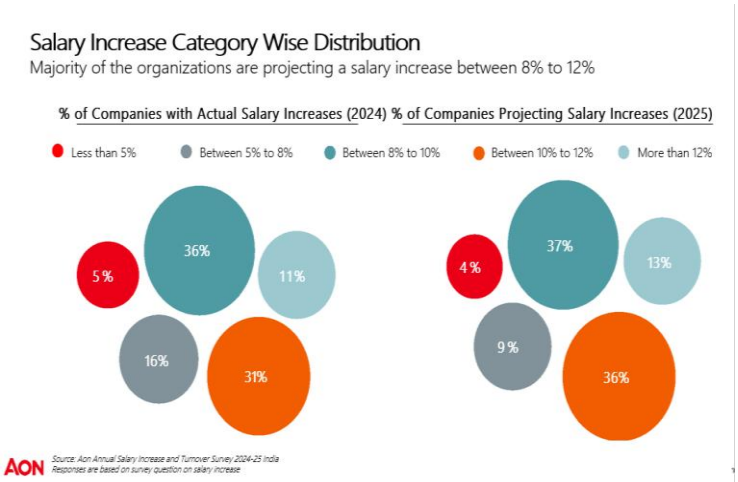
b. Average cost per employee:

9.1.6 Bengaluru contributes ~65% of the country's aerospace business. It hosts major players such as Boeing, Airbus, Honeywell, and GE Aviation, earning it the reputation of being the aerospace capital of India. This means the aviation talent is in high demand vis a vis other cities.

9.1.7 Bangalore has one of the highest costs of living in India, driven in part by strong demand from tech and multinational companies.

9.1.8 The expansion of the BLR airport, coupled with the development of the surrounding airport city, has significantly transformed the local landscape. The growth of key companies like Bosch, Foxconn, and the establishment of logistics parks in the area has not only driven economic growth but also intensified the competition for skilled talent. As a result, this has led to a premium on talent and has sparked numerous contract renegotiations leading to higher cost for outsourced personnel also at BIAL.

9.1.9 According to the **Aon** Salary Increase and Turnover Survey 2024–25, around 50% of companies expect to implement salary hikes of 10% or more in 2025. However, in a high-cost city like Bangalore, even a 10% increase yields a net gain of less than 6% for employees after adjusting for inflation and living expenses. This highlights the ongoing challenge of maintaining competitive compensation while ensuring financial sustainability in one of India's most expensive talent markets. At BIAL, we regularly benchmark our compensation on market standards to ensure fairness and competitiveness. This proactive approach has contributed to consistently low attrition rates and high employee satisfaction. Extract of **Aon** Salary Increase and Turnover Survey 2024–25 is given in the below table.



Sector-wise Increment Numbers

Industry / Sector	2023	2024	2025 Projected
Aerospace & Defense	10.2	9.6	9.3
Automotive/Vehicle Manufacturing	10.6	10.6	10.7
Engineering Design Services	10.3	10.5	10
Engineering/Manufacturing	10.0	9.9	10.0
Chemicals	9.7	9.6	9.7
Energy (Oil/Gas/Renewables)	9.9	9.7	9.4
Oil/Gas	-	8.9	8.7
Power	-	9.6	8.8
Renewables	-	10.4	10.5
Metals & Mining	9.5	10.1	-
Real Estate/Infrastructure	10.2	9.8	9.8
FMCG/FMCD	9.6	9.5	9.5
Durable	10.0	10.3	10.2
Non-Durable	9.5	9.3	9.3

9.1.10 Though industry benchmark studies indicate increments in the range of 9%-10%, BIAL has considered 6.69% per annum as the growth in average cost per employee for Fourth Control Period in line with the computations outlined in true up section for Third Control Period. BIAL believes that 6.69% is minimum required to retain talent and to reduce the attrition levels, particularly with new airports being operationalised in the next 4-5 years.

9.1.11 Based on the headcount projected by BIAL and the average cost per employee, Personnel costs for the Fourth Control Period is given below. Baseline for manpower count and cost per employee is considered based on actuals/estimate for FY 2025-26.

Table 148: Personnel Cost for Fourth Control Period

Particular	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FoCP	CAGR
Cost per employee (Rs. Lacs)	24.00*	25.60	27.32	29.14	31.09	33.17		**6.69%**
Yearly escalation rate		6.69%	6.69%	6.69%	6.69%	6.69%		
Opening Employee Head Count		1,830	1830	1873	1873	2173	**0**	
Manpower additions - Business growth		0	0	0	0	0	**0**	
Manpower additions - New Infrastructure		0	43	0	300	150	**493**	
Closing manpower	1,830	1,830	1873	1873	2173	2323	**493**	

Particular	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FoCP	CAGR
Average manpower		1,830	1852	1873	2023	2248		
Total Employee benefit expenses		468.53	505.75	545.85	629.00	745.72	**2,894.84**	

** Based on 439.15 Crs for 1830 manpower for FY 2026*

II. Operations & Maintenance costs:

9.1.12 BIAL has segregated O&M costs into a) O&M towards existing assets and b) O&M towards new infrastructure additions.

- Existing assets: BIAL estimates O&M cost to grow at 6% annually based on the long-term contracts and rates finalised through market discovery based on procurement process. Most of the high value O&M contracts on terminal equipment such as BHS, Elevators and Escalators, HVAC systems, etc were finalised already during project stage.
- New assets: BIAL has analysed the median of the opex cost as a % of gross block during the last 15 years for major airports – BIAL, MIAL, DIAL and GHIAL. BIAL has benchmarked the O&M rate with the lowest of the four airports and has arrived at 2.27% as the O&M rate for new infra-additions.

Table 149: Median of comparable airports

Airport	Median for past 15 years
BIAL	2.27%
HIAL	2.84%
MIAL	2.68%
DIAL	2.27%

*Median is derived by considering the % computed in Table 66.

9.1.13 Accordingly, BIAL proposes the following as O&M cost and requests the Authority to consider the same.

Table 150: O&M Cost proposed by BIAL

(Rs. in Crores)

O&M Cost	FY27	FY28	FY29	FY30	FY31	Total
O&M cost - Existing facilities	500.20	530.21	562.02	595.74	631.49	**2,819.65**
O&M cost - New infrastructure	15.42	73.16	126.96	283.07	436.23	**934.84**
Total O&M	**515.62**	**603.37**	**688.98**	**878.81**	**1,067.71**	**3,754.49**

III. Utilities costs:

9.1.14 Utilities cost consists of power cost including renewable power purchase, potable and non potable water costs.

a. Power costs:

Consumption:

- BIAL believes that a) various sustainability measures that were undertaken b) power conservation initiatives c) introduction of energy efficient systems at Terminal and various locations should result in limited increase in power consumption.

- Though consumption could increase due to ageing of systems and equipments, after considering the efficiency improvements, power consumption for existing infrastructure is estimated to increase marginally at 1.5% annually.
- Power consumption for new infrastructures are estimated based on the area and has been factored from the respective year of capitalisation.

Power tariff/rate:

- BIAL has power contracts with long term solar power suppliers for major portion of the power requirement. BIAL has estimated the blended average rate per unit based on the long term contracts, in-house power generation, Captive sources & BESCOM rates based on tariff circular and open market purchase rates. Accordingly, 2% annual growth in rate per unit is proposed.
- Annual increase in demand charges is estimated based on BESCOM notified tariff circular until FY 2028-29 and expected to increase in same line for the last 2 years as well.

Recovery %

- BIAL estimates overall concessionaire recovery to be 45.8% for the Fourth Control Period. While the recovery % is higher in the initial years, it is expected to reduce considering that BIAL consumption on account of new infrastructures such as WCT, Metro stations and ECT would not have any impact on concession related power consumption.

9.1.15 Accordingly, BIAL proposes the following for net power costs to be considered by the Authority for Fourth Control Period.

Table 151: Net Power Cost for the Fourth Control Period

(Rs. in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Net Power Expenses	76.20	85.02	91.11	103.42	141.18	**496.93**

b. Water costs:

- Significant volume of potable water consumed by BIAL is met through in-house source (RWH and WTP). BIAL estimates the specific consumption per pax to remain at existing levels and the consumption growth is projected to be in line with pax growth. Overall in-house source is considered to be at 45% for Fourth Control Period.
- Rate per KL has been considered in line with existing rates contracted with BWSSB and 10% increase is projected in FY 2028-29.
- Non potable water consumption is expected to increase at 5% annually and at 30% in FY 2029-30 on account of Terminal 2 Phase 2 commencement. Out of total non-potable water consumption, 53% is expected to be met from internal source.
- Non potable water rate/KL is projected based on the contracted rates with BWSSB and KIADB.
- 56% of total water cost is proposed to be recovered from concessionaires

9.1.16 Accordingly, BIAL proposes the following for net water costs to be considered by the Authority for the Fourth Control Period.

Table 152: Net water Cost to be considered for the Fourth Control Period

(Rs. in Crores)

Particular	FY27	FY28	FY29	FY30	FY31	Total
Net Water Expenses	3.37	4.38	5.98	9.25	9.93	**32.91**

IV. Concession Fee

9.1.17 Concession Agreement (CA) was entered into between Ministry of Civil Aviation, Government of India (GoI) and BIAL on 5th July 2004. For the grant of concession, exclusive rights and privilege to carry out various activities as listed in the CA (Article-3), BIAL has to pay an annual fee 4% of annual gross revenue to the GoI.

9.1.18 The concession fee at a rate of 4% of the gross revenue payable as provided in the Concession Agreement has been considered and provided as a year-on-year expenditure.

9.1.19 Accordingly, the Concession Fee computed is as given below:

Table 153: Concession Fee on Aeronautical Revenues

(Rs. in Crores)

Particular	FY27	FY28	FY29	FY30	FY31	Total
Concession Fees	375.16	406.30	436.08	466.40	517.97	**2,201.92**

V. Lease Rent

a. Payable to KSIIDC for 4008 Acres land

9.1.20 Land Lease Deed was executed between Karnataka State Industrial Infrastructure Development Corporation (KSIIDC) and BIAL. As part of this deed, KSIIDC a total of 4,008 acres of land has been leased to BIAL.

9.1.21 As per the Deed, the lease rent is calculated at a fixed percentage which is as per following schedule:

Table 154: Land Lease Rent as per the Deed

Period	Lease rent as percentage share of Land value
From Airport opening Date to beginning of Year	3%
For 8th Year	6%
From 8th Year onwards	Annual escalation at 3% of Lease rental at end of Previous Year

b. Payable for Office space leased at BP 2

9.1.22 As explained in the RAB section, BIAL is taking on lease 141,000 sqft of office space from a commercial office building being constructed by Bengaluru Airport City Limited (BACL). The space requirement has been developed based on a requirement for approximately 950 employees after adjusting for employees who will be deployed in the terminals and airside areas. The rental being charged has been benchmarked against lease rent BACL is charging to a GCC operator.

9.1.23 The total lease rent that BIAL would be incurring for the Fourth control period is as follows:

Table 155: Total Land Lease Rent for the Fourth Control period

(Rs. in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Lease rent payable to KSIIDC	25.05	25.80	26.58	27.37	28.20	**133.00**
Lease rent payable to BP2	-	15.77	15.77	15.77	18.13	**65.44**
Total lease rent	**25.05**	**41.57**	**42.34**	**43.14**	**46.33**	**198.44**

VI. Other Costs

9.1.24 The other costs majorly include Insurance, Marketing and Advertisement, Rates and Taxes and General Administration Cost.

9.1.25 Manner of estimation of these costs are as given below:

- Insurance cost has been estimated at 0.08% of the Asset block. This is in line with average percentage of last 5 years.
- Rates and Taxes mainly comprises Property tax cost which is estimated considering 10% annual increase together with additional cost estimated based on the increase in area developed, after commissioning of Terminal 2 Phase 2.
- Marketing costs are estimated considering benchmark based on actual costs incurred together with an annual increase estimate of 5% including inflation. One time cost for Terminal 2 Phase 2 commencement is proposed in FY 2029-30. Collection costs are estimated as part of Marketing cost based on the estimate of the Collection charges to be paid to airlines on the UDF collections.
- Consultancy costs have been estimated based on actual costs incurred together with10% annual increase estimate including inflation. Apart from this, one time cost towards masterplan update is factored in FY 2030-31.
- Travel costs have been estimated based on actual costs incurred together with 5% annual increase estimate including inflation. Apart from this, employee transportation cost is factored in line with manpower additions in the relevant years with annual rate escalation of 5% considering increasing fuel costs. Since KIAB is located nearly 35 kilometres north of the city centre, BIAL provides transport to all employees and such service is extended across all 3 shifts.
- Office costs have been estimated based on actual costs incurred together with 5% annual increase estimate including inflation and one time increase of 3% considered in FY 2027-28 towards moving of office from existing buildings to BP2.
- CSR costs as mandated by the Companies Act are estimated based on the prescribed regulations.
- BIAL has estimated Rs. 10 Cr. per annum as other borrowing costs based on the past trends as part of its Operating Expenditure.

9.1.26 Based on the above, the General and Admin costs estimate for is shown below:

Table 156: General and Admin Cost for the Fourth Control Period

(Rs in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Insurance cost	13.07	15.10	16.93	22.19	27.28	**94.56**

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Rates and Taxes	14.48	15.93	17.53	19.28	24.10	**91.32**
General and Admin Cost						
Consultancy costs	28.36	31.20	34.32	37.75	41.52	**173.15**
Office costs	4.78	5.17	5.43	5.70	5.98	**27.06**
Travel costs	8.77	9.20	9.66	10.15	10.66	**48.44**
Employee transportation	19.52	20.98	22.03	26.84	30.13	**119.50**
Marketing Expenses						
Collection costs	10.95	11.82	12.63	13.50	14.86	**63.76**
Marketing costs	22.46	23.58	24.76	26.00	27.30	**124.11**
Other expenses						
CSR Expenses	0.68	15.65	30.94	46.73	46.82	**140.82**
Borrowing Costs	10.00	10.00	10.00	10.00	10.00	**50.00**

Allocation of Expenses into Aeronautical and Non-Aeronautical

9.1.27 Segregation of Operating and Maintenance expense in Aeronautical and Non-Aeronautical has been discussed below:

Table 157: Allocation ratios for the Fourth Control Period

Operating expenses	Basis of allocation
Personnel expenses	Employee Head count ratio has been computed based on categorisation of employee departments into Aero/ Non-Aero and Common. Head count ratio of the respective year has been used to segregate Employee Cost into Aero and Non-Aero
O&M	O&M expenses are incurred for maintenance of Airport Infrastructure and assets across the airport. These expenses have been segregated based on the Asset Gross Block Ratio.
Lease Rent	Aeronautical Lease Rent has been computed by excluding the land given to BACL being considered as Non-Airport.
Utilities	Utility expenses (net of recovery) have been considered fully as Aeronautical.
Insurance	Insurance expenses have been segregated based on the Asset Gross Block ratio.
Rates & Taxes	Rates and taxes mainly comprise of Property taxes. These expenses have been segregated based on Lease Rent allocation ratio.
Marketing & Advertising	Marketing and Advertising expenses have been considered as common expenses and segregated based on the Asset Gross Block Ratio
CSR	Corporate Social Responsibility expense have been segregated by considering the Aeronautical Proft Before Tax for the period.
General admin costs	General and administrative expenses have been considered as common expenses and segregated based on the Asset Gross Block Ratio
Concession fee	Concession Fee has been computed based on the respective Aeronautical / Non-Aeronautical Revenues for the year.

1. Employee Head Count Ratio (EHCR)

9.1.28 The Employee head count ratio has been utilized for computing the aero portion of Personnel expenses as given below:

Table 158: Employee Head Count Ratio computation for the Fourth Control Period

Category	Department	Allocation	FY27	FY28	FY29	FY30	FY31
Support Services	MD & CEO	Common	3	3	3	3	3
	Finance	Common	83	85	85	99	105

Category	Department	Allocation	FY27	FY28	FY29	FY30	FY31
	Human Resources	Common	29	30	30	35	37
	Administration	Common	9	9	9	10	11
	Legal	Common	19	19	19	22	24
	CMO Office	Common	19	19	19	22	24
	Marketing	Common	0	0	0	0	0
	Corporate Communications	Aero	3	3	3	3	3
	Corporate Affairs	Aero	7	7	7	8	9
	Corporate Social Value	Common	5	5	5	6	6
Commercial	VP - Commercial Office	Non-Aero	4	4	4	5	5
	F & B and Retail	Non-Aero	39	40	40	46	49
	Facilities	Common	7	7	7	8	9
	Landside Traffic(Commercial)	Non-Aero	25	26	26	30	32
	Advertising	Non-Aero	12	12	12	14	15
Operations	Head – Operations and E&M	Aero	6	6	6	7	7
	Aviation Stakeholder & Quality Management	Aero	0	0	0	0	0
	Customer Engagement and Service Quality	Aero	20	20	20	23	25
	Terminal Operations	Aero	246	257	257	300	321
	Airside Operations	Aero	126	129	129	150	160
	Landside Technical	Aero	0	0	0	0	0
	Aviation Safety	Aero	28	29	29	34	36
	Bird AirStrike Hazard Management	Aero	12	12	12	14	15
	Enterprise Risk & Corporate Resilience	Aero	7	7	7	8	9
	Security	Aero	90	92	92	107	114
	Security Screening	Aero	319	326	326	378	404
	ARFF	Aero	230	235	235	273	292
	ICT	Common	75	75	75	86	92
Corporate Strategy & Development	Corporate Strategy & Development	Aero	0	0	0	0	0
	Forecasting and Slots	Aero	0	0	0	0	0
	Centre of Excellence	Common	0	0	0	0	0
	Business Planning	Common	9	9	9	10	11
	Aviation Business	Aero	19	19	19	22	24
	Ops Planning & Project Co-ordination	Aero	12	12	12	14	15
	Innovation Lab	Aero	4	4	4	5	5
Engineering & Maintenance	Technical & Engineering	Aero	25	25	25	29	31
	Landside Maintenance	Aero	157	161	161	187	199
	Landscaping	Aero	22	23	23	27	29
	Environment & Utilities	Aero	66	68	68	79	85
	Airfield Maintenance	Aero	93	95	95	109	117
	Total		**1830**	**1873**	**1873**	**2173**	**2323**
		Aero	1,335	1,369	1,369	1,590	1,701
		Non-Aero	80	82	82	95	101
		Common	415	422	422	488	521

Category	Department	Allocation	FY27	FY28	FY29	FY30	FY31
		Total	**1,830**	**1,873**	**1,873**	**2,173**	**2,323**
		Aero	1,727	1,767	1,767	2,050	2,193
		Non-Aero	103	106	106	123	130
		Total	**1,830**	**1,873**	**1,873**	**2,173**	**2,323**
		EHCR (A)	**94.37%**	**94.34%**	**94.34%**	**94.34%**	**94.40%**
Total personnel expenses (B)			468.53	505.75	545.85	629.00	745.72
Personnel Cost (C=A*B)			442.16	477.12	514.95	593.40	703.99

2. Terminal Building Ratio

9.1.29 BIAL has considered the Overall Terminal Building Ratio (combining T -1 & T -2) of 87.10%.

3. Gross Block ratio

9.1.30 BIAL has considered Gross Block Ratio for allocation of expenses such as Insurance cost, Marketing expenses, General and Administrative expenses and other miscellaneous expenses. The Gross Block Ratio for the True-up of the Third Control Period is as given below:

Table 159: Gross Block Ratio for the Fourth Control Period

Particular	FY27	FY28	FY29	FY30	FY31
Gross Block Ratio	90.05%	90.65%	91.02%	91.51%	91.62%

9.1.31 Based on the above detailed submission, BIAL requests the Authority to consider the total expenses incurred for the true-up of Operating Expenditure for the Third Control Period as given below:

Table 160: Operation and Maintenance (O&M) Expenses for the Fourth Control Period

S No	Particulars	FY27	FY28	FY29	FY30	FY31	Total
A	Personnel expenses	468.53	505.75	545.85	629.00	745.72	**2,894.85**
B	O&M	515.62	603.37	688.98	878.81	1,067.71	**3,754.49**
C	Lease Rent	25.05	41.57	42.34	43.14	46.33	**198.44**
D	Utilities	79.57	89.40	97.09	112.68	151.11	**529.85**
E	Insurance	13.07	15.10	16.93	22.19	27.28	**94.56**
F	Rates & Taxes	14.48	15.93	17.53	19.28	24.10	**91.32**
G	Marketing & Advertising	22.46	23.58	24.76	26.00	27.30	**124.11**
H	Collection Charges	10.95	11.82	12.63	13.50	14.86	**63.76**
I	General admin costs	61.43	66.55	71.44	80.44	98.81	**378.67**
J	Waiver and bad debts	-	-	-	-	-	**0.00**
K	Other Borrowing costs	10.00	10.00	10.00	10.00	10.00	**50.00**
	Total operating expenses	**1,221.16**	**1,383.07**	**1,527.55**	**1,835.04**	**2,213.22**	**8,180.05**
L	Concession fee	375.16	406.30	436.08	466.40	517.97	**2,201.92**
M	CSR on Aero profit	0.68	15.65	30.94	46.73	46.82	**140.82**
	Total Operating Expenditure	**1,597.00**	**1,805.02**	**1,994.57**	**2,348.17**	**2,778.01**	**10,522.78**

Table 161: Aeronautical Operation and Maintenance (O&M) Expenses for the Fourth Control Period

S No	Particulars	FY27	FY28	FY29	FY30	FY31	Total
A	Personnel expenses	442.16	477.12	514.95	593.40	703.99	**2,731.62**
B	O&M	464.30	546.95	627.12	804.18	978.23	**3,420.77**
C	Lease Rent	24.59	40.70	41.35	42.02	45.01	**193.68**
D	Utilities	79.57	89.40	97.09	112.68	151.11	**529.84**
E	Insurance	11.77	13.69	15.41	20.30	24.99	**86.16**
F	Rates & Taxes	14.22	15.60	17.12	18.78	23.41	**89.12**
G	Marketing & Advertising	20.23	21.38	22.54	23.79	25.01	**112.95**
H	Collection Charges	10.95	11.82	12.63	13.50	14.86	**63.76**
I	General admin costs	55.32	60.33	65.03	73.60	90.53	**344.81**
J	Waiver and bad debts	-	-	-	-	-	**-**
K	Other Borrowing costs	9.00	9.06	9.10	9.15	9.16	**45.48**
	Total Aero operating expenses	**1,132.10**	**1,286.05**	**1,422.34**	**1,711.40**	**2,066.30**	**7,618.19**
L	Concession fee	300.73	324.99	347.28	371.05	408.40	**1,752.44**
M	CSR on Aero profit	0.68	15.65	30.94	46.73	46.82	**140.82**
	Total Aero operating expenditure	**1,433.50**	**1,626.69**	**1,800.57**	**2,129.18**	**2,521.52**	**9,511.46**

10 NON-AERONAUTICAL REVENUE (NAR) FOR THE FOURTH CONTROL PERIOD

10.1 Commercial Revenues

a. Parking

10.1.1 The parking contract was re-tendered in FY 2024-25 for a 5-year period with revised parking tariffs. The operating model shifted from self-managed operations to a concessionaire-based model, resulting in market discovered revenue share for BIAL. Additionally, with the expansion of metro connectivity, a growing number of passengers are expected to opt for public transit over private vehicles, leading to a subdued outlook for parking demand up to FY 2030-31. Accordingly, BIAL has projected parking revenues to grow broadly in line with overall passenger traffic only. An uptick is anticipated in FY 2030-31, driven by additional parking capacity and demand arising from the T2 Phase expansion. Overall, revenue from parking is projected to grow at a CAGR of 10%, higher than the PAX CAGR

b. Taxi services

c. The taxi services contract had been re-tendered in FY 2023-24 , with the agreed tariffs remaining fixed until FY 2028-29 resulting in uptick in revenue share. However, In FY 2025-26, two taxi service providers—BluSmart and Refex, ceased operations at BLR Airport due to their ongoing financial difficulties. Commencement of Metro operations effective FY 2027-28 is expected to temper demand for taxi services through FY 2030-31. In view of these developments, BIAL has projected revenue from taxi services to grow at a CAGR of 10%.

d. Limousine

10.1.2 Since the business will continue operating under a fixed price and Minimum Annual Guarantee (MAG) model until FY 2028-29, revenue projections increase in line with the agreed MAG terms.

e. Retail – Domestic

10.1.3 As part of the ongoing T1 refurbishment plan, BIAL has temporarily closed several retail outlets, leading to a projected decline in revenue per passenger in FY 2025-26, a trend expected to persist through FY 2026-27. It may also be noted that the revised design has also resulted in reduction of retail space by 1,140 sqm (30% reduction in space from 3,792 sqm to 2,650 sqm) at T1 as compared to previous design to give away space for PESC and hence, revenue growth is expected to mirror the increase in domestic passenger traffic along with inflationary adjustments, with a notable uptick anticipated in FY 2030-31 following the commissioning of Phase 2 of Terminal 2. Overall, domestic retail revenue is projected to grow at a CAGR of 11%.

f. Retail -International (including Duty Free)

10.1.4 BIAL has projected a ~15% CAGR in revenue, in line with the increase in international passenger traffic and accounting for an inflationary growth. The projection also factors in the additional terminal capacity expected from the Phase 2 expansion of Terminal 2 in FY 2030-31.

g. Retail Others

10.1.5 As part of the ongoing T1 refurbishment plan, BIAL has temporarily closed several retail outlets in the Quad area, leading to a decline in revenue per passenger in FY 2025-26 and FY 2026-27. BIAL has projected the revenue from 'Retail-Others' category at a 13% CAGR, factoring the expected revenue increase in FY 2027-28, driven by

enhanced retail space from the reopening of expanded Quad 1 and commencement of Metro operations and another increase in FY 2030-31 due to commissioning of Quad 2.

h. Retail – Forex

10.1.6 As per the contract, the concessionaire pays a fixed fee per international passenger (MAG) and with no increase in price. Accordingly, BIAL has projected growth in forex revenue at a CAGR of 12%

i. Food & Beverage – Domestic and Food & Beverage – Others

10.1.7 As part of the ongoing T1 refurbishment plan, BIAL has temporarily closed several F&B outlets, leading to a projected decline in revenue per passenger in FY 2025-26, a trend expected to persist through FY 2026-27. It may also be noted that the revised design has also resulted in reduction of Commercial space as compared to previous design and hence, revenue growth is expected to mirror the increase in domestic passenger traffic along with inflationary adjustments, with a notable uptick anticipated in FY 2030-31 following the commissioning of Phase 2 of Terminal 2. Overall, domestic F&B revenue is projected to grow at a CAGR of 11%.

j. Food & Beverage – International

10.1.8 BIAL has projected a ~15% CAGR in revenue, in line with the increase in international passenger traffic and accounting for inflationary growth. The projection also factors in the additional terminal capacity expected from the Phase 2 expansion of Terminal 2 in FY31.

k. Advertisement

10.1.9 BIAL entered a 12-year contract with JCD starting FY 2021-22, with a fixed revenue share structure effective from FY 2026-27 onwards. Several Brands now focusing digital media and social media for driving engagement and recall, slowing down the demand for traditional media like Print and OOH. With limited space for advertisement media post T1 upgrade and also in T2, in line with the design and also given that no new additional media are expected in the outdoors, Advertisement revenue is projected to grow at 12% CAGR.

l. Lounges and Day Hotel

10.1.10 With banks tightening the terms for credit card-based lounge access and many banks cutting down lounge benefits, lounge penetration is going to be challenging in future. On international side also Indigo is one of the biggest airline which does not offer any lounge access thereby limiting the lounge penetration, which is expected to remain steady at current levels. However, BIAL has assumed a 11% CAGR in lounge revenue, in line with increase in passenger traffic.

10.1.11 Forecasted revenue from non-aeronautical services for BIAL for the Fourth Control Period is as below:

Table 162: Forecasted Revenue from Non- Aeronautical Services

(Rs. in Crores)

Category	FY27	FY28	FY29	FY30	FY31	Revenue Total
Parking	27.60	26.80	28.60	31.50	39.20	**153.70**
Taxi services	118.10	122.40	130.80	139.70	173.80	**684.80**
Limousine	8.90	9.00	9.00	9.10	9.20	**45.20**
Retail- Dom	67.50	73.70	80.30	87.50	100.90	**409.90**
Retail- Int incl DF	293.80	336.80	369.20	402.20	502.20	**1,904.20**

Category	FY27	FY28	FY29	FY30	FY31	Revenue Total
Retail-Other	6.10	7.40	8.00	8.70	9.90	**40.10**
Retail-forex	56.30	63.30	68.00	72.60	88.90	**349.10**
F&B-Dom	90.30	98.70	107.50	117.10	135.00	**548.60**
F&B-Int	22.00	25.00	27.10	29.20	38.30	**141.60**
F&B-Others	49.10	58.90	64.20	69.90	78.50	**320.60**
Advertising	140.60	153.30	167.10	180.30	218.28	**859.58**
Lounge-Dom	130.90	143.10	155.80	169.80	186.60	**786.20**
Lounge-Int	87.70	98.60	105.90	116.50	146.90	**555.60**
Lounge -day hotel	3.50	3.80	4.00	4.40	5.00	**20.70**
Total	**1,102.40**	**1,220.80**	**1,325.50**	**1,438.50**	**1,732.68**	**6,819.88**

10.2 Other Non-Aeronautical Revenues

BIAL has projected other Non-Aeronautical Revenues as follows:

Table 163: Other Non- Aeronautical Revenues as projected by BIAL

Revenue Head	Basis
Lease Rentals	• Lease rent for Office space is considered with an escalation of 5% till FY 30 and at 10% for FY 31 • Other Lease rentals are escalated at 5% year on year
Utility Recovery	In line with past trends of Third Control Period
Other Income	In line with past trends of Third Control Period

10.2.1 Considering the above, the total Non-Aeronautical Revenue is estimated as follows:

Table 164: Non- Aeronautical Revenue for the Fourth Control Period

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Concessionaries rental income						
Car Park revenue	154.57	158.14	168.44	180.34	222.15	**883.64**
Retail Revenue	423.68	481.16	525.47	571.02	701.80	**2,703.11**
F&B Revenue	161.39	182.53	198.72	216.28	251.84	**1,010.76**
Lounge Revenue	222.09	245.41	265.76	290.75	338.45	**1,362.46**
Advertising & promotion	140.59	153.28	167.07	180.29	218.28	**859.50**
Flight catering	39.51	42.57	45.39	48.12	51.20	**226.79**
Total	**1,141.83**	**1,263.07**	**1,370.85**	**1,486.79**	**1,783.72**	**7,046.25**
Aviation Concession Revenue						
Cargo Revenue	154.01	165.18	177.05	189.66	203.02	**888.92**
Ground Handling Revenue	103.77	111.81	119.20	126.37	134.47	**595.64**
Fuel	41.79	44.22	66.15	69.60	73.29	**295.05**
ICT & CUTE CUSS	158.79	174.37	200.27	212.36	231.34	**977.12**
Total Aviation Concession Revenue	**458.36**	**495.57**	**562.68**	**597.99**	**642.13**	**2,756.73**
Other Non-Aeronautical Revenue						
Rent and land lease	208.88	219.32	230.29	241.80	254.81	**1,155.10**
Utility charges	30.19	31.03	31.92	32.85	33.83	**159.83**
Miscellaneous non-aeronautical	21.63	21.63	21.63	21.63	21.63	**108.13**
Total others	260.69	271.98	283.84	296.28	310.27	1,423.06
Total NAR	**1,860.88**	**2,030.62**	**2,217.36**	**2,381.06**	**2,736.12**	**11,226.04**

11 QUALITY OF SERVICE FOR THE FOURTH CONTROL PERIOD

11.1.1 As per section 13 (1) (d) of the AERA Act, 2008, the Authority shall "monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf."

11.1.2 As per section 13(1)(a)(ii) of the AERA Act, 2008, the Authority is required to determine the tariff for Aeronautical services taking into consideration "the service provided, its quality and other relevant factors."

11.1.3 Concession Agreement of BIAL states as follows:

"...9.2 Monitoring of Performance Standards

9.2.1 Throughout the term of this Agreement the Airport's performance shall be monitored by passenger surveys in accordance with this Article 9. The criteria used to measure the Airport 's performance shall be the IATA Global Airport Monitor service standard, set out in Schedule 9, Part 2 or such criteria as may be mutually agreed upon from time to time (the Standards).

9.2.2 BIAL shall participate in IATA surveys and shall ensure that a sur vey is conducted each year in accordance with IATA 's requirements to determine the Airport's performance. The first such survey shall be conducted during the third (3rd) year after Airport Opening.

9.2.3 If three (3) consecutive surveys show that the Airport is consistently rated in respect of the service standards under SIAL's direct control, as lower than IATA rating of three and a half (3. 5) (in the current IATA scale of I to 5), BIAL will produce an action plan in order to improve the Airport 's performance which must be implemented within one (1) year ... "

11.1.4 The Authority had, in the First Control Period Tariff Order, had noted the provisions of the Concession Agreement with respect to performance standards (particularly Article 9 and Schedule 9 thereof). The Authority noted that these standards were based on IATA Global Airport Monitor service standards. The provisions of the Concession Agreement also indicate the consequences of not coming up to the prescribed level of performance standards. Therefore, the Authority felt that the scheme of performance standards as indicated in the Concession Agreement would be reasonable for this purpose.

11.1.5 Similarly, for the Second Control period, BIAL shall ensure that service quality at Kempegowda International Airport conforms to the performance standards as indicated in the Concession Agreement over the Second Control Period.

11.1.6 For the Third Control Period, the Authority had decided that BIAL shall ensure that service quality at BLR Airport conforms to the performance standards as indicated in the Concession Agreement. Hon'ble TDSAT judgement dated 16th December 2020 has also upheld the stand of the Authority.

11.1.7 BIAL undertakes every possible step to achieve the appropriate quality of Services offered, as mentioned in the Concession agreement.

11.1.8 The ASQ rating achieved by the Airport for departure and arrivals in last few years is as follows:

Table 165: ASQ Rating Departure for prior periods

Year	ASQ Rating
2018	4.90
2019	4.91
2020	4.94
2021	4.95
2022	4.82
2023	4.84
2024	4.97
1Q 2025	4.96

Table 166: ASQ Rating Arrival for prior periods

Year	ASQ Rating
2018	4.67
2019	4.87
2020	4.93
2021	4.96
2022	4.85
2023	4.91
2024	4.98
1Q 2025	5.00

11.1.9 BIAL has been felicitated with numerous awards from various leading organizations all around the globe that exhibit BIAL's commitment to the quality of services offered at BLR Airport. Some of the prestigious awards received by BIAL that places it among many efficient and best International Airports all around the globe:

11.1.10 Notable awards won by KIAB for services provided during Third Control Period,

2021

- Airport Customer Experience Accreditation – Level 1 (30th April 2021)
- Airport Customer Experience Accreditation – Level 2 (1st April 2021)
- ACI's 'Voice of the Customer'
- Best Airport Staff in India and Central Asia' at the Skytrax World Airport Awards 2021

2022

- Best Airport at Arrivals – Selected by the passengers.
- Airport Customer Experience Accreditation – Level 3 (12th October 2022)
- Best Regional Airport in India & South Asia

2023

- BIAL became a signatory to the United Nations Global Compact aligning its operations with its ten universal principles.
- Best Airport at Arrivals – Selected by the passengers.

- UNESCO recognised T2 as “World’s Most Beautiful Airports”

2024

- First airport in Asia to receive the Level 5 Accreditation under ACI’s Airport Carbon Accreditation programme
- Best Regional Airport in India and South Asia title at Skytrax World Airport Awards
- The Cleanest Airport in India & South Asia
- World’s Best New Airport Terminal 2024 – 2nd place Bangalore Terminal 2
- Best Airport at Arrivals – Selected by the passengers.
- Airport Customer Experience Accreditation – Level 4 (21st August 2024)
- Accessibility Enhancement Accreditation – Level 1 (30th December 2024)
- AAA (Highest Credit rating for a PPP Airport) by ICRA Ltd, India Ratings and Research Pvt Ltd and Crisil Ratings Ltd

2025

- Best Regional Airport in India & South Asia
- Best Airport Hotel in India & South Asia
- Terminal 2, KIAB is awarded as the 5-Star Airport Terminal Rating April 2025

12 TAXATION FOR THE FOURTH CONTROL PERIOD

12.1.1 The computation of projected income tax payments has been made based on the prevailing Income Tax laws and rules considering the MAT provisions and Section 80IA of Income tax act.

12.1.2 In line with AERA guidelines 5.5.1 as provided below, *"corporate tax paid on income from assets/ amenities/ facilities/ services (emphasis) taken into consideration for determination of Aggregate Revenue Requirement (ARR)"* will be considered for calculation of taxation component of ARR.

12.1.3 BIAL has estimated the Aeronautical Profit Before Tax and accordingly computed the Tax estimate under MAT for the 5 years in Fourth Control Period. BIAL estimates that BIAL will pay taxes under MAT and has computed the tax accordingly as below. In computing Aeronautical Profit, BIAL has considered 30% of Non-Aero Revenue as part of Aeronautical Revenues to compute the Aeronautical Profit before Tax as detailed in para 4.9.3.

12.1.4 BIAL has accordingly computed the Aeronautical Tax as below:

Table 167: Aeronautical Taxation for the Fourth Control Period

(Rs. in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31
Average RAB	9,039.15	10,728.04	12,093.68	17,337.23	21,861.55
Cost of Debt	8.25%	8.53%	8.73%	8.82%	8.86%
Gearing %	48%	48%	48%	48%	48%
Interest Cost	357.98	439.34	506.50	734.21	929.81
Aeronautical Income Statement					
Aeronautical Revenue	7,529.19	8,127.00	8,684.55	9,279.03	10,213.05
30% Non Aeronautical Revenue	558.27	609.19	665.21	714.32	820.83
Total Revenues	**8,087.46**	**8,736.19**	**9,349.76**	**9,993.35**	**11,033.89**
Aeronautical Expenditure	1,433.50	1,626.69	1,800.57	2,129.18	2,521.52
Aeronautical Depreciation	852.23	1,027.19	1,143.26	1,653.21	2,134.91
Interest Cost	357.98	439.34	506.50	734.21	929.81
Total Expenditure	**2,643.71**	**3,093.23**	**3,450.32**	**4,516.60**	**5,586.24**
Profit for Tax computation	**5,443.75**	**5,642.96**	**5,899.43**	**5,476.75**	**5,447.64**
Minimum Alternate Tax Rate	17.47%	17.47%	17.47%	17.47%	17.47%
Aeronautical Tax for ARR	**951.13**	**985.94**	**1,030.75**	**956.90**	**951.81**

13 AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE FOURTH CONTROL PERIOD

13.1.1 The Aggregate Revenue Requirement (ARR) has been computed in line with the guidelines / Direction No. 05/2010-11.

13.1.2 BIAL submits the ARR and Yield Per Passenger (YPP) for the Fourth Control Period in accordance with the regulatory building block framework as follows:

Table 168: Aggregate Revenue Requirement for the Fourth Control Period

(Rs. in Crores)

Particulars	Ref.	FY27	FY28	FY29	FY30	FY31	Total
Average RAB	A	9,039.15	10,728.04	12,093.68	17,337.23	21,861.55	
FRoR	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on Average RAB	**C=A*B**	1,083.76	1,286.25	1,449.99	2,078.67	2,621.12	**8,519.79**
Depreciation	D	852.23	1,027.19	1,143.26	1,653.21	2,134.91	**6,810.80**
O&M Expenses	E	1,433.50	1,626.69	1,800.57	2,129.18	2,521.52	**9,511.46**
Aeronautical Tax	F	951.13	985.94	1,030.75	956.90	951.81	**4,876.53**
Interest on Working Capital#	G	-	-	-	-	-	**-**
True up of TCP^	H	14,342.55	-	-	-	-	**14,342.55**
ARR	**I=Sum (C:H)**	18,663.18	4,926.07	5,424.56	6,817.96	8,229.36	**44,061.13**
Non-Aeronautical Revenue		1,860.88	2,030.62	2,217.36	2,381.06	2,736.12	**11,226.04**
30% of NAR	J	558.27	609.19	665.21	714.32	820.83	**3,367.81**
Net ARR	**K=I-J**	18,104.91	4,316.89	4,759.35	6,103.64	7,408.53	**40,693.31**
Discount Factor		1.00	0.89	0.80	0.71	0.64	
Present Value of ARR	**N**	18,104.91	3,854.72	3,794.83	4,345.66	4,710.00	**34,810.11**
Annual Passenger Traffic		52.95	57.16	61.08	65.26	71.83	**308.26**
Total PV of ARR							**34,810.11**
Total Pax Traffic in Control Period							**308.26**
Yield per unit							**1,129.23**

13.1.3 BIAL will submit the Annual Tariff Plan once the ARR is proposed by the Authority.

13.1.4 BIAL requests that all components of ARR be trued up at actuals at the time of Tariff determination of the next control period.

14 ANNEXURES

Annex No.	Particulars
1	IGAAP Financials - FY 22 to FY 25
2	Letter sent to AERA on 5th October 2021 detailing the issues/discrepancies were noted in the Tariff Order
3	AERA letter dated 11th November 2021 covering design and PMC
4	Letter submitted to AERA on 21st November 2017, detailing the optimization steps taken up by BIAL
5	Certificate from CA on Capitalization of PAL-1 Assets in Second Control Period
6	PAL 1 justification note
7	Procurement Policy
8	Report of EIL on Soft cost Benchmark
9	CA Certificate on Financing Allowance for FY 2022 to FY 2025
10	Certificate on costs capitalized as part of PAL-1 in Third Control Period
11	CA certificate for Ratio of allocation of Assets for Third Control Period
12	Certificate on computation of Cost of Debt for Third Control Period
13	Minutes of Meeting dated 08.11.2023 held by MoCA and Service Agreement for Digi Yatra central ecosystem
14	Terminal – 2 Area Certificate
15	CA certificate on Allocation ratio of expenses for Third Control Period
16	Copy of the standard agreement by AAI indicating that no lease rentals are payable by AAI in line Greenfield Policy.
17	Summary of Master Plan
18	Summary of PAL 2 Cost plan
19	A copy of letter dated 4th Feb 2025 from AAI in regard to ATC construction
20	Letter from ACS GoK dated 26.8.2016 for creating the access to Eastern side of the airport – ECT
21	Letters from Principal Secretary and ACS, GoK, on Metro stations and Eastern Connectivity Tunnel.
22	MOU with BMRCL
23	AERA's letter dated 05.02.2018 to the Additional Chief Secretary, Infrastructure Development Department, GoK regarding Metro Capex
24	Detailed cost report for ICT expenditure