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F. No. AERA/20010/MYTP/BIAL/Bangalore/CP-IV/2025-26

आदेश संख्या 14/2026-27

Order No. 14/2026-27

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

केम्पेगौड़ा अंतर्राष्ट्रीय हवाईअड्डा, बैंगलुरू (बीएलआर) के लिए चतुर्थ नियंत्रण अवधि (01.04.2026–31.03.2031) के लिए वैमानिक टैरिफ निर्धारित करने के मामले में

IN THE MATTER OF DETERMINATION OF AERONAUTICAL TARIFF FOR KEMPEGOWDA INTERNATIONAL AIRPORT, BENGALURU (BLR) FOR THE FOURTH CONTROL PERIOD (01.04.2026 – 31.03.2031)

जारी करने की तारीख : 20 अगस्त, 2026

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AERA

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LIST OF ABBREVIATIONS

Abbreviation	Expansion
AAHL	Adani Airport Holdings Limited
AAI	Airports Authority of India
ACI	Airports Council International
ACS	Annual Compliance Statement
ADF	Airport Development Fee
AEP	Airport Entry Permit
AERA	Airports Economic Regulatory Authority of India
AGL	Airfield Ground Lighting
AHU	Air Handling Unit
AISATS	Air India SATS Airport Services Private Limited
AMC	Annual Maintenance Contract
ANS	Air Navigation Services
AOA	Airline Operations Agreement
AOC	Airline Operators Committee
AOC-BLR	Airline Operators Committee – Bengaluru
AOCC	Airport Operations Control Centre
AOD	Airport Opening Date
APAI	Air Passengers Association of India
APAO	Association of Private Airport Operators
APHO	Airport Health Organization
ARFF	Aircraft Rescue and Fire Fighting
ARR	Aggregate Revenue Requirement
ASF	Aviation Security Fee
ASK	Available Seat-Kilometre
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATCT	Air Traffic Control Tower
ATM	Air Traffic Movement
ATMS	Airport Terminal Metro Station
ATP	Annual Tariff Proposal
ATRS	Automated Tray Retrieval System
ATS	Air Traffic Services
AUCC	Airport Users Consultative Committee
AVDGS	Advanced Visual Docking Guidance System
BACL	Bengaluru Airport City Limited
BAHL	Bangalore Airport Hotel Limited
BAOA	Business Aircraft Operators Association
BASHM	Bird and Animal Strike Hazard Management
BASL	Bengaluru Airport Services Limited
BCAS	Bureau of Civil Aviation Security
BCIC	Bangalore Chamber of Industry and Commerce

Abbreviation	Expansion
BGR	Boarding Gate Reader
BHS	Baggage Handling System
BIAL	Bangalore International Airport Limited
BLR	Kempegowda International Airport, Bengaluru
BME	Bridge Mounted Equipment
BMRCL	Bangalore Metro Rail Corporation Limited
BMRDA	Bengaluru Metropolitan Region Development Authority
BRS	Baggage Reconciliation System
BWSSB	Bangalore Water Supply and Sewerage Board
CA	Concession Agreement
CAGR	Compounded Annual Growth Rate
CAPEX / Capex	Capital Expenditure
CAPM	Capital Asset Pricing Model
CAR	Construction All Risk
CAT	Category
CERC	Central Electricity Regulatory Commission
CFI	Construction Federation of India
CFT	Crash Fire Tender
CGF	Cargo, Ground Handling and Fuel Farm
CII	Confederation of Indian Industry
CISF	Central Industrial Security Force
CMBREL	Clean Max BIAL Renewable Energy Private Limited
CMC	Comprehensive Maintenance Contract
CNS/ATM	Communication, Navigation and Surveillance / Air Traffic Management
CP	Control Period
CPI	Consumer Price Index
CPIR	Combined Passenger Impact Ratio
CPWD	Central Public Works Department
CSR	Corporate Social Responsibility
CTO	Cargo Terminal Operator
CTW	Cross Taxiway
CUSS	Common User Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Work in Progress
DCPS	DC Power Supply
DCS	Departure Control System
DG	Diesel Generator
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
DIRPL	Dufry India Retail Private Limited
DME	Distance Measuring Equipment
DOCO	Date of Commercial Operation
DSR	Delhi Schedule of Rates

Abbreviation	Expansion
DVOR	Doppler Very High Frequency Omnidirectional Range
DYF	DIGI Yatra Foundation
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EBS	Early Bag Storage
EC	Environmental Clearance
ECT	Eastern Connectivity Tunnel
EIL	Engineers India Limited
ERP	Equity Risk Premium
ESG	Environmental, Social and Governance
F&B	Food and Beverages
FA	Financing Allowance
FAR	Fixed Asset Register
FAS	Fire Alarm System
FCP	First Control Period
FIA	Federation of Indian Airlines
FIDS	Flight Information Display System
FOD	Foreign Object Debris
FRoR	Fair Rate of Return
FRS	Facial Recognition System
FSS	Fire Suppression System
FTI-TTP	Fast Track Immigration – Trusted Traveller Programme
FY	Financial Year
GA	General Aviation
GAL	GMR Airports Limited
GCC	Global Capability Centre
GDP	Gross Domestic Product
GHIAL	GMR Hyderabad International Airport Limited
GoI	Government of India
GoK	Government of Karnataka
GSE	Ground Support Equipment
GST	Goods and Services Tax
HIAL	GMR Hyderabad International Airport Limited
HVAC	Heating, Ventilation and Air Conditioning
IAPP	Isolation Aircraft Parking Position
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Information and Communication Technology
IDC	Interest During Construction
IMG	International Management Group
IRR	Internal Rate of Return
JV	Joint Venture
KHB	Karnataka Housing Board
KIA / KIAB	Kempegowda International Airport, Bengaluru

Abbreviation	Expansion
KIADB	Karnataka Industrial Areas Development Board
KIAF	Kempegowda International Airport Foundation
KL	Kilo Litres
KPTCL	Karnataka Power Transmission Corporation Limited
KPWD	Karnataka Public Works Department
KSIIDC	Karnataka State Industrial and Infrastructure Development Corporation
kVA	Kilo Volt Ampere
kWh	Kilowatt Hour
KWMS	KIA West Metro Station
L&T	Larsen & Toubro Limited
LAN	Local Area Network
LED	Light Emitting Diode
LLA	Land Lease Agreement
MABPL	Menzies Aviation Bengaluru Private Limited
MADPL	Millennium Aero Dynamics Private Limited
MAG	Minimum Annual Guarantee
MARS	Multiple Aircraft Ramp System
MAT	Minimum Alternate Tax
MCLR	Marginal Cost of Funds based Lending Rate
MEP	Mechanical, Electrical and Plumbing
MIAL	Mumbai International Airport Limited
MLCP	Multi-Level Car Parking
MLD	Million Litres per Day
MMTH	Multi Modal Transport Hub
MoCA	Ministry of Civil Aviation
MPPA	Million Passengers Per Annum
MRO	Maintenance, Repair and Overhaul
MT	Metric Tonne
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NASFT	National Aviation Security Fee Trust
NCAP	National Civil Aviation Policy
NCD	Non-Convertible Debenture
NMIAL	Navi Mumbai International Airport Limited
NSPR	New South Parallel Runway
NTP	Notice to Proceed
O&M	Operations and Maintenance
OLS	Obstacle Limitation Surface
OMC	Oil Marketing Company
OPEX	Operating Expenditure
OPGW	Optical Ground Wire
ORAT	Operational Readiness and Airport Transfer
PAL	Planning Activity Level

Abbreviation	Expansion
PAT	Profit After Tax
PAX	Passenger
PBB	Passenger Boarding Bridge
PBT	Profit Before Tax
PHP	Peak Hour Passenger
PIDS	Perimeter Intrusion Detection System
PLF	Passenger Load Factor
PMC	Project Management Consultancy
PPE	Personal Protective Equipment
PPP	Public Private Partnership
PRM	Passengers with Reduced Mobility
PSF	Passenger Service Fee
R&M	Repair and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RCS	Regional Connectivity Scheme
RFI	Request for Information
ROCE	Return on Capital Employed
RoE	Return on Equity
RPK	Revenue Passenger-Kilometre
RPT	Related Party Transaction
RTU	Remote Terminal Unit
RWH	Rainwater Harvesting
SAS	Substation Automation System
SBR	Sequencing Batch Reactor
SCADA	Supervisory Control and Data Acquisition
SCP	Second Control Period
SEBI	Securities and Exchange Board of India
SHA	Security Hold Area
SITC	Supply, Installation, Testing and Commissioning
SPF	Survey of Professional Forecasters
SPRH	Service Provider Right Holder
SPV	Special Purpose Vehicle
SSA	State Support Agreement
STP	Sewage Treatment Plant
SWR	South West Runway
T2P1	Terminal 2 Phase 1
T2P2	Terminal 2 Phase 2
TCP	Third Control Period
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
UDAN	Ude Desh ka Aam Nagrik
UDF	User Development Fee
UPS	Uninterruptible Power Supply

Abbreviation	Expansion
VESDA	Very Early Smoke Detection Apparatus
VFD	Variable Frequency Drive
VHT	Vertical Handling Technology
VTP	Variable Tariff Plan
VUP	Vehicular Underpass
WACC	Weighted Average Cost of Capital
WCFT / WCT	West Cross Field Taxiway
WPI	Wholesale Price Index
WTP	Water Treatment Plant
YIAPL	Yamuna International Airport Private Limited
YPP	Yield Per Passenger

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1. BACKGROUND

1.1 Introduction

1.1.1 Bangalore International Airport Limited (hereinafter referred to as "BIAL" or "the Airport Operator"), is a Major Airport as per the provisions of the Airports Economic Regulatory Authority of India Act, 2008, based on the annual passenger throughput criteria prescribed thereunder. BIAL was incorporated as a Special Purpose Vehicle (SPV) under the Public-Private Partnership (PPP) framework with the objective of developing, financing, constructing, operating and maintaining the greenfield international airport at Bengaluru. The Airport project was conceptualized as a collaborative initiative by Karnataka State Industrial and Infrastructure Development Corporation (KSIIDC) and Government of India (via Ministry of Civil Aviation and Airports Authority of India) with strategic private sector participation, consistent with the policy framework of the Government of India aimed at encouraging private sector investment in airport infrastructure development.

1.1.2 Under the shareholding structure of BIAL, the Karnataka State Industrial and Infrastructure Development Corporation (KSIIDC), a Public Sector Undertaking of the Government of Karnataka (GoK), and Airports Authority of India (AAI), under the Government of India (GoI), together hold 26% equity in the Company, while the remaining 74% equity is held by strategic private sector joint venture partners. A concession agreement was signed between Ministry of Civil Aviation (MoCA) and Bangalore International Airport Limited (BIAL) on 05.07.2004 that authorized BIAL for the Development, Construction, Operation and Maintenance of the Bangalore International Airport The institutional and ownership framework of BIAL reflects the PPP model envisaged for development of critical aviation infrastructure, combining private sector efficiency and investment capability with continued public sector participation and institutional oversight.

1.1.3 In order to facilitate implementation of the Airport project and provide requisite state support for infrastructure development, the Government of Karnataka extended various forms of assistance to BIAL. As part of such support measures, the Government of Karnataka extended a soft loan of Rs. 350 Crores. to BIAL, for which a State Support Agreement (SSA) was executed between the Government of Karnataka and BIAL specifying the terms and conditions governing such assistance.

1.1.4 In addition to financial support, the Government of Karnataka facilitated land availability for the Airport project by providing approximately 4,008 acres of land on lease, thereby ensuring availability of adequate land required for development of airport infrastructure and associated facilities. A Land Lease Agreement (LLA) was executed in this regard between the parties concerned. The financial assistance and land support extended by the State Government constituted a critical enabling framework for timely implementation, construction and operationalization of the Airport project.

1.1.5 At the stage of financial closure and commencement of construction activities, the initial phase of Bengaluru International Airport was conceived with a designated passenger handling capacity of approximately 4.5 million passengers per annum (MPPA), with an estimated project cost of Rs. 1,411.79 Crores. However, during the course of project implementation, air traffic demand and passenger growth projections indicated a substantially higher level of aviation activity than originally envisaged. In view of the emerging traffic requirements and with the objective of ensuring adequate infrastructure availability and prescribed service levels at the Airport Opening Date (AoD), BIAL undertook a redesign and expansion of the initial phase during implementation itself.

1.1.6 Consequently, the planned passenger handling capacity of the Airport was enhanced from 4.5 MPPA to 11.4 MPPA, resulting in a corresponding increase in the project cost from Rs. 1,411.79 Crore to Rs. 1,930.29 Crore. The incremental capital requirement arising from such redesign and capacity augmentation was primarily financed through additional debt mobilization from lenders.

1.1.7 Subsequently, BIAL undertook supplementary development works involving an additional expenditure budget of Rs. 540 Crore. These works were financed through a combination of additional equity infusion by shareholders and further debt funding from lenders, resulting in the aggregate project cost getting increased to Rs. 2,470.29 Crore. The phased capacity augmentation and financing approach adopted by BIAL enabled the Airport to achieve the requisite Operationalisation and infrastructure capability at commencement of operations while maintaining prescribed operational and service standards.

1.1.8 The shareholding pattern of BIAL as on 31.03.2026 is provided below:

Table 1: Shareholding Pattern of Bangalore International Airport Limited

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

1.2 Profile of Kempegowda International Airport

1.2.1 Kempegowda International Airport, Bengaluru ("KIAB"/ "Airport") was a greenfield airport developed under the Public-Private Partnership ("PPP") framework. The Airport was commissioned on 24.05.2008 and has since developed into an important aviation hub serving Bengaluru and the adjoining region.

1.2.2 KIAB recorded significant growth in passenger and aircraft traffic since commencement of commercial operations. The Airport presently provides connectivity to approximately **80 domestic destinations** and **34 international destinations**. In terms of passenger throughput, KIAB is the third busiest airport in India and has the largest passenger and cargo handling capacity in South India.

Table 2: Actual Traffic achieved in the Third Control Period

Year	Passenger (in Millions)			ATM (in 000's)		
	Domestic	International	Total	Domestic	International	Total
FY22	15.19	1.10	16.29	132.53	15.48	148.01
FY23	28.13	3.79	31.92	198.51	24.71	223.22
FY24	32.86	4.67	37.53	216.98	27.91	244.89
FY25	36.04	5.83	41.87	232.89	34.96	267.85
FY26	37.24	7.23	44.47	237.15	42.82	279.97
Total	**149.46**	**22.62**	**172.08**	**1018.07**	**145.88**	**1163.95**

1.2.3 The Airport has integrated passenger terminal facilities and supporting airside infrastructure to cater to domestic and international traffic. The airside and terminal infrastructure are designed to support increasing traffic volumes while ensuring operational efficiency, safety and passenger service quality. The terminal and technical characteristics of BLR Airport, as submitted by BIAL, are summarized in the table below.

Table 3: Terminal Building and Technical Details of KIA

Terminal Building Details			
Terminal-wise details	**Terminal 1 – Dom**	**Terminal 2 – Dom**	**Terminal 2 - Int**
Terminal serving	Domestic only with GA	Integrated with GA	
Total Departure entry gates	30	19	
Departure entry gates for passengers	28	18	
No. of traditional check-in counters	86	54	
No. of self-baggage drops	16	36	
No. of security lanes	26	9	9
No. of immigration counters (departure)	NA	NA	38
No. of boarding gates	Contact gates – 17 Nos; Bus gates – 9 Nos	24 (10 Contact + 14 Bus)	13 (9 Contact + 4 Bus)
No. of aerobridges	17	10	9
No. of Baggage Delivery Belts	7	4	4
No. of immigration counters (arrival)	NA	NA	58
Capacity (annual)	Current – 26.5 MPPA	Current -15.6 MPPA	Current - 9.4 MPPA
Statutory Capacity (annual)	Post Upgrade – 35 MPPA	Post Expansion – 45 MPPA	
Area	163,535 m^2	Current - 255,645 m^2 Post Expansion – 526,732 m^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
Dimension of each runway	South Runway - 4000 X 45m + 15m Shoulder each side
Orientation of each runway	09L/27R and 09R/27R
Dimension of parallel taxiway	TWY A: 4000 X 25m + 10.5m Shoulder each side
Dimension of parallel taxiway	TWY H: 4000 X 23m + 10.5m Shoulder each side
Dimension of parallel taxiway	TWY B: 1300 X 23m + 10.5m Shoulder each side
Dimension of parallel taxiway	TWY G: 2000 X 23m + 10.5m Shoulder each side

Key Milestones FY26	
Passenger Traffic Handled (in Mn)	44.47
Average Pax/Day	1,21,836
Average ATM/Day	767
Cargo Tonnage (in Tonnes)	5,32,012

Key Concessionaires/ Operators	
Cargo Services	Menzies Aviation (Bengaluru) Private Limited ("MABPL") WFS (Bengaluru) Private Limited (WFS(B)PL
Ground handling services	M/s Globe Ground India M/s Menzies Aviation M/s Air India Sats
Oil Marketing Companies (OMCs)	Fuel Farm: M/s IOSL, ITP: M/s IOSL and BSSPL.

1.3 Tariff Setting Principles for BIAL

1.3.1 Airports Economic Regulatory Authority of India (AERA) was established by the Government of India vide notification No. GSR 317(E) dated 12.05.2009. The function of AERA, in respect of Major Airports, are specified in section 13(1) of The Airports Economic Regulatory Authority of India Act, 2008 ('AERA Act' or 'the Act') read with AERA (Amendment) Act 2019 and 2021, which are as below:

i. To determine the tariff for aeronautical services taking into consideration

i. *Capital expenditure incurred and timely investment in improvement of airport facilities;*

ii. *Quality of services provided and other relevant service-related considerations;*

iii. *Costs associated with improvement in efficiency;*

iv. *Economic and viable operation of major airports;*

v. *Revenue received from services other than aeronautical services;*

vi. *Concessions offered by the Central Government under agreements, memoranda of understanding, or other arrangements; and*

vii. *Any other factor considered relevant for the purposes of the Act.*

Provided that different tariff structures may be determined for different airports having regard to all or any of the above considerations specified at sub-clauses (i) to (vii);

ii. to determine the amount of development fees in respect of major airports;

iii. to determine the amount of passenger service fee levied under rule 88 of the Aircraft Rules,1937 made under Aircraft Act, 1934 (22 of 1934);

iv. to 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;

v. to call for such information as may be necessary to determine the tariff under clause 13(1)(a).

vi. to perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act."

1.3.2 The terms "aeronautical services" and "Major Airports" are defined in Sections 2(a) and 2(i) of the Act, respectively.

1.3.3 As per the AERA Act, 2008, the aeronautical service means any services provided:

"

a) for navigation, surveillance and supportive communication thereto for air traffic management;

b) for the landing, housing or parking of an aircraft or any other ground facility offered in connection with aircraft operations at any Airport;

c) for ground safety services at an Airport;

d) for ground handling services relating to aircraft, passengers and cargo at an Airport;

e) for the cargo facility at an Airport;

f) for supplying fuel to the aircraft at an Airport; and

g) for a stakeholder at an Airport, for which the charges, in the opinion of the Central Government for the reasons to be recorded in writing, may be determined by the Authority"

1.3.4 AAI (Airports Authority of India) under Ministry of Civil Aviation, Government of India, being the sole service provider, handles Air Navigation Services (ANS) across the country including at Bengaluru Airport. Thus, the tariff for ANS is presently determined and regulated by the Ministry of Civil Aviation (MoCA) at national level to ensure uniformity across airports. All assets, expenses and revenues pertaining to ANS are accordingly considered separately by the MoCA while determining the tariff for ANS.

1.4 Authority's order applied in this Tariff Order

1.4.1 Regulatory philosophy and Tariff Determination

i. Order No. 13 dated 12.01.2011 (Regulatory philosophy and approach in Economic Regulation of Airport Operators) and Direction No. 5 dated 28.02.2011 (Terms and conditions for determination of tariff for Airport Operators)

ii. Order No. 14/2016-17 dated 23.01.2017 in the matter of aligning certain aspects of the Authority's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy – 2016 (NCAP-2016) approved by the Government of India

iii. Order No. 42/2018-19 dated 5.03.2019 in the matter of Determination of Fair Rate of Return (FRoR) to be provided on Cost of Land incurred by various Airport Operators in India

iv. Order No. 20/2016-17 dated 31.03.2017 in the matter of allowing Concession to Regional Connectivity Scheme (RCS) Flights under RCS – Ude Desh ka Aam Nagarik (UDAN) at Major Airports

1.4.2 Normative approach to Building Blocks in Economic Regulation of Major Airports (Capital Costs Reg.)

i. The Authority issued Order No. 07/2016-17 dated 6.06.2016, in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports – Capital Costs Reg.

1.4.3 Determination of useful life of airport assets

i. The Authority issued Order No. 35/2017-18 dated 12.01.2018 and Amendment No.1 to Order No.35/2017-18 dated 9.04.2018, in the matter of determination of useful life of airport assets.

1.5 Past events in tariff determination history

1.5.1 Pursuant to the AERA Act, 2008, the Authority issued guidelines for determining aeronautical tariffs at major airports. BIAL submitted Multi-Year Tariff Proposals (MYTP) for the control periods, based on which the Authority determined the aeronautical tariffs as detailed below

i. For the First Control Period (1.04.2011 – 31.03.2016), the Authority determined the aeronautical tariff vide Order No. 08/2014-15 dated 10.06.2014

a. 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 at USD 1.25 per departing passenger, effective from 1.07.2014.

b. 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 1.07.2014 had ordered status quo in respect of these ICT charges as on 10.06.2014, when the impugned order was passed. Subsequently, BIAL and FIA arrived at a settlement to scale down the CUSS/CUTE/BRS charges.

c. Based on this, the Authority issued Order No. 15/2014-15 on 6.01.2015 allowing BIAL to levy CUTE, CUSS and BRS Charges on Domestic and International departing passengers at USD 1 effective from 15.01.2015, for First Control Period.

ii. For the Second Control Period (1.04.2016 – 31.03.2021), the aeronautical tariff was finalized vide Order No. 18/2018-19 dated 31.08.2018. The Authority vide corrigendum dated 4.9.2018, issued a revised tariff card.

a. BIAL filed an appeal against Order No. 18/2018 - 19 in Ld. TDSAT vide appeal No.8 of 2018 dated 14.03.2019. BIAL had also filed an interlocutory application, M.A. No. 449/2018 requesting for interim relief by way of staying operation of certain portion of the Order No. 18/2018-19 and for permitting BIAL to collect charges as per the rate card of the First Control Period.

b. Ld. TDSAT passed an interim order on 14.03.2019 ("Ld. TDSAT Interim Order"), permitting BIAL to collect UDF of First Control Period for a limited period of four months - from 16.04.2019 to 15.08.2019.

iii. For the Third Control Period (1.04.2021 – 31.03.2026), BIAL submitted its MYTP on 24.07.2020. Following stakeholder consultations, the aeronautical tariff was finalized vide Order No. 11/2021-22 dated 28.08.2021.

iv. BIAL has filed an appeal No 5 of 2021 against the tariff order No. 11/2021-22 dated 28.08.2021 passed by AERA determining the 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 Ld. TDSAT for adjudication.

v. In view of the likelihood of spike in tariff in the 4th Control Period on account of substantial carry forward of shortfall along with carrying cost coupled with huge Capex and with the objective of reducing under recovery and balancing the tariff in the interest of passengers in the succeeding Control Period, the Authority vide its amendment order dated 14.11.2025, amended the Order No. 11/2021-22 dated 28th August 2021 and maintained the Landing, Parking and UDF charges as applicable from 01.04.2025 to 31.12.2025 even for the last quarter of FY 2025-26 i.e. for the period of 1.01.2026 to 31.03.2026.

vi. Further, the Authority vide Order No.26/2025-26 dated 16.03.2026, allowed BIAL to levy the existing tariff, applicable as on 31.03.2026, on interim basis, for a further period of 06 (six) months w.e.f. 01.04.2026 to 30.09.2026 or till the determination of regular tariff for their respective Control Period, whichever is earlier.

1.5.2 The following are the tariff orders issued by the Authority for BIAL:

Table 4: Tariff Orders issued by the Authority for BIAL

Tariff Orders	Applicability Period	Pertaining To
Order No. 08/2014-15 10.06.2014	w.e.f. 01.04.2011 to 31.03.2016	First Control Period

Tariff Orders	Applicability Period	Pertaining To
Order No. 18/2018-19 dated 31.08.2018	w.e.f. 01.04.2016 to 31.03.2021	Second Control Period
Order No. 11/2021-22 dated 28.08.2021	w.e.f. 01.04.2021 to 31.03.2026	Third Control Period
Order no 40/2023-24 dated 14.11. 2025 Interim Tariff Extension Order	w.e.f. 01.01.2026 to 31.03.2026	Third Control Period
Order no 26/2025-26 dated 16.03.2026 Interim Tariff Extension Order	w.e.f. 01.04.2026 to 30.09.2026	Fourth Control Period

1.6 Matters pending before the Ld. TDSAT/Hon'ble Supreme Court

1.6.1 The Tariff Orders issued by the Authority for the First and Second Control Period were challenged by BIAL and FIA. Ld. TDSAT vide its common judgment dated 16.12.2020, disposed of both these appeals and all the decisions of the Authority in these two Tariff Orders barring the decisions on two issues i.e. Corporate Social Responsibilities and Pre-Control Period Entitlement, were upheld by the Ld. TDSAT. The Ld. TDSAT's judgment dated 16.12.2020, has been challenged by BIAL, AERA and FIA. All these Civil appeals are pending in the Hon'ble Supreme Court and accordingly, the issues raised therein are sub judice and yet to attain finality.

1.6.2 AERA issued Tariff order no. 11/2021-22 dated 28.08.2021, for the Third Control Period (2021-26). BIAL has filed Appeal No. 5 of 2021 Ld. TDSAT, challenging this Tariff Order.

1.6.3 Subsequently, BIAL also filed a Miscellaneous Application (M.A.) No. 171 of 2024 in Appeal No. 5 of 2021, seeking amendment of the appeal for the inclusion of additional issues and grounds on the basis of number of Hon'ble TDSAT judgments dated 21.07.2023, 06.10.2023, 14.02.2024, passed in DIAL 2nd & 3rd Control Period Appeal, MIAL 2nd & 3rd Control Period Appeal and HIAL 3rd Control Period Appeal, respectively. In all these judgements, certain issues have been decided in favor of the Airport Operators and on certain issues the decision of the Authority have been upheld. All these judgments of Hon'ble TDSAT have been challenged by AERA by filing Civil Appeals in the Hon'ble Supreme Court and these Civil Appeals are pending for adjudication. Additionally, the Appeal No. 5 of 2021, filed by BIAL against the Tariff Order for the 3rd Control Period is also pending adjudication in Hon'ble TDSAT. Therefore, the issues raised in the Civil Appeals filed by AERA against Hon'ble TDSAT judgments dated 21.07.2023, 06.10.2023, 14.02.2024, and in the Appeal No. 05 of 2021 filed by BIAL in Hon'ble TDSAT are sub-judice and yet to attain finality.

1.7 Issuance of Consultation Paper and receipt of Stakeholders' Comments for the Tariff Determination for the Fourth Control Period

1.7.1 BIAL submitted the Multi Year Tariff Proposal ("MYTP") for the 4th Control Period on 12.07.2025, seeking revision of tariffs for aeronautical services at Kempegowda International Airport, Bengaluru, sfor the Authority's consideration and approval for the Fourth Control Period, i.e., from 01.04.2026 to 31.03.2031. BIAL has factored the decisions/orders of the Hon'ble TDSAT on many issues relating to tariff determination of the previous Control Periods as covered in various Hon'ble TDSAT judgments dated 21.07.2023, 06.10.2023, 14.02.2024, passed in Appeals filed by DIAL against 2nd & 3rd Control Period Tariff Order, Appeals filed by MIAL against 2nd & 3rd Control Period Tariff Order and the Appeal filed by HIAL against 3rd Control Period Tariff Order, respectively. As per BIAL, these decisions/orders have implications for the true-up of earlier Control Periods, including the Second and Third Control Periods, as well as for the treatment of various Regulatory Building Blocks for the Fourth Control Period.

1.7.2 However, the Authority has challenged the decisions of the Hon'ble TDSAT by filing Civil Appeals in the Hon'ble Supreme Court under Section 31 of AERA Act, 2008. These Civil Appeals filed by AERA were opposed by the Airport Operators on the ground that AERA, being a Tariff determining Authority, is a quasi-judicial body and therefore, it cannot file Appeal against the judgement of Hon'ble TDSAT which is an appellate Authority. The Hon'ble Supreme Court vide its judgement dated 18.10.2024 rejected the contentions of Airport Operators and has held that the appeals filed by the Authority under Section 31 of the AERA Act, 2008, against the Hon'ble TDSAT orders are maintainable on the ground that AERA is a necessary party in the Appeals filed before the Hon'ble TDSAT and the Authority is the custodian of public interest and for protecting public interest it can file Civil Appeal under Section 31 of the AERA Act, 2008. The Hon'ble Supreme Court has now listed these Civil Appeals filed by the Authority for hearing on merit and are pending before Hon'ble Supreme Court for final settlement and thus the issues raised in these Civil Appeals are sub-judice.

1.7.3 Authority further notes that the Civil Appeals filed by BIAL, AERA and FIA against the Hon'ble TDSAT's judgment dated 16.12.2020, passed in BIAL's appeal against 1st & 2nd Control Period Tariff orders issued by the Authority, are also pending adjudication before the Hon'ble Supreme Court. Further, Appeal No. 05 of 2021, filed by BIAL against the Tariff Order for the Third Control Period, is pending before the Hon'ble TDSAT and hence, the issues raised in these appeals are also sub judice.

1.7.4 The Authority has carefully examined the issue of factoring the above-mentioned orders of the Hon'ble TDSAT in the Fourth Control Period Tariff Order. The Authority has utmost regards for the directions of the Appellate Authority. However, the Authority has challenged these orders in Hon'ble Supreme Court under section 31 of AERA Act, 2008, and Hon'ble Supreme Court is presently hearing these matters. Thus, the issues raised in the Civil Appeal filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized up of the matters. Therefore, the Authority notes that under such circumstances if it decides to implement the Hon'ble TDSAT orders without finally settling the issues before the Hon'ble Supreme Court and increase in tariff is effected considering BIAL's submissions on the basis of Hon'ble TDSAT judgments, for the Fourth Control Period, then it shall lead to a significant increase in Aeronautical tariff which will have to be borne by the Airport users as BIAL will start recovery of increased tariff from the Airport users. However, if at a later stage, the Civil Appeals filed by the Authority are upheld or decided in AERA's favour, then it will not be possible to refund excess charges collected from the Airport users during this period on account of increase in tariff. Thus, there will be substantial over recovery by the Airport Operator at the cost of Airport Users. Due to all these factors, BIAL would have unjust enrichment at the cost of Airport users. All these factors clearly establish that considering BIAL submissions of giving effects to the Hon'ble TDSAT judgements without finally settling the issues before Hon'ble Supreme Court, is not in public interest, more so when the Hon'ble Supreme Court is seized up of all these issues and is hearing these Civil Appeals. On the contrary, Authority is of view that public interest would be better served if Authority takes decisions on the basis of final decision of Hon'ble Supreme Court of India on these issues.

1.7.5 Considering the above and in public interest, the Authority proposes to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period. The final decision with regard to the issues raised by the Authority in the Civil Appeal will be taken once the matters attain finality in the proceedings before the Hon'ble Supreme Court.

1.7.6 Further, BIAL, vide email dated 21.05.2026, furnished actual unaudited financial data for FY 2025-26, including information relating to passenger traffic, aircraft traffic, operating expenditure, non-aeronautical revenues and Regulatory Asset Base ("RAB"). The said information was submitted to

facilitate the Authority's examination of the true-up exercise and the regulatory assumptions forming part of the MYTP for the Fourth Control Period.

1.7.7 As part of the tariff determination process for the Fourth Control Period, the Authority engaged M/s PricewaterhouseCoopers (PwC) as an independent Tariff Consultant to carry out a detailed review of the Multi-Year Tariff Proposal (MYTP) submitted by BIAL. PwC assisted the Authority in verifying and validating the data and supporting documents submitted by BIAL, including audited financial statements, Fixed Asset Register (FAR), construction and contract records, expenditure details, traffic and financial information. PwC also supported the Authority in examining whether the treatment of various regulatory building blocks is consistent with the Authority's regulatory principles and tariff determination framework. Also, the Authority had engaged M/s MECON Limited as an independent Capital Expenditure (Capex) Consultant to evaluate the capital expenditure proposals submitted by BIAL for the Fourth Control Period. The review covered the need, scope, size, cost and capitalization schedule of the proposed projects, as well as their alignment with traffic growth and operational requirements. The assessment and recommendations of the independent Capex consultant form an integral part of this Tariff Order.

1.7.8 The independent consultants further assisted the Authority in assessing whether the proposed treatment of various regulatory building blocks is consistent with the Authority's established regulatory principles, methodologies, and tariff determination framework.

1.7.9 The Authority, through the independent consultant, has sought from BIAL additional information, supporting documents, and clarifications relating to the true-up exercise for previous control periods as well as the assumptions underpinning projections for the Fourth Control Period. Such information has been sought to facilitate a comprehensive examination of the MYTP and to ensure that the regulatory treatment accorded to various building blocks is supported by adequate justification, documentary evidence, and prudent forecasting assumptions. The timeline of various submissions made by BIAL with regards to the MYTP for the Fourth Control Period is as below:

Table 5: Timeline of various submissions made by BIAL

S. No.	Activity	Date
1.	MYTP Submission	12.07.2025
2.	MYTP Presentation by BIAL	19.09.2025
3.	Queries relating to impact of TDSAT Orders sent to BIAL	08.10.2025
4.	Queries relating to Aeronautical Revenue volumes for the Third Control Period sent to BIAL	13.10.2025
5.	Submission of response by BIAL on impact of TDSAT Orders	15.10.2025
6.	Submission of response by BIAL on volumes considered for computation of Aeronautical Revenue	16.10.2025
7.	First set of queries relating to Non-Aeronautical Revenue and Operating Expenses sent to BIAL	21.10.2025 & 23.10.2025
8.	Submission of responses by BIAL to queries relating to Non-Aeronautical Revenue and Operating Expenses	25.10.2025 & 27.10.2025
9.	First set of queries relating to RAB and Depreciation sent to BIAL	10.11.2025
10.	First set of queries relating to Aeronautical Revenue, Tax and Fair Rate of Return sent to BIAL	11.11.2025
11.	Query relating to sizing of Terminal 2 Phase 2 sent to BIAL	11.11.2025
12.	Submission of copies of Income Tax Returns for FY 2021-22 to FY 2024-25 by BIAL	11.11.2025
13.	Submission of responses by BIAL to queries relating to Fair Rate of Return	13.11.2025

S. No.	Activity	Date
14.	Submission of responses by BIAL to queries relating to RAB and Depreciation	18.11.2025
15.	Queries relating to Traffic sent to BIAL	19.11.2025 & 20.11.2025
16.	Submission of responses by BIAL to queries relating to Traffic	19.11.2025 & 20.11.2025
17.	Submission of responses by BIAL to queries relating to Aeronautical Revenues	20.11.2025
18.	Follow-on queries relating to Non-Aeronautical Revenue sent to BIAL	21.11.2025
19.	Submission of responses by BIAL to follow-on queries relating to Non-Aeronautical Revenue	27.11.2025
20.	Follow-on queries relating to Fair Rate of Return and Operating Expenses sent to BIAL	12.01.2026
21.	Submission of responses by BIAL to queries relating to Fair Rate of Return	21.01.2026
22.	Submission of responses by BIAL to queries relating to Operating Expenses	23.01.2026 & 29.01.2026
23.	Submission of response by BIAL regarding runway capacity	28.01.2026, 30.01.2026 & 04.02.2026
24.	Submission of information regarding AAI's letter on the new ATC Tower at Bengaluru Airport	23.02.2026
25.	Submission of further responses by BIAL to queries relating to Operating Expenses	23.02.2026 & 26.02.2026
26.	Partial submission of responses by BIAL to queries relating to RAB and Depreciation for the Third Control Period	26.02.2026
27.	Submission of response by BIAL on completed cost of MMTH under Forecourts, Roads and Landside Infrastructure programme in the Third Control Period	02.03.2026
28.	Submission of response by BIAL on Eastern Connectivity Tunnel project proposed for the Fourth Control Period	18.03.2026
29.	Submission of basis for Soft Costs, including Design, PMC, Pre-operative Expenses and Contingency estimates for proposed Capex in the Fourth Control Period	
30.	Submission of response by BIAL regarding additional projects under T1 Upgrade Programme	
31.	Submission of response by BIAL regarding Master Plan prepared by BIAL	27.03.2026
32.	Further follow-on queries sent to BIAL regarding operating expenses	10.04.2026
33.	Submission of revised Sustaining Capex proposed for the Fourth Control Period by BIAL	17.04.2026
34.	Queries relating to Provisional Financials for FY'26 sent to BIAL	22.04.2026
35.	Further follow-on queries sent to BIAL regarding NAR	24.04.2026
36.	Queries relating to Variable Tariff Plan sent to BIAL	04.05.2026
37.	Response relating to Variable Tariff Plan by BIAL	05.05.2026
38.	Response relating to Variable Tariff Plan by BIAL	07.05.2026
39.	Response relating to NAR by BIAL	
40.	Further follow-on queries relating to 3rd and 4th CP, RAB, Depreciation and Aeronautical Revenue sent to BIAL	08.05.2026
41.	Follow on queries pertaining to Variable Tariff Plan sent to BIAL	11.05.2026
42.	Response relating to 3rd and 4th CP RAB/CAPEX/Depreciation by BIAL	
43.	Follow on queries pertaining to 3rd CP CAPEX sent to BIAL	20.05.2026
44.	Submission of revised MYTP Financial Models by BIAL	21.05.2026
45.	Responses relating to 3rd CP CAPEX by BIAL (x 2)	

S. No.	Activity	Date
46.	Response relating to 3rd CP CAPEX by BIAL	23.05.2026
47.	Queries relating to ASQ ratings sent to BIAL	25.05.2026
48.	Response relating to ASQ ratings by BIAL	
49.	Response relating to NAR and Opex by BIAL	
50.	Response relating to 3rd CP CAPEX by BIAL	
51.	Follow on queries pertaining to 3rd CP CAPEX sent to BIAL	
52.	Further follow on queries pertaining to 3rd CP CAPEX sent to BIAL	26.05.2026
53.	Response by BIAL on query relating to FAR	
54.	Submission of response by BIAL regarding Provisional Financials for FY'26	27.05.2026
55.	Submission of response by BIAL regarding 3rd CP CAPEX	27.05.2026
56.	Further follow on queries pertaining to 3rd CP CAPEX sent to BIAL	28.05.2026
57.	Further follow-on queries sent to BIAL regarding NAR	28.05.2026
58.	Follow on queries pertaining to 4th CP CAPEX sent to BIAL	29.05.2026
59.	Submission of response by BIAL regarding 3rd CP CAPEX	30.05.2026
60.	Submission of response by BIAL regarding 4th CP NAR	
61.	Further follow on queries pertaining to 3rd CP CAPEX sent to BIAL	31.05.2026
62.	Follow on queries pertaining to 3rd and 4th CP Opex sent to BIAL	
63.	Submission of response by BIAL regarding 4th CP CAPEX	
64.	Submission of response by BIAL regarding 3rd CP Opex	01.06.2026
65.	Clarifications pertaining to Capex for the 3rd Control Period	02.06.2026
66.	Submission of response by BIAL regarding 3rd CP CAPEX	02.06.2026
67.	Submission of response by BIAL regarding Aero Asset Additions during 3rd CP	03.06.2026

1.7.10 After reviewing the various submissions made by BIAL along with MYTP, the Authority issued the Consultation Paper No. 01/2026-27 dated 12th June 2026.

1.7.11 Subsequent to the release of the Consultation Paper, the Authority convened a meeting with Stakeholders on the 29th June 2026. The Minutes of the Meeting is available on AERA's website. Following the Stakeholders' Consultation Meeting, BIAL submitted the Annual Tariff Proposal (ATP) along with the Tariff Rate Card for the Fourth Control Period based on the Target Revenue determined by the Authority at the Consultation Stage. Following the release of the Consultation Paper. The ATP and Tariff Rate Card are available on AERA's website. Stakeholders' comments and BIAL's counter comments were scheduled for submission by 13th July 2026 and 20th July 2026 respectively.

1.7.12 This Stakeholders consultation meeting was conducted in a hybrid mode to attract participation across the various streams of stakeholders and also to encourage active discussion on the various proposals of the Authority as enumerated in the Consultation Paper. Sufficient notices were also given in national newspapers to ensure adequate and necessary interest is generated towards the stakeholder consultation process to get the first-hand information/ views of the stakeholders.

1.7.13 As part of the Stakeholders' Consultation process, the following stakeholders submitted comments on the Consultation Paper No. 01/2026-27 dated 12th June 2026 till the last date of submission of Stakeholders' comments i.e., 13th July 2026 and these comments are available on AERA's website:

1. Bangalore International Airport Limited (BIAL)
2. Adani Airport Holdings Limited (AAHL)
3. Air India Group
4. Air Passengers Association of India (APAI)
5. Airline Operators Committee (AOC-BLR)
6. Association of Private Airport Operators (APAO)
7. Business Aircraft Operators Association (BAOAI)

8. Bangalore Chamber of Industry and Commerce (BCIC)
9. Confederation of Indian Industry (CII)
10. Construction Federation of India (CFI)
11. Fairfax India Holdings Corporation
12. GMR Airports Limited (GAL)
13. Government of Karnataka (GoK)
14. Interglobe Aviation Limited (Indigo)
15. International Air Transport Association (IATA)
16. Lufthansa Group (has seconded comments submitted by IATA)
17. Millenium Aero Dynamics Private Limited
18. Millennium Reddot Private Limited
19. Menzies Aviation
20. Yamuna International Airport Private Limited (YIAPL)

1.7.14 The segregation of the stakeholders who have commented amongst the regulatory building blocks concerned are as shown in the table below:

Table 6: Names of Stakeholders who submitted comments/ views on Regulatory Building Blocks

Component Impacting Tariff Determination for the Fourth Control Period	Name of Stakeholders' who commented / submitted views on Regulatory Building Blocks / Tariff Determination Process
Background (Sub-judice Matters)	• International Air Transport Association (IATA)
True Up for the Second Control Period	• Bangalore International Airport Limited (BIAL) • International Air Transport Association (IATA)
True Up Capital Expenditure (Capex), Depreciation and RAB for the Third Control Period	• Bangalore International Airport Limited (BIAL) • International Air Transport Association (IATA)
True Up for the Third Control Period (Operating Expenses)	• Bangalore International Airport Limited (BIAL) • Fairfax India Holdings Corporation
True Up for the Third Control Period (Aeronautical Taxes)	• Bangalore International Airport Limited (BIAL)
True Up for the Third Control Period (Non-Aeronautical Revenue)	• Bangalore International Airport Limited (BIAL)
True Up for the Third Control Period (Aeronautical Revenues)	• Bangalore International Airport Limited (BIAL)
True Up for the Third Control Period (Traffic)	• International Air Transport Association (IATA)
Traffic for the Fourth Control Period	• Bangalore International Airport Limited (BIAL), • International Air Transport Association (IATA)
Capital Expenditure (Capex), Depreciation and RAB for the Fourth Control Period	• Bangalore International Airport Limited (BIAL) • Fairfax India Holdings Corporation, • Air India Group • Millennium Aero Dynamics Private Limited • The Air Passengers Association of India (APAI) • Business Aircraft Operators' Association (BAOA) • Infrastructure Development, Ports and Inland Water Transport Department, Government of Karnataka • Airline Operators Committee (AOC) – Bengaluru Airport • Millennium Reddot Private Limited • Confederation of Indian Industry (CII), Association of Private Airport Operators (APAO) • Construction Federation of India (CFI) • International Air Transport Association (IATA) • Menzies Aviation

Component Impacting Tariff Determination for the Fourth Control Period	Name of Stakeholders' who commented / submitted views on Regulatory Building Blocks / Tariff Determination Process
	• Bangalore Chamber of Industry and Commerce (BCIC)
Weighted Average Cost of Capital (WACC) for the Fourth Control Period	• Bangalore International Airport Limited (BIAL) • International Air Transport Association (IATA)
Inflation for the Fourth Control Period	
Operating Expenses for the Fourth Control Period	• Bangalore International Airport Limited (BIAL) • Government of Karnataka • Association of Private Airport Operators (APAO) • Fairfax India Holdings Corporation • International Air Transport Association (IATA)
Non-Aeronautical Revenue (NAR) for the Fourth Control Period	• Airline Operators' Committee (AOC) – Bengaluru Airport • Bangalore International Airport Limited (BIAL) • Adani Airport Holdings Limited (AAHL) • Association of Private Airport Operators (APAO) • Fairfax India Holdings Corporation • GMR Airports Limited • International Air Transport Association (IATA) • Yamuna International Airport Private Limited (YIAPL)
Aeronautical Taxes for the Fourth Control Period	• Bangalore International Airport Limited (BIAL) • International Air Transport Association (IATA)
Aggregate Revenue Requirement for the Fourth Control Period	• Infrastructure Development Ports and Inland Water Transport Department Government of Karnataka • Bangalore International Airport Limited (BIAL) • Adani Airport Holdings Limited (AAHL) • Air India Group • Association of Private Airport Operators (APAO) • Fairfax India Holdings Corporation • GMR Airports Limited • Interglobe Aviation Limited (Indigo) • International Air Transport Association (IATA) • Yamuna International Airport Private Limited (YIAPL)
Aeronautical Revenues for the Fourth Control Period	• Air India Group • Interglobe Aviation Limited (Indigo) • Fairfax India Holdings Corporation • International Air Transport Association (IATA) • Business Aircraft Operators Association (BAOA)
Quality of Service for the Fourth Control Period	• Business Aircraft Operators Association (BAOA)

1.7.15 No inputs were received from the Ministry of Civil Aviation (MoCA) as part of the Consultation Process.

1.7.16 The counter comments from BIAL on the comments from other stakeholders were received on 23rd July 2026. Thus, the Stakeholders' Consultation Process concluded on receipt of counter comments by BIAL.

1.8 Related Party Transactions

1.8.1 The Authority, through its Independent Consultant, obtained details of the related parties with whom the airport operator has engaged, for rendering or receiving services. The list of such related parties and the nature of services rendered during the five years of the Third Control Period are provided in the table below:

Table 7: Related Parties of BIAL in the Third Control Period

SL. No	Nature of Services	Name of Related Party	Description of Relationship
1.	Duty-Free Concession/ Rental Income	DUFRY India Retail Private Limited	JV
2.	Cargo Service	Menzies Aviation (Bengaluru) Private Limited (MABPL)	JV
3.	Cargo Service	WFS (Bengaluru) Private Limited	JV
4.	Lounge Service	Bengaluru Airport Services Limited (BASL)	Subsidiary
5.	Hotel	Bangalore Airport Hotel Limited (BAHL)	Subsidiary
6.	Lease/ Real Estate	Bengaluru Airport City Limited (BACL)	Subsidiary
7.	Airport operations / holding company	Bangalore International Airport Limited (BIAL)	Parent / main company
8.	Hotel services	Bangalore Airport Hotel Limited (BAHL)	Wholly owned subsidiary
9.	Airport services	Bengaluru Airport Services Limited (BASL)	Wholly owned subsidiary
10.	Section 8 / foundation activities	DIGI Yatra Foundation (DYF)	Section 8 Company; BIAL holds 14.8%
11.	Cargo / logistics / aviation support services	WFS (Bengaluru) Private Limited [WFS(B)PL]	Associate; BIAL holds 26%
12.	Renewable energy services	Clean Max BIAL Renewable Energy Private Limited (CMBREL)	Associate
13.	Airport city / real estate development	Bengaluru Airport City Limited (BACL)	Wholly owned subsidiary
14.	Foundation / CSR / social initiatives	Kempegowda International Airport Foundation (KIAF)	Section 8 Company; subsidiary structure shown as BIAL 90%, BAHL 10%
15.	Aviation ground handling / aviation services	Menzies Aviation Bengaluru Private Limited (MABPL)	Associate; BIAL holds 26%
16.	Retail / duty free services	Dufry India Retail Private Limited (DIRPL)	Associate; BIAL holds 50%
17.	Airport operations / holding company	Bangalore International Airport Limited (BIAL)	Parent / main company
18.	Hotel services	Bangalore Airport Hotel Limited (BAHL)	Wholly owned subsidiary

1.8.2 The Authority noted that BIAL has put in place a policy approved by its Board with respect to the matters pertaining to Related Party Transactions as required under Section 188 of Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. As per the policy:

i. Every Related Party Transaction and subsequent modifications shall be subject to the prior approval of the Audit Committee of the Board of BIAL whether at a meeting or by a resolution by circulation. Further, only those members of the Audit Committee who are independent directors shall approve Related Party Transactions.

ii. Further, if the Audit Committee of the Board of BIAL determines that a Related Party Transaction should be brought before the Board, or where Audit Committee does not approve of the transaction, it shall make its recommendation to the Board, or if the Board in any case

decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction.

1.8.3 The Authority also noted the relevant provision under Concession Agreement related to Related Party Transactions:

Clause 3.2 Recognition of Rights

"Subject to Applicable Laws and in accordance with the provisions of this Agreement, GoI recognises that BIAL may carry out:

i. any activity or business related or ancillary to the activities referred to in Article 3.1 or which BIAL considers desirable or appropriate to be carried on or engaged in connection therewith (including any infrastructure service considered by BIAL to be reasonably necessary for the activities referred to in Article 3.1); and

ii. any activity or business in connection with or related to the arrival, departure and/or handling of aircraft, passengers, baggage, cargo and/or mail at the Airport; and

iii. any activity or business in connection with or related to the development of the Site or operation of the Airport to generate revenues including the development of commercial ventures such as hotels, restaurants, conference venues, meeting facilities, business centres, trade fairs, real estate, theme parks, amusement arcades, golf courses and other sports and/or entertainment facilities, banks and exchanges and shopping malls."

1.8.4 The Authority noted that as per the provisions of the concession agreement mentioned above, the grant by BIAL of a Service Provider Right shall not relieve BIAL of any of its responsibilities, duties and obligations under this Agreement.

1.8.5 The Authority noted that the tenders for the Cargo Concession and Duty-Free Concession expressly required that BIAL take an equity stake in the SPV to be formed by the successful bidder.

1.8.6 In relation to lounge services, BACL assumed responsibility for providing lounge services because the successful bidder failed to obtain BCAS clearance.

1.8.7 BIAL also holds a 26% equity stake in the SPV that supplies renewable energy to BIAL, which is necessary to comply with the Electricity Act, 2003 in order for the plant to qualify as a captive generating station.

1.8.8 Further, the hotel and real-estate subsidiaries are concessionaires undertaking non-airport activities in accordance with the provisions of the Concession Agreement.

1.8.9 Further, the Authority observed that the Chartered Accountant Certificate provided by BIAL confirms the following:

"Transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the standalone financial statements, as required by the applicable accounting standards."

1.8.10 Based on the above, the Authority expects the Board of Directors of BIAL including the AAI and MoCA nominee to exercise their rights and/or obligations under the Companies Act 2013, including to exercise their rights and/or obligations under the Companies Act 2013, SEBI Regulations 2015 and the Concession Agreement to ensure that the contracts with Related Parties are at arm's length basis and

that the Related Party has experience of providing similar service in other places to ensure protection of interest of all stakeholders, which may be followed in letter and spirit.

1.9 Construct of this Tariff Order

1.9.1 This Tariff Order is organized into multiple chapters to facilitate a structured and comprehensive examination of the tariff determination exercise for BIAL for the Fourth Control Period. The sequence of Chapters is as follows:

i. Chapter 1 provides the introduction, profile of Bangalore International Airport Limited (BIAL) and Kempegowda International Airport (KIA), broad contours of services and service providers at the airport, background of past tariff determination exercises, relevant judicial developments including the orders of the Hon'ble TDSAT. Thereafter, comments of BIAL and other stakeholders, response of BIAL to other stakeholders' comments and the Authority's analysis are set out.

ii. Chapter 2 presents the submissions of BIAL relating to the true-up of the Second Control Period. This is followed by the Authority's examination of the issues raised, and the Authority's examination and proposals regarding the true-up of the Second Control Period, as part of the Fourth Control Period tariff determination exercise as set out in Consultation Paper 01/2026-27 dated 12th June 2026. Thereafter, comments of BIAL and other stakeholders, response of BIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

iii. Chapter 3 covers the submissions of BIAL relating to the true-up of the Third Control Period. The Chapter includes the Authority's examination and proposals on key building blocks for true-up, including traffic, capital expenditure, depreciation, Regulatory Asset Base, Weighted Average Cost of Capital, operating expenditure, aeronautical revenue, non-aeronautical revenue, aeronautical taxes and other related matters as set out in Consultation Paper 01/2026-27 dated 12th June 2026. Thereafter, comments of BIAL and other stakeholders, response of BIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

iv. Chapters 4 to 11 present the submissions of BIAL on the key Regulatory Building Blocks for the Fourth Control Period i.e. Traffic projections; Capital Expenditure; Depreciation; additions to Regulatory Asset Base; Weighted Average Cost of Capital; Aeronautical Operation and Maintenance Expenditure; Non-Aeronautical Revenue; Aeronautical Taxes; Quality of Service etc. Further, these Chapters also contain in detail the Authority's comprehensive analysis, adjustments, rationalization followed by Authority's proposals on each of the respective Regulatory Building Blocks post analysis and examination as set out in Consultation Paper 01/2026-27 dated 12th June 2026. Thereafter, comments of BIAL and other stakeholders, response of BIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

v. Chapter 12 provides the Authority's determination of Aggregate Revenue Requirement for the Fourth Control Period, derived from its examination of the regulatory building blocks and proposals outlined in preceding chapters as set out in the Consultation Paper No. 01/2026-27 dated 12th June 2026. Thereafter the comments of BIAL and other stakeholders, response of BIAL on other Stakeholders' comments, the Authority's analysis and final decisions are set out.

vi. Chapter 13 presents Aeronautical Revenue for the Fourth Control Period. Thereafter the comments of stakeholders, response of BIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

vii. Chapter 14 summarizes the Authority's decisions on all matters related to Tariff Computation and Chapter 15 is the Tariff Order issued by the Authority for Kempegowda International Airport (KIA), Bengaluru for the Fourth Control Period.

viii. The Order contains the following Annexures

i. Annexure I - Tariff Card pertaining to KIA, Bengaluru for Fourth Control Period as approved by the Authority – Effective from September 1, 2026 to March 31, 2031

ii. Annexure II - Format for Self-Certification by the Airport Operator on Completion and Commissioning of a Project classified under the Incremental ARR

iii. Annexure III - BIAL's submission on requirements under Sustaining CAPEX for the Fourth Control Period

ix. The Order contains the following Appendices

i. Appendix 1: Capex Evaluation Report submitted by MECON Limited for the Fourth Control Period.

ii. Appendix 2: Final Capex submitted by MECON Limited for the Fourth Control Period

1.10 Stakeholders' Comments regarding Background and Tariff Determination Methodology for KIA, Bengaluru for the Fourth Control Period

1.10.1 During Stakeholders' Consultation Process, the Authority has received comments/ views from IATA in response to the proposals of the Authority in the Consultation Paper No. 01/2026-27 dated 12th June 2026 regarding Background and Tariff Determination Methodology for KIA, Bengaluru for the Fourth Control Period. The comment of the stakeholder is presented below:

BIAL's comment regarding Background and Tariff Determination Methodology for KIA, Bengaluru for the Fourth Control Period

1.10.2 BIAL's has not shared any comments regarding the Background and Tariff Determination Methodology for KIA, Bengaluru for the Fourth Control Period.

Other Stakeholders' comment regarding Background and Tariff Determination Methodology for KIA, Bengaluru for the Fourth Control Period

1.10.3 IATA's comment with regard to the Background and Tariff Determination Methodology for KIA, Bengaluru is as follows:

"Support for AERA's Approach on Sub-judice Matters

IATA strongly supports the Authority's position that, in public interest, the tariff determination exercise for BLR should continue based on the decisions taken in the Tariff Order for the Third Control Period, pending finality of the issues before the Ld. TDSAT and the Hon'ble Supreme Court.

The Consultation Paper records the Authority's view that public interest would be better served if decisions are taken on the basis of the final decision of the Hon'ble Supreme Court of India, and that presently the tariff determination exercise should continue consistent with the decisions taken in the Third Control Period Tariff Order.

IATA considers this approach prudent, balanced and necessary, and in line with the mandate of AERA. Inclusion of disputed values in the tariff base before legal finality would expose users to an asymmetric and potentially irreversible risk. Once tariffs are recovered from airlines and passengers, particularly through passenger-facing charges such as UDF, refunding excess collections later would be practically

difficult, if not impossible. This is especially relevant where charges have been collected from a dispersed passenger base over multiple years.

IATA therefore requests the Authority to maintain its proposed approach and exclude all amounts that are presently sub-judice from the tariff base until the relevant legal proceedings attain finality. Any subsequent adjustment, if required after final judicial determination, should be considered transparently and only after stakeholders have had an opportunity to review its implications

IATA similarly supports the Authority maintaining the Third Control Period treatment for issues that remain under appeal. The same public interest rationale applies. Where matters are sub-judice, cost recovery should not be permitted on a provisional basis from airlines and passengers.

The fundamental concern is one of regulatory fairness. If disputed amounts are permitted into ARR now, users would bear the cost immediately. If those claims are later rejected or modified by the courts, reversal would be difficult in practice. Therefore, exclusion until legal finality is the more equitable and prudent regulatory approach.

IATA requests AERA to maintain the proposed approach for the Third Control Period true-up and ensure that disputed amounts do not enter the tariff base until the relevant appeals are finally resolved."

1.11 BIAL's response to Stakeholders' Comments regarding Background and Tariff Determination Methodology for KIA, Bengaluru for the Fourth Control Period

1.11.1 BIAL response to IATA's comment is as follows:

"BIAL has factored the principles laid down in various judgments of the Learned TDSAT applicable to major airports, which are equally applicable in the present case. However, the Authority has not considered the same on the grounds that these judgments have been challenged before the Hon'ble Supreme Court and are pending final adjudication. IATA has expressed support for the Authority's approach.

In this regard, BIAL respectfully draws attention to the observations of the Learned TDSAT in Appeal No. 2/2025 (MIAL vs. AERA) dated 29.05.2026, wherein the Tribunal has categorically held that filing of an appeal before the Hon'ble Supreme Court does not dilute or suspend the precedential value of its judgments unless such judgments are stayed or set aside by the Hon'ble Supreme Court.

BIAL further submits that Section 32 of the AERA Act provides that the orders of the Learned TDSAT are executable as a decree of a civil court, underscoring their finality and binding nature unless stayed or overturned by a superior court.

Accordingly, BIAL disagrees with IATA's stance and respectfully submits the Authority to consider and apply the judicial precedents laid down by the Learned TDSAT while determining the tariff for the Fourth Control Period."

1.12 Authority's Analysis on Stakeholders' Comments regarding Background and Tariff Determination Methodology for KIA, Bengaluru for the Fourth Control Period

1.12.1 The Authority notes IATA's support for the approach proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026 regarding the treatment of matters that are presently sub judice. As discussed in paragraphs 1.6.2, 1.6.3, 1.7.1, 1.7.2, 1.7.3, 1.7.4, 1.7.5 of the Consultation Paper, the Authority has proposed to continue the tariff determination exercise based on the decisions contained in Tariff Order No. 11/2021-22 dated 28.08.2021 until the sub-judice court matters attain finality in the Hon'ble TDSAT and the Hon'ble Supreme Court of India.

1.12.2 The Authority is of the view that this approach is consistent with the principles of regulatory certainty, transparency, consistency and prudence. It also safeguards the interests of airport users by avoiding the inclusion of disputed claims in the tariff base before the legal issues attain finality. Inclusion of such claims at this stage may result in recovery of tariffs based on amounts that are yet to be finally adjudicated, leading to avoidable regulatory uncertainty and potential complexities in making subsequent adjustments, particularly where charges have already been recovered from a large number of passengers.

1.12.3 The Authority also notes that this approach received broad support from various stakeholders during the Stakeholder Consultation Meeting held on 29.06.2026, as specifically recorded in the Minutes of the Stakeholder Consultation Meeting published on the AERA website. The stakeholder feedback further reinforces the need to maintain regulatory consistency and avoid any premature inclusion of disputed claims in the tariff determination process until the pending legal proceedings attain finality.

1.12.4 Accordingly, the Authority retains its proposal regarding the treatment of sub judice matters as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

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2. TRUE UP FOR THE SECOND CONTROL PERIOD

2.1 Issues raised by BIAL pertaining to True up for the Second Control Period

2.1.1 BIAL in its MYTP submitted in July 2020 for the Third Control Period considered actual values for the 4 years from FY 2017 to FY 2020 and considered estimates for FY 2021. During the course of the MYTP evaluation for the Third Control Period, BIAL submitted details of actual financials including revenues, operating expenditure and capital expenditure to the Authority.

2.1.2 BIAL submitted that, in computing the True up to the end of the Second Control Period, BIAL re-drew its under recovery estimate by considering:

- Actual values for FY 2021-22
- Other updates to the RAB considering the Financing allowance values based on the certification submitted for SCP by BIAL after the submission of MYTP

2.1.3 Accordingly, BIAL recomputed its True up of under-recovery for the Second Control Period, and submitted the following table in its MYTP for the Fourth Control Period:

Table 8: True-Up of Second Control Period as submitted by BIAL

(Rs. in Crore)

Particulars (FY ending March 31)	2017	2018	2019	2020	2021	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**
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**

2.2 Authority's examination regarding True Up for the Second Control Period at the Consultation Stage

2.2.1 The Authority took note of BIAL's submissions pertaining to the true-up of the Second Control Period, as included in the Multi-Year Tariff Proposal (MYTP) filed for the Fourth Control Period. In this regard, the Authority observed that, during the tariff determination process for the Third Control Period, BIAL submitted the actual financial statements for FY 2020-21, which were duly examined and appropriately

considered by the Authority while determining the Aggregate Revenue Requirement (ARR) for the Third Control Period.

2.2.2 However, BIAL has filed an appeal before the Hon'ble TDSAT against the Tariff Order of the Third Control Period. As noted in Para 1.6.1, 1.6.2, 1.6.3, 1.7.1, 1.7.2, 1.7.3, 1.7.4, 1.7.5 and 1.7.6, the appeals filed by BIAL in Hon'ble Supreme Court and in Hon'ble TDSAT and appeals filed by AERA in Hon'ble Supreme Court are pending and Hon'ble Supreme Court is presently hearing these matters. Thus, the issues raised in the Civil Appeal filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized up of the matters. Therefore, the Authority notes that under such circumstances if it decides to implement the Hon'ble TDSAT orders without finally settling the issues before the Hon'ble Supreme Court and increase in tariff is effected considering BIAL's submissions on the basis of Hon'ble TDSAT judgments, for the Fourth Control Period, then it shall lead to a significant increase in Aeronautical tariff which will have to be borne by the Airport users as BIAL will start recovery of increased tariff from the Airport users. However, if at a later stage, the Civil Appeals filed by the Authority are upheld or decided in AERA's favour, then it would be practically impossible to refund to passengers the excess charges collected by the Airport Operator during this period on account of increase in tariff. Thus, there will be substantial over recovery by the Airport Operator at the cost of Airport Users. All these factors clearly establish that considering BIAL submissions of giving effects to various judgments of Hon'ble TDSAT without finally settling the issues before Hon'ble Supreme Court, is not in public interest, more so when the Hon'ble Supreme Court is seized up of all these issues and is hearing these Civil Appeals. On the contrary, Authority is of view that public interest would be better served if Authority takes decisions on the basis of final decision of Hon'ble Supreme Court of India on these issues. Therefore, the Authority is of the view that in public interest, presently, it needs to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period.

2.2.3 In light of the foregoing discussion and consistent with the regulatory approach adopted in Tariff Order No. 11/2021-22 dated 28.08.2021 for the Third Control Period, the Authority proposed to retain the true-up of the Second Control Period as previously determined. Accordingly, the true-up considered by the Authority, as reflected in Table 57 of the Third Control Period Tariff Order, is reproduced below for ease of reference and continues to represent the Authority's position on the matter.

Table 9: True Up of Second Control Period proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2017	2018	2019	2020	2021	Total
Average RAB (A)	2,230.39	2,208.81	2,121.02	3,073.80	4,257.04	
FROR (B)	0.12	0.12	0.12	0.12	0.12	
Return on RAB (C=A*B)	262.30	259.76	249.44	361.49	500.64	**1,633.64**
Depreciation (D)	188.67	191.33	277.88	199.34	270.23	**1,127.44**
Operating Expenditure (E)	282.35	313.15	332.18	397.08	362.57	**1,687.33**
Working Capital Interest (F)	20.69	1.86	1.30	2.26	3.15	**29.26**
Tax (G)	65.47	89.64	52.10	13.61	(2.59)	**218.24**
Gross ARR (H=C+D+E+F+G)	**819.48**	**855.75**	**912.90**	**973.78**	**1,134.00**	**4,695.90**
Less: Non-Aero Revenue (I)	(110.24)	(132.38)	(160.55)	(156.07)	(50.71)	**(609.95)**
Add: Concession Fee (J)	39.67	44.65	38.14	32.88	13.99	**169.32**
Over-recovery of FCP (K)	(349.20)					

Particulars (FY ending March 31)	2017	2018	2019	2020	2021	Total
ARR (L = H+I+J+K)	399.70	768.02	790.49	850.59	1,097.28	3,906.08
Actual/proposed collections (M)	996.95	1,122.50	960.14	829.23	354.30	4,263.12
(Under)/Over recovery (N = M-L)	597.25	354.48	169.65	(21.36)	(742.98)	357.04
PV Factor (O)	1.74	1.56	1.40	1.25	1.12	
(Under)/Over recovery PV (P=N*O)	1,041.35	553.02	236.81	(26.68)	(830.36)	974.14

Stakeholders' Comments regarding True Up of Target Revenue for the Second Control Period

2.2.4 During Stakeholders' Consultation Process, the Authority has received comments/ views from BIAL, and IATA in response to the proposals of the Authority in the Consultation Paper No. 01/2026-27 dated 12th June 2026 regarding True Up of Target Revenue for the Second Control Period. The comments of the stakeholders are presented below:

BIAL's comment regarding True Up of Target Revenue for the Second Control Period

2.2.5 BIAL's comment with regards to the tax cost for reimbursement is as follows:

"In Table 8 of the Consultation Paper, AERA has proposed Tax of Rs. (2.59 Cr) for FY 21. Tax reimbursement as per tariff mechanism reflects the Tax payments by the Airport Operator. The tax can at the least be zero and not negative. AERA has, in Table 44 of TCP Order, inadvertently considered a MAT refund of Rs. 2.59 Cr. which is incorrect. Hence, BIAL requests AERA to consider tax cost for reimbursement as zero and not as a negative of Rs. 2.59 Cr for FY 21, for true up of Second Control Period.".

2.2.6 BIAL's comment with regards to the Disallowance of Capital Expenditure towards Phase 1 of Eastern Connectivity Tunnel (ECT) is as follows:

"Phase I of ECT ought to be considered as a part of RAB because in line with clause 9.2.12 of SCP Tariff Order, Phase I of ECT has been capitalized in March 2021, upon the same being put to use. So long as an asset is being utilized for aeronautical services, the same ought to be made part of the RAB because none of AERA's guiding principles state that inclusion of a project in RAB is dependent on the way the project was originally envisaged to be utilized."

Other Stakeholders' comment regarding True Up of Target Revenue for the Second Control Period

2.2.7 IATA's comment with regards to true up of Second Control Period is as follows:

"True-up of the Second Control Period

IATA supports the Authority's proposal to retain the true-up of the Second Control Period as previously determined in the Third Control Period Tariff Order. The Consultation Paper notes that, consistent with the approach adopted in Tariff Order No. 11/2021-22 for the Third Control Period, the Authority proposes to retain the true-up of the Second Control Period as previously determined, and that the true-up considered by the Authority in the Third Control Period Tariff Order continues to represent the Authority's position.

Based on our review, BIAL appears to have claimed a Second Control Period under-recovery of approximately ₹4,886.42 crore for FY2017–FY2021, with a significant drop in revenues during FY2020 and FY2021. The Authority's previously determined treatment appears to recognise a significantly lower amount, understood to be approximately ₹974.14 crore, pending the outcome of the legal matters.

IATA supports AERA maintaining the Third Control Period treatment for the Second Control Period true-up. This is particularly important because the true-up framework already demonstrates that traffic, revenue and demand risks are not borne solely by the airport operator. Where traffic or revenue underperforms relative to projections, recovery is sought from users in subsequent periods through the regulatory true-up mechanism. In such circumstances, it would be inappropriate to further expand the recoverable base by admitting amounts that remain subject to judicial review.

IATA therefore requests AERA to:

- *retain the Second Control Period true-up treatment as determined in the Third Control Period Tariff Order;*
- *not admit additional disputed under-recovery claims before legal finality; and*
- *revisit the treatment only after final decisions have been made with all legal appeals and challenges exhausted."*

BIAL's response to Stakeholders' comment regarding True Up of Target Revenue for the Second Control Period

2.2.8 BIAL's response to IATA's comment is as follows:

"BIAL submits that the true-up for the Second Control Period has been computed in accordance with the principles laid down in various judgments of the Learned TDSAT issued for other major airports."

Authority's Analysis on Stakeholders' Comments regarding True Up of Target Revenue for the Second Control Period

Issue related to Taxation

2.2.9 The Authority notes BIAL's submission that the amount of (₹2.59) crore reflected under the head "Tax" for FY 2020-21 in Table 8 of Consultation Paper No. 01/2026-27 dated 12.06.2026 represents an alleged inadvertent consideration of a MAT refund in Table 44 of Tariff Order No. 11/2021-22 dated 28.08.2021. BIAL has submitted that tax reimbursement under the tariff mechanism can at best be Nil and cannot be negative and has accordingly requested the Authority to consider the tax cost for FY 2020-21 as Nil instead of (₹2.59) crore for the purpose of true-up of the Second Control Period.

2.2.10 In this regard, the Authority observed in Paragraph 2.2.1 of Consultation Paper No. 01/2026-27 dated 12.06.2026 that the actual financial statements for FY 2020-21, including the relevant tax computations, were submitted by BIAL and duly examined by the Authority during the tariff determination exercise for the Third Control Period. Accordingly, the values reflected in Table 8 of the Consultation Paper are not fresh determinations being undertaken as part of the Fourth Control Period tariff determination exercise but form part of the true-up already determined by the Authority in Tariff Order No. 11/2021-22 dated 28.08.2021.

2.2.11 The Authority further observed in Paragraph 2.2.2 of Consultation Paper No. 01/2026-27 dated 12.06.2026 that various matters arising from the Third Control Period tariff determination continue to remain sub judice before the Hon'ble TDSAT and the Hon'ble Supreme Court and have not been concluded. The Authority specifically observed that, pending final adjudication of these matters, public interest would be better served by continuing the tariff determination exercise consistent with the decisions taken in the Third Control Period Tariff Order.

2.2.12 Accordingly, as observed in Paragraph 2.2.3 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority has proposed to retain the true-up of the Second Control Period as previously determined

in Tariff Order No. 11/2021-22 dated 28.08.2021 and Table 8 merely reproduces the true-up values already approved by the Authority.

2.2.13 In view of the foregoing, and with regard to the fact that the underlying issues arising from the Third Control Period Tariff Order continue to remain sub judice and the related judicial proceedings have not been concluded, the Authority does not consider it appropriate to revisit individual components of the true-up of the Second Control Period as determined in Tariff Order No. 11/2021-22 dated 28.08.2021. Accordingly, the Authority does not find merit in BIAL's request.

Phase 1 of Eastern Connectivity Tunnel (ECT)

2.2.14 The Authority notes BIAL's submission regarding Phase I of the Eastern Connectivity Tunnel (ECT) capitalised in March 2021 and that it should be included in the Regulatory Asset Base (RAB) based on its actual utilisation rather than its original purpose.

2.2.15 The Authority further notes that the issues relating to the classification and treatment of Phase I of the Eastern Connectivity Tunnel (ECT), arising from the tariff determination for the previous Control Periods, are presently sub judice before the Hon'ble Courts and have not yet attained finality. Pending final adjudication of these matters, the Authority is of the view that public interest would be best served by continuing the tariff determination process in a manner consistent with the decisions taken in the Tariff Order for the Third Control Period.

2.2.16 Accordingly, the Authority finds no merit in BIAL's submission to revisit the treatment of Phase I of the ECT in the present tariff determination. The classification and regulatory treatment of this asset were comprehensively examined and determined in Tariff Order No. 11/2021-22 dated 28.08.2021. Reopening this issue at this stage would be inconsistent with the principles of regulatory certainty, consistency and predictability, and would effectively amount to revisiting a concluded regulatory determination while the matter remains pending before the Hon'ble Courts. Accordingly, the Authority retains the treatment of Phase I of the Eastern Connectivity Tunnel as determined in the said Tariff Order.

Retention of true-up of the Second Control Period as previously determined in the Third Control Period Tariff Order

2.2.17 The Authority notes IATA's support for the proposal set out in Chapter 2 of Consultation Paper No. 01/2026-27 dated 12.06.2026 regarding the treatment of the true-up of the Second Control Period. IATA has supported the Authority's proposal to retain the true-up as determined in Tariff Order No. 11/2021-22 dated 28.08.2021 and has requested that no additional under-recovery claims that remain subject to judicial proceedings be admitted until the pending legal matters have been finally adjudicated.

2.2.18 In this regard, the Authority notes that Paragraph 2.2.1 of the Consultation Paper provides that the true-up of the Second Control Period had already been determined by the Authority in Tariff Order No. 11/2021-22 dated 28.08.2021 after examination of the actual financial and operational information submitted by BIAL back then. Accordingly, the values reflected in Table 8 of the Consultation Paper are not fresh determinations being undertaken as part of the Fourth Control Period tariff determination exercise, but represent the true-up already approved by the Authority in the Third Control Period Tariff Order.

2.2.19 The Authority further notes that, as discussed in Paragraph 2.2.2 of the Consultation Paper, various issues arising from the tariff determination for the Third Control Period, including matters having a bearing on the treatment of the Second Control Period true-up, continue to remain sub judice before the Hon'ble TDSAT and the Hon'ble Supreme Court of India and have not yet been concluded. The

Authority had therefore observed that, pending final adjudication of such matters, public interest would be better served by continuing the tariff determination exercise consistent with the decisions already taken in Tariff Order No. 11/2021-22 dated 28.08.2021, rather than revisiting elements of the true-up that are intrinsically connected with issues presently under judicial consideration.

2.2.20 As stated in Paragraph 2.2.3 of this Tariff Order, the Authority has therefore proposed to retain the true-up of the Second Control Period as previously determined in Tariff Order No. 11/2021-22 dated 28.08.2021 and has merely carried forward the approved amounts into the Fourth Control Period tariff determination exercise.

2.2.21 In view of the above, the Authority agrees with IATA's submission that the true-up of the Second Control Period should continue to be governed by Tariff Order No. 11/2021-22 dated 28.08.2021 until the pending judicial proceedings attain finality. Accordingly, the Authority retains the proposal set out in Chapter 2 and Table 8 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

2.3 Authority's Decision regarding True Up for the Second Control Period as part of tariff determination for the Fourth Control Period

Based on the material before it and its examination, the Authority decides the following with regards to True up for the Second Control Period:

2.3.1 To retain the over recoveries as determined in the Tariff Order of the Third Control Period as per **Table 9**.

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3. TRUE UP FOR THE THIRD CONTROL PERIOD

3.1 Background

3.1.1 The Authority issued Tariff Order no. 11/2021-22 dated 28.08.2021 for the Third Control Period, settling the regulatory building blocks after considering BIAL's submissions (including those addressing COVID-19 impacts) and comments from other stakeholders. BIAL has challenged that Order before the Hon'ble TDSAT, and AERA has also filed its counter-affidavit. Thus, the Authority's determination of Tariff for the Third Control Period is sub judice before Hon'ble TDSAT. In addition, BIAL has also filed Civil Appeals against the Hon'ble TDSAT judgment dated 16.12.2020 passed in the Appeals filed by BIAL against the Tariff Order of First and Second Control periods. As stated in Para 1.6.1, 1.6.2, 1.6.3, 1.7.1, 1.7.2, 1.7.3, 1.7.4, 1.7.5 and 1.7.6, the appeals filed by BIAL in Hon'ble Supreme Court and in Hon'ble TDSAT and appeals filed by AERA in Hon'ble Supreme Court are pending and Hon'ble Supreme Court is presently hearing these matters. Thus, the issues raised in the Civil Appeal filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized up of the matters. Therefore, the Authority notes that under such circumstances if it decides to implement the Hon'ble TDSAT orders without finally settling the issues before the Hon'ble Supreme Court and increase in tariff is effected considering BIAL's submissions on the basis of Hon'ble TDSAT judgments, for the Fourth Control Period, then it shall lead to a significant increase in Aeronautical tariff which will have to be borne by the Airport users as BIAL will start recovery of increased tariff from the Airport users. However, if at a later stage, the Civil Appeals filed by the Authority are upheld or decided in AERA's favour, then it would be practically impossible to refund to passengers the excess charges collected by the Airport Operator during this period on account of increase in tariff. Thus, there will be substantial over recovery by the Airport Operator at the cost of Airport Users. All these factors clearly establish that considering BIAL submissions of giving effects to various judgments of Hon'ble TDSAT without finally settling the issues before Hon'ble Supreme Court, is not in public interest, more so when the Hon'ble Supreme Court is seized up of all these issues and is hearing these Civil Appeals. On the contrary, Authority is of view that public interest would be better served if Authority takes decisions on the basis of final decision of Hon'ble Supreme Court of India on these issues.

3.1.2 Considering the above and in public interest, the Authority proposed to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period. The final decision with regard to the issues raised by the Authority in the Civil Appeals will be taken once the matters attain finality in the proceedings before the Hon'ble Supreme Court and accordingly, the issues which are sub judice, their impact is not factored in carrying out current tariff computation in public interest.

3.2 Issues raised by BIAL pertaining to True Up for the Third Control Period

3.2.1 BIAL has submitted true-up workings relating to the Third Control Period in the MYTP covering the items set out below:

(i) Traffic

(ii) Capital Expenditure, Depreciation and RAB

(iii) Weighted Average Cost of Capital

(iv) Operating and Maintenance Expenses

(v) Aeronautical Taxation

(vi) Non-Aeronautical Revenue

(vii) Aeronautical Revenues

(viii) Aggregate Revenue Requirement

3.2.2 For each of the issues raised by BIAL, the Authority examined the True up for the Third Control Period, issue wise, in the following manner in the following paragraphs:

(i) Recording and understanding BIAL's submission in the MYTP;

(ii) Recap of decision taken by the Authority for these matters at the time of tariff determination for the Third Control Period;

(iii) Examination and proposal regarding these matters as part of tariff determination for the current control period.

3.2.3 The Authority had considered the following documents for determining True up of the Third Control Period:

(i) Tariff Order for the Third Control Period (11/ 2021-22) dated 28.08.2021.

(ii) Multi Year Tariff Proposal (MYTP) submitted by BIAL for the Fourth Control Period.

(iii) Audited financial statements for FY 2022–FY 2025 and the unaudited actuals for FY 2026;

(iv) AERA Guidelines and Orders.

(v) The Authority's decisions on the Regulatory Building Blocks as per previously issued Tariff Orders of other airports.

(vi) Hon'ble Supreme Court and Ld. TDSAT orders.

3.2.4 In view of the Authority's analysis provided in paras 1.6.2, 1.6.3, 1.7.1, 1.7.2 and 1.7.3 the Authority is of the view that in public interest, presently it needs to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period as the issues are sub-judice before the Ld. TDSAT and Hon'ble Supreme Court.

3.3 True up of Traffic

BIAL's submission regarding Traffic for True up of the Third Control Period

3.3.1 As part of the MYTP for the Fourth Control Period, BIAL submitted the actual traffic achieved at KIA during the Third Control Period (FY 2021–22 to FY 2024–25) for the purpose of true-up. Subsequently, vide email dated 21.05.2026 BIAL submitted the actual traffic for FY26 for True up. The traffic details submitted by BIAL, including passenger traffic, Air Traffic Movements (ATMs) and cargo volumes, are presented in the table below:

Table 10: Traffic Submitted by BIAL for True up of the Third Control Period

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Passenger Traffic (Mn)						
Domestic	15.19	28.13	32.86	36.04	37.24	**149.46**
International	1.1	3.79	4.67	5.83	7.23	**22.62**
Total	**16.29**	**31.92**	**37.53**	**41.87**	**44.47**	**172.08**
Air Traffic Movement – Billable (Nos)						
Domestic	132,532	198,512	216,983	232,889	237,153	**1,018,069**
International	15,482	24,711	27,908	34,963	42,818	**145,882**
Total	**148,014**	**223,223**	**244,891**	**267,852**	**279,971**	**1,163,951**

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Cargo Traffic (MT)						
Domestic	1,39,584	154,012	173,334	181,226	195,467	**704,039**
International	271,966	256,299	266,161	321,284	336,545	**1,452,255**
Total	**411,550**	**410,311**	**439,495**	**502,510**	**532,012**	**2,295,878**

Recap of Authority's decision regarding Traffic for the Third Control Period

3.3.2 Decision Nos. 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.*"

3.3.3 The traffic considered by the Authority at the time of tariff determination for the Third Control Period is presented in the table below:

Table 11: Traffic considered by the Authority in the Tariff Order of the Third Control Period

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Passenger Traffic (Mn)						
Domestic	14.32	27.78	32.50	38.03	44.49	**157.12**
International	0.92	3.38	4.05	4.50	4.91	**17.76**
Total	**15.24**	**31.16**	**36.55**	**42.53**	**49.40**	**174.88**
ATM – Billable ('000s)						
Domestic	119	217	249	286	323	**1,193.60**
International	10	23	27	29	32	**121.19**
Total	**129**	**239**	**276**	**316**	**355**	**1,314.79**
Cargo Traffic (in '000 MT)						
Domestic	149	165	183	204	226	**927.20**
International	230	256	284	315	350	**1,434.89**
Total	**379**	**421**	**467**	**519**	**576**	**2,362.08**

Authority's examination and proposal regarding Traffic for the True-up of the Third Control Period at the Consultation Stage

3.3.4 The Authority examined passenger traffic submissions made by BIAL as part of its MYTP for the true-up of the Third Control Period. A comparison between passenger traffic projected by the Authority in the Tariff Order for the Third Control Period and actual passenger traffic reported by BIAL is presented in the table below:

Table 12: PAX Traffic Variation between the Authority's Projections and actuals for the Third Control Period

(in Mn)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Total PAX Traffic Projected by the Authority	15.24	31.16	36.55	42.53	49.40	**174.88**
Total PAX Traffic as per actuals	16.29	31.91	37.53	41.88	44.47	**172.08**
Variation (%) – Increase/(Decrease)	*6.89%*	*2.41%*	*2.68%*	*-1.53%*	*-9.98%*	***-1.60%***

3.3.5 The Authority noted that passenger traffic during the Third Control Period broadly followed the recovery path considered at the time of tariff determination, although year-wise variations were observed. Cumulative passenger traffic stood at 172.08 million passengers against the projected 174.88 million passengers, reflecting a marginal shortfall of about 1.6%.

3.3.6 The Authority further noted that passenger traffic recovered steadily after the disruption caused by the COVID-19 pandemic. Growth during the subsequent years was supported by recovery in travel demand, improved connectivity and restoration of airline operations. As a result, passenger traffic surpassed the pre-COVID level of 33.39 million passengers recorded in FY 2019–20 and reached 37.53 million passengers in FY 2023–24.

3.3.7 However, the Authority noted that actual passenger traffic during FY 2024–25 and FY 2025–26 remained below the levels approved in the Third Control Period Tariff Order due to operational disruptions and geopolitical uncertainties.

3.3.8 The Authority noted that the shortfall in traffic was mainly due to:

a) FY 2024–25: Shortage of pilots and cabin crew, leading to flight cancellations and delays in the domestic sector; and

b) FY 2025–26: Continued capacity constraints, safety-related concerns and geopolitical tensions affecting air travel demand.

3.3.9 Overall, the Authority noted that passenger traffic during the Third Control Period remained broadly aligned with the traffic assumptions considered at the time of tariff determination. The Authority independently also verified passenger traffic data with the traffic statistics available on the Airports Authority of India website and noted that the revised passenger traffic submitted by BIAL for the Third Control Period is consistent with the AAI data.

3.3.10 The Authority also examined the variation between Air Traffic Movements (ATMs) projected in the Tariff Order for the Third Control Period and actual ATMs submitted by BIAL, and comparison is presented in the table below:

Table 13: ATM Variation between the Authority's Projections and actuals for the Third Control Period

(in '000 MT)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Total ATM Projected by the Authority	114	129	239	276	316	1074
Total ATM as per actuals	148	223	245	268	280	1,164
Variation (%) – Increase/(Decrease)	*30%*	*73%*	*2%*	*-3%*	*-11%*	*8%*

3.3.11 The Authority observed from the foregoing that, while the cumulative actual ATMs over the Third Control Period exceeded the projections by approximately 8%, the year-on-year variation pattern was markedly bidirectional and uneven, comprising distinct phases as analysed hereunder.

3.3.12 **Phase I: Significant Over-performance (FY 2021-22 and FY 2022-23):** The actual ATMs in FY 2021-22 and FY 2022-23 exceeded the projections by 30% and 73% respectively. The Authority observed that the said over-performance corresponds with the period of accelerated post-COVID-19 traffic recovery at KIAB. This is corroborated by the corresponding passenger traffic figures, wherein:

- Total passenger throughput more than doubled from 16.29 million in FY 2021-22 to 31.92 million in FY 2022-23; and
- International passenger traffic, in particular, registered a sharp uplift from 1.10 million to 3.79 million over the same period.

3.3.13 **Phase II: Convergence with Projections (FY 2023-24):** In FY 2023-24, the actuals were broadly in alignment with the projections, registering a marginal positive variation of 2% (viz., 2.45 lakh ATMs as against the projected 2.39 lakh). The Authority observed that, by FY 2023-24, the post-pandemic recovery had largely normalised, and the operating environment had reverted to a more predictable growth trajectory.

3.3.14 **Phase III: Under-performance against Projections (FY 2024-25 and FY 2025-26):** In contrast to the earlier phases, the actuals fell short of the projections by 3% in FY 2024-25 and by 11% in FY 2025-26. The Authority observed that:

a) while the passenger traffic continued to register a positive year-on-year growth (rising from 41.87 million in FY 2024-25 to 44.47 million in FY 2025-26), the rate of growth in ATMs decelerated materially (from 2.68 lakh to 2.80 lakh, i.e., approximately 4.5%);

b) this divergence reflected the stabilisation of the PAX/ATM ratio at approximately 159 in FY 2025-26 from 115 in FY 2021-22, evidencing that incremental passenger throughput is being absorbed through enhanced load factors and larger aircraft deployments, particularly on international routes (where the PAX/ATM ratio stabilised at approximately 169 from 71 in FY 2021-22), rather than through a proportionate increase in ATMs.

3.3.15 The Authority also independently verified the ATM data with the data available on the Airports Authority of India website. Revised ATM data submitted by BIAL for the Third Control Period is consistent with the data available from AAI.

3.3.16 In case of Cargo Traffic, variation between the Authority's Projections at the time of tariff determination for the Third Control Period viz-a-viz the actuals are shown below:

Table 14: Cargo Traffic Variation between the Authority's Projections and Actuals for the Third Control Period

(in '000 MT)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Cargo Traffic Projected by the Authority	379	421	467	519	576	2,362.08
Cargo Traffic as per actuals	412	410	440	503	532	2,295.88
Variation (%)-Increase/(Decrease)	*8.71%*	*-2.61%*	*-5.78%*	*-3.08%*	*-7.64%*	*-2.80%*

3.3.17 The Authority observed from the foregoing that, contrary to the generally observed trends observed for the passenger traffic and Air Traffic Movements (ATMs), the actual cargo traffic at KIAB fell marginally short of the projections in the Tariff Order for the Third Control Period, with the cumulative actuals of ~22.96 lakh MT registering a shortfall of approximately 2.80% vis-à-vis the projected 23.62 lakh MT.

3.3.18 The Authority noted that actual cargo traffic in FY 2021-22 exceeded the projections by 8.71% (viz., 4.12 lakh MT as against the projected 3.79 lakh MT). The Authority observed that this over-performance is attributable to the resilience of cargo operations during the COVID-19 pandemic, wherein, unlike passenger traffic which was severely curtailed, cargo movements (particularly pharmaceutical and essential commodity shipments) continued largely uninterrupted.

3.3.19 From FY 2022-23 onwards, the actual cargo traffic consistently fell short of the projections, with the variation ranging between (2.61%) and (7.64%) across the four-year period. The Authority observed that the said under-performance is divergent from the corresponding trends observed in passenger traffic, viz., where actuals over-performed materially in the same years. The reasons underlying the said cargo under-performance include,

a) **Stagnation in International Cargo (FY 2022-23):** International cargo declined from ~2.72 lakh MT in FY 2021-22 to ~2.56 lakh MT in FY 2022-23, contrary to the upward trajectory assumed in the Tariff Order projections. The said decline reflected the post-pandemic normalization of pharmaceutical exports and the unwinding of the elevated COVID-era cargo demand.

b) **Modest Growth in International Cargo (FY 2023-24):** International cargo recovered only marginally to 2.66 lakh MT in FY 2023-24, falling short of the projected growth trajectory;

c) **Slower Domestic Cargo Build-up:** Domestic cargo, which grew from 1.40 lakh MT in FY 2021-22 to 1.95 lakh MT in FY 2025-26, registered a CAGR of approximately 8.8%, a steady but more measured growth rate than may have been assumed in the original projections.

3.3.20 The Authority also independently verified the Cargo Traffic data with the data available on the Airports Authority of India website. The Cargo Traffic data submitted by BIAL for the Third Control Period is consistent with the data available from AAI.

3.3.21 In view of the above and verified traffic data, the Authority proposed to consider Traffic for the true-up of the Third Control Period presented in **Table 10.**

Stakeholders' Comments regarding True Up of Traffic for the Third Control Period

3.3.22 During Stakeholders' Consultation Process, the Authority has received comments / views from IATA in response to the proposals of the Authority with regard to the True-up of Traffic for the Third Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below:

3.3.23 IATA's comment regarding Traffic is as follows:

"Traffic true-up and implications for risk allocation:

IATA notes that the Authority proposes to adopt actual traffic submitted by BIAL, validated against available sources such as AAI and other traffic data. Based on information presently available, IATA does not object to the use of actual traffic for true-up purposes, subject to the Authority's validation. However, this treatment has a broader regulatory implication. Adoption of actual traffic for true-up confirms that traffic risk is materially mitigated through the regulatory framework. This should inform AERA's assessment of other building blocks, including fair rate of return, capex recovery and treatment of under-recoveries.

IATA therefore submits that while actual traffic may be used for true-up, the reduced risk profile arising from true-up mechanisms must also be reflected consistently in the Authority's broader assessment of BIAL's return and recovery claims."

BIAL's response to Stakeholders' Comments regarding True Up of Traffic for the Third Control Period

3.3.24 BIAL's response to IATA's comment is as follows:

"BIAL submits that the Cost of Equity of 15.05%, as determined by IIM Bangalore (AERA's Consultant) for the Third Control Period, has been estimated after duly considering the regulatory framework applicable to Indian airports, including the availability of the true-up mechanism. Accordingly, the regulatory true-up mechanism has already been reflected in the determination of the Fair Rate of Return."

Authority's Analysis of Stakeholders' Comments on True Up of Traffic for the Third Control Period

3.3.25 The Authority notes IATA's support for the proposal to consider actual traffic for the true-up of the Third Control Period. As proposed in the section relating to True-up of Traffic (Section 3.3) in Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority has considered actual traffic achieved by BIAL during the Third Control Period based on traffic data submitted by BIAL and validated against traffic data published by AAI. This approach is intended to ensure that the true-up reflects actual traffic outcomes during the relevant period and being applied across all the airports uniformly.

3.3.26 The Authority also notes IATA's observations regarding the implications of traffic true-up on risk allocation. The Authority concurs with BIAL's submission that the Cost of Equity of 15.05% determined by IIM Bangalore for the Third Control Period already factors in the availability of the regulatory true-up mechanism, and hence the reduced risk profile stands duly reflected in the Fair Rate of Return. In this regard, the Authority observes that while actual traffic is considered for true-up purposes, the Authority has separately examined the appropriate treatment of Capex, Opex, NAR, RAB, WACC, Depreciation and Aeronautical Revenues in accordance with the provisions of the AERA Act, 2008 (read together with amendments in 2019 and 2021), AERA Guidelines, 2011 and its analysis contained in the Consultation Paper. Accordingly, the Authority retains its proposal and decides to consider the traffic for True up of Third Control Period as per **Table 10.**

3.4 True Up of Capital Expenditure (Capex), Depreciation and RAB for the Third Control Period

Capital Expenditure submitted by BIAL for the True up of Third Control Period

3.4.1 BIAL has submitted a total capital expenditure of Rs. 8,524.81 Crores for the true-up of the Third Control Period as against the approved capital expenditure of Rs. 8,883.44 Crores in the Third Control Period Tariff Order. The asset category-wise (head-wise) details of CAPEX submitted by BIAL are presented below:

Table 15: Head-wise CAPEX as submitted by BIAL for true-up of Third Control Period

(Rs. in Crore)

S. No.	Project	Amount
1	Terminal 2 - Phase I	4832.92
2	Forecourt, roadways & landside development - Phase 1b (except MMTH)	1426.66
3	MMTH – Phase- I	781.70
4	Aircraft Maintenance & Airport Maintenance Facilities	52.87
5	Utilities	61.76
6	T2 Apron - Phase II	219.65
7	Airport Rescue and Fire Fighting Building	1.62
8	South Runway - Phase II	530.26
9	Existing Runways / Taxiway Improvements	71.92
	Sub-Total - (A)	**7979.36**
10	Airside Security wall	0
11	Airside perimeter Road	0
12	T1 Optimization	0
13	Northwest road expansion	0
14	CISF Barrack Expansion	0
15	Animal Quarantine facility	0
16	New cargo domestic terminal including Cool Port	0
17	Refurbishment of existing cargo terminals	0
18	Refurbishment of existing catering buildings	0
19	Water Treatment Plant	0

S. No.	Project	Amount
20	Landside Maintenance Building	0
	Sub-Total – Projects proposed in TCP (B)	**0**
21	Sustaining capex including other Capex (C)	545.45
	Total	**8,524.81**

3.4.2 Year-wise capital additions submitted by BIAL for the True-up of the Third Control Period are as follows:

Table 16: Capital additions as submitted by BIAL for True-up of the Third Control Period

(Rs. in Crore)

#	S. No	Particulars (Year ending March 31)	2022	2023	2024	2025	2026	Total
1	A1	Terminal 2 - Phase I	-	4,066.66	528.08	233.42	4.76	4,832.92
2	A2.1	Forecourt, roadways & landside development - Phase 1b (except MMTH)	139.75	1,122.01	149.90	15.00	-	1,426.66
3	A2.2	MMTH – Phase- I	-	-	705.43	74.25	2.02	781.70
4	A3	Aircraft Maintenance & Airport Maintenance Facilities	13.25	41.95	(2.14)	(0.19)	-	52.87
5	A4	Utilities	53.66	5.77	(0.57)	2.90	-	61.76
6	A5.1	T2 Apron - Phase II	14.25	207.80	0.11	(2.51)	-	219.65
7	A5.2	Airport Rescue and Fire Fighting Building	0.02	1.60	-	-	-	1.62
8	A6	South Runway - Phase II	159.02	243.31	117.03	10.90	-	530.26
9	A7	Existing Runways / Taxiway Improvements	46.34	13.97	-	11.61	-	71.92
		Sub-Total - (A)	**426.29**	**5,703.07**	**1,497.84**	**345.38**	**6.78**	**7,979.36**
10	B	Sustaining capex incl other Capex (B)	58.50	121.65	127.30	140.52	97.48	545.45
		Total (A+ B)	**484.79**	**5,824.72**	**1,625.14**	**485.90**	**104.26**	**8,524.81**

BIAL's submission on asset allocation between Aeronautical and Non-Aeronautical

3.4.3 BIAL has submitted independent auditor's certificates on its adopted basis for bifurcation of fixed assets into aeronautical and non-aeronautical assets for the FY22 to FY25.

3.4.4 BIAL has submitted the following regarding its basis of allocation of assets between aeronautical and non-aeronautical:

- Allocation ratios for Opening RAB have been considered based on principles applied in the Second Control Period and the certificates submitted.
- Assets capitalized over FY22 to FY 26 have been reviewed based on its Fixed Asset Register and were classified as Aeronautical, Non-Aeronautical and Common assets.
- Common Assets capitalized relating to Terminal 2 - Phase 1 have been segregated between Aeronautical and Non-Aeronautical based on BIAL's calculation of the Terminal 2 - Phase 1 area ratio of 87.66%. BIAL has also submitted an Area Statement of Terminal 2.
- Other Common assets capitalized in the Third Control Period, till commissioning of Terminal 2, have been considered by BIAL 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%.
- For its MMTH Phase – I, BIAL has adopted an allocation ratio of 34.49% based on its own determination of attributable aeronautical usage in the MMTH – Phase I facility.

Table 17: Allocation ratios as submitted by BIAL

(Rs. in Crore)

S. No.	Project	BIAL's submission for True up	Allocation ratio
1	Terminal 2 - Phase I	4832.92	87.66%
2	Forecourt, roadways & landside development - Phase 1b (except MMTH)	1426.66	85.73%
3	MMTH – Phase- I	781.70	31.53%
4	Aircraft Maintenance & Airport Maintenance Facilities	52.87	85.73%
5	Utilities	61.76	85.73%
6	T2 Apron - Phase II	219.65	99.20%
7	Airport Rescue and Fire Fighting Building	1.62	100%
8	South Runway - Phase II	530.26	100%
9	Existing Runways / Taxiway Improvements	71.92	100%
	Sub-Total -(A)	**7979.36**	
10-20	**Sub-Total – Projects proposed in TCP (B)**	**0**	
21	Sustaining capex including other Capex (C)	545.45	86.64%
	Total	**8,524.81**	

BIAL's submission on Aeronautical Capex

3.4.5 Based on the head-wise capex and the allocation ratios adopted by BIAL, the aeronautical capex submitted by BIAL for the true-up of the Third Control Period aggregates to Rs. 7,098.63 Crores as detailed in the table below:

Table 18: Aeronautical capex submitted by BIAL for the true-up of the Third Control Period

(Rs. in Crore)

S. No.	Project	As submitted by BIAL for True up	Allocation ratio	Aero Portion
		A	B	C=A*B
1	Terminal 2 - Phase I	4832.92	87.66%	4236.54
2	Forecourt, roadways & landside development - Phase 1b (except MMTH)	1426.66	85.73%	1223.08
3	MMTH – Phase- I	781.70	31.53%	246.47
4	Aircraft Maintenance & Airport Maintenance Facilities	52.87	85.73%	45.33
5	Utilities	61.76	85.73%	52.95
6	T2 Apron - Phase II	219.65	99.20%	217.89
7	Airport Rescue and Fire Fighting Building	1.62	100%	1.62
8	South Runway - Phase II	530.26	100%	530.26
9	Existing Runways / Taxiway Improvements	71.92	100%	71.92
	Sub-Total -(A)	**7979.36**		**6626.05**
10-20	**Sub-Total – Projects proposed in TCP (B)**	**0**		**0.00**
21	Sustaining capex including other Capex (C)	545.45	86.64%	472.58
	Total	**8,524.81**		**7098.63**

<u>Authority's examination and proposal regarding Capital Expenditure (CAPEX) for the True up of the Third Control Period at the Consultation Stage</u>

3.4.6 The Authority had allowed total capital expenditure amounting to Rs. 8,883.44 Crores in the Tariff Order for the Third Control Period. This comprised Rs. 7,458.57 Crores towards major projects, Rs.

495.69 Crores towards additional projects and Rs. 929.17 Crores towards sustaining capex including other capex.

3.4.7 The table below sets out a comparison between the costs approved by the Authority in the Third Control Period Tariff Order and the costs submitted by BIAL in the MYTP of the Fourth Control Period.

Table 19: Project-wise Capex approved by the Authority for the Third Control Period versus the Capex as submitted by BIAL for True up for the Third Control Period

(Rs. in Crore)

S. No.	Project	As approved by Authority in TCP Order	As submitted by BIAL for True up	Variance
		A	B	C = B - A
1	Terminal 2 - Phase I	4579.32	4832.92	253.60
2	Forecourt, roadways & landside development - Phase 1b (except MMTH)	1495.65	1426.66	(68.99)
3	MMTH – Phase- I	537.34	781.70	244.36
4	Aircraft Maintenance & Airport Maintenance Facilities	45.05	52.87	7.82
5	Utilities	67.48	61.76	(5.72)
6	T2 Apron - Phase II	447.17	219.65	(227.52)
7	Airport Rescue and Fire Fighting Building	0	1.62	1.62
8	South Runway - Phase II	286.56	530.26	243.70
9	Existing Runways / Taxiway Improvements	0	71.92	71.92
	Sub-Total - (A)	**7458.57**	**7979.36**	520.79
10	Airside Security wall	4.62	0	(4.62)
11	Airside perimeter Road	21.65	0	(21.65)
12	T1 Optimization	62.52	0	(62.52)
13	Northwest road expansion	47.87	0	(47.87)
14	CISF Barrack Expansion	43.16	0	(43.16)
15	Animal Quarantine facility	4.25	0	(4.25)
16	New cargo domestic terminal including Cool Port	119.44	0	(119.44)
17	Refurbishment of existing cargo terminals	139.01	0	(139.01)
18	Refurbishment of existing catering buildings	30.59	0	(30.59)
19	Water Treatment Plant	8.07	0	(8.07)
20	Landside Maintenance Building	14.53	0	(14.53)
	Sub-Total – Projects proposed in Third Control Period (B)	**495.69**	**0**	(495.69)
21	Sustaining capex including other Capex (C)	929.17	545.45	(383.72)
	Total	**8,883.44**	**8,524.81**	(358.62)

3.4.8 The table below provides Aeronautical Capital Expenditure approved by the Authority in the Tariff Order for the Third Control Period.

Table 20: Aeronautical Capital Expenditure approved by the Authority in the Tariff Order of the Third Control Period

(Rs. in Crore)

#	Particulars (Year Ending March'31)	2022	2023	2024	2025	2026	Total addition	Aero Allocation ratio (%)	Total Aero
A1	Terminal 2 - Phase I	-	4,014.23	-	-	-	4,579.32	87.66%	4,014.23
A2.1	Forecourt, roadways & landside development - Phase 1b (except MMTH)	-	1,282.22	-	-	-	1,495.65	85.73%	1,282.22
A2.2	MMTH - Phase I	-	169.43	-	-	-	537.34	31.53%	169.43
A3	Aircraft Maintenance & Airport Maintenance Facilities	38.63	-	-	-	-	45.05	85.73%	38.63
A4	Utilities	57.85	-	-	-	-	67.48	85.73%	57.85
A5	T2 Apron - Phase II	443.58	-	-	-	-	447.17	99.20%	443.58
A6	South Runway - Phase II	286.56	-	-	-	-	286.56	100.00%	286.56
A	**Sub-Total**	**826.62**	**5,465.87**	**-**	**-**	**-**	**7,458.57**		**6,292.50**
B1	Airside Security wall	-	4.62	-	-	-	4.62	100.00%	4.62
B2	Airside perimeter Road	-	21.65	-	-	-	21.65	100.00%	21.65
B3	T1 Optimization	-	-	-	54.29	-	62.52	86.85%	54.29
B4	Cycle Track along SAR / SWR / NCR plus docking stations	-	-	-	-	-	0	100.00%	-
B5	MMTH - Phase 2	-	-	-	-	-	0	31.53%	-
B6	Airport Terminal Metro Station	-	-	-	-	-	0	100.00%	-
B7	City side Metro Station	-	-	-	-	-	0	0.00%	-
B8	North west road expansion	-	-	-	-	47.87	47.87	100.00%	47.87
B9	CISF Barrack Expansion	-	-	-	-	43.16	43.16	100.00%	43.16
B10	BIAL Campus Parking and Canteen	-	-	-	-	-	0	100.00%	-
B11	Animal Quarantine facility	-	-	-	-	4.25	4.25	100.00%	4.25
B12	New cargo domestic terminal including Cool Port	-	119.44	-	-	-	119.44	100.00%	119.44

#	Particulars (Year Ending March'31)	2022	2023	2024	2025	2026	Total addition	Aero Allocation ratio (%)	Total Aero
B13	Refurbishment of existing cargo terminals	-	139.01	-	-	-	139.01	100.00%	139.01
B14	Refurbishment of existing catering buildings	-	-	-	-	-	30.59	0.00%	-
B15	Water Treatment Plant	-	8.07	-	-	-	8.07	100.00%	8.07
B16	Landscape Works	-	-	-	-	-	0	100.00%	-
B17	Alpha 4	-	-	-	-	-	0	86.85%	-
B18	Landside Maintenance Building	-	-	-	-	12.62	14.53	86.85%	12.62
B20	CISF Permanent housing - Phase 1	-	-	-	-	-	0	100.00%	-
B	**Sub-Total - Projects proposed in TCP**	**-**	**292.78**	**-**	**54.29**	**107.89**	**495.69**		**454.97**
C	**Sustaining capex**	**144.45**	**153.51**	**161**	**168.9**	**177.2**	**929.17**		**805.12**
	Total	**971.07**	**5,912.17**	**161**	**223.2**	**285.09**	**8,883.44**		**7,552.58**

Review of variance in Capital cost and Asset Capitalization date/scheduling examined by the Authority at the Consultation Stage

3.4.9 The Authority noted that BIAL had proposed a Capital Expenditure of Rs. 8,524.81 Crores for the true-up of the Third Control Period as against the approved Capital Expenditure of Rs. 8,883.44 Crores in the Third Control Period Order, resulting in a net variance of Rs. (358.62) Crores.

3.4.10 The Authority noted that the projects capitalized during the Third Control Period were broadly categorized into four groups, namely:

i. projects approved by the Authority and executed by BIAL;

ii. projects approved by the Authority but subsequently deferred or dropped by BIAL; and

iii. unplanned projects undertaken and capitalized by BIAL, which were not approved by the Authority under the Tariff Order for the Third Control Period (Order No. 11/2021-22 dated 28.08.2021).

iv. Sustaining CAPEX

3.4.11 In respect of projects approved by the Authority and executed by BIAL, the Authority had approved a total capital cost of Rs. 7458.57 Crores, whereas BIAL submitted an actual capital expenditure of Rs. 7905.82 Crores for completion of these projects. The Authority noted that in case of three projects, namely Terminal 2 – Phase I, MMTH Phase – I, and South Runway – Phase II, the actual expenditure incurred by BIAL exceeded the costs approved by the Authority.

3.4.12 The Authority further noted that BIAL had deferred or dropped 11 projects for which an aggregate capital cost of Rs. 495.71 Crores was approved by the Authority in the Third Control Period Order.

Additionally, BIAL had undertaken and capitalized two projects amounting to Rs. 73.54 Crores which were not approved under the Tariff Order for the Third Control Period.

3.4.13 The Authority observed that against the approved sustaining CAPEX of Rs. 929.17 Crores, BIAL incurred CAPEX of Rs. 545.45 Crores.

3.4.14 In order to examine these variances, the Authority, through its Independent Consultant, undertook a detailed review and due diligence of the actual capital expenditure incurred by BIAL during the Third Control Period.

3.4.15 As part of the due diligence exercise, the Independent Consultant reviewed, the Fixed Asset Register, procurement and bidding processes, project implementation details, and supporting documentation submitted by BIAL. The assessment also encompassed need, essentiality, and prudence of the capital expenditure, keeping in view both prevailing and projected traffic demand at the Airport.

3.4.16 Further, the Independent Consultant engaged by the Authority examined the technical specifications and execution details of the respective projects and assessed the reasonability and justification of the actual expenditure incurred. In addition, during site visits undertaken by the Independent Consultant at the Airport, the Independent Consultant reviewed the major capital works executed from the standpoint of operational necessity, essentiality, and cost reasonability. The asset category-wise analysis and the Authority's examination thereof are presented in the following sections.

A1. Terminal 2 – Phase I

3.4.17 In its MYTP submission for the Third Control Period, BIAL proposed Terminal 2 – Phase I as a capital expenditure project deferred from the Second Control Period and proposed for capitalization in FY 2021–22. BIAL submitted a total project cost of Rs. 4,749.95 Crores, including design, Project Management Consultancy (PMC), pre-operative and contingency expenses of Rs. 545.80 Crores and Financing Allowance of Rs. 638.47 Crores.

3.4.18 In the Third Control Period Order, the Authority noted that Terminal 2 – Phase I was a capacity expansion project deferred from the Second Control Period. The proposed terminal was designed to provide additional passenger handling capacity of 25 MPPA. The Authority had also noted that, despite the short-term impact of COVID-19, passenger traffic at BIAL was projected to reach ~50 MPPA by the end of the Third Control Period. Considering the expected traffic growth and capacity requirement, the Authority had decided to consider the deferred capital expenditure for Terminal 2 – Phase I during the Third Control Period.

3.4.19 Efficient project cost for Terminal 2 – Phase I was examined during the Second Control Period through an independent study conducted by RITES Limited. Based on the approved cost carried forward to the Third Control Period, the approved amount for the project stood at Rs. 3,607 Crores excluding Financing Allowance / IDC. Against this, BIAL had proposed capitalization of Rs. 3,566 Cr (refer Table 9 of the Third Control Period – Order No. 11/2021-22 dated 28.08.2021) during the Third Control Period, reflecting a reduction of about Rs. 41 Crores or nearly 1% compared to the approved amount.

3.4.20 The Authority also noted that the commissioning of Terminal 2 – Phase I, which was originally proposed to be completed by 31.03.2021, had been delayed and BIAL had subsequently submitted that the same would be commissioned by 31.03.2022. In this regard, the Authority in the Third Control Period referred to its decision in the Second Control Period Order, wherein it was provided that any delay in commissioning and capitalization beyond March 2021 would attract a reduction or

adjustment of 1% of the project cost and no additional Interest During Construction / Financing Allowance would be allowed beyond the approved timeline.

3.4.21 Based on the submission and justification provided by BIAL, the Authority approved the delay in completion of Terminal 2 – Phase I building to 31.03.2022, without levying a penalty/reducing project cost by 1%. The Authority further clarified that in the event of any delay beyond March 2022, the matter would be considered at the time of true-up, subject to the Authority being satisfied that such delay was justified and beyond the control of BIAL and/or its contracting agency.

3.4.22 The Authority noted BIAL's submission that due to the Covid-19 pandemic from January 2020, the implementation of its projects, including Terminal 2 – Phase I, was delayed on account of limited availability of construction materials, skilled labour, and requisite machinery at the project sites. The Authority further noted BIAL's submission that, consequent to the lockdown restrictions imposed by the Government of India, the execution of the said projects was further prolonged. In view of the above factors, BIAL submitted that the commissioning of T2 Phase I could be achieved only by 31st December 2022.

3.4.23 The Authority was of the view that the emergence of the Covid-19 pandemic and its effects on various sectors of the economy were reasonable causes of delay which were not entirely under the control of BIAL. Accordingly, the Authority considered that the eventual delay beyond the earlier stipulated deadline period of March 2022 in the Tariff Order of the Third Control Period was justified on grounds of the effects of the Covid-19 pandemic. Accordingly, the Authority proposed to waive the delay-applicable penalty of 1% of the project cost from the ARR in the true up of the Third Control Period.

3.4.24 The Authority further noted that BIAL incurred an actual CAPEX of Rs. 4,832.92 Crores against the approved cost of Rs. 4,579.32 Crores, resulting in an increase of Rs. 253.60 Crores. The Authority examined BIAL's detailed submissions regarding the variation between the approved and actual project cost.

3.4.25 The Authority noted that although cost-at-completion estimates were submitted in 2020–21 as part of the 3rd Control Period MYTP, the actual costs exceeded those estimates. BIAL attributed the increase to regulatory and safety requirements, site-specific execution challenges, COVID-19 related disruptions, and passenger convenience enhancements.

3.4.26 BIAL had submitted that the increase in project cost was mainly due to changes arising from regulatory requirements, sustainability initiatives, enhanced safety and security measures, and escalation in commodity prices during and after the COVID-19 period.

3.4.27 The Authority noted BIAL's submission that the COVID-19 pandemic caused significant disruption to supply chains and availability of labour and materials, leading to increases in fuel, commodity and labour costs. In support of its claim, BIAL had relied upon reports from CBRE, JLL India, CRISIL, Powerline and other agencies showing escalation in prices of cement, steel, aluminium, copper, PVC, fuel and labour during the relevant period.

3.4.28 BIAL further submitted that M/s Larsen & Toubro (L&T), the EPC contractor for Terminal 2, had raised a claim of Rs. 180.02 Crores towards COVID-19-related cost escalation, comprising Rs. 134.52 Crores towards increased material costs and Rs. 45.50 Crores towards higher labour costs, including wages and provident fund contributions.

3.4.29 The Authority noted BIAL's submission that the contractor's claims were reviewed through its internal project and finance teams and validated for post-pandemic procurements. Following

negotiations with L&T, BIAL agreed to an amount of Rs. 85.94 Crores, which was lower than the original claim.

3.4.30 The Authority also noted BIAL's submission regarding additional expenditure incurred to maintain continuity of construction during the pandemic, including labour retention, transportation, accommodation, quarantine facilities, testing, vaccination, PPE, sanitisation and related welfare and medical support measures. BIAL further submitted that L&T had claimed Rs. 13.83 Crores towards labour welfare-related expenses incurred during COVID-19, against which BIAL, after review and negotiation, agreed to Rs. 13.78 Crores.

3.4.31 The Authority observed that L&T had raised two claims for increase in expenses due to delay during the covid period. The Authority is of the view that the amount of Rs 13.78 Crores should have been borne by L&T as it is part of day-to-day operations and cannot be passed on to the passengers. Accordingly, the Authority proposed to disallow the amount of Rs. 13.78 Crores from the cost of Terminal 2 – Phase I.

3.4.32 The Authority examined the submissions regarding the increase in project cost vis-à-vis the approved cost under the Third Control Period Tariff Order. The Authority was of the view that COVID-19 constituted a force majeure event beyond the control of the Airport Operator. Considering that BIAL followed due process and negotiated the contractor's additional claims, the Authority proposed to consider Rs 85.74 Cr as part of the CAPEX for the Third Control Period.

3.4.33 The Authority also noted BIAL's submission regarding additional activities carried out in terms of Solar Rooftop as a sustainability initiative, Digi Yatra and other initiatives (Rs. 110.63 Crores) including modifications to certain existing infrastructure (amounting to Rs. 30.33 Crores) which were not factored at the time of Third Control Period MYTP submission.

3.4.34 The Authority analysed BIAL's submission and had a considered view that the additional capital expenditure undertaken by the Airport Operator was necessary for efficient operations, alleviating passenger experience and supporting sustainability. Accordingly, the Authority proposed to approve the additional capital expenditure of Rs. 140.96 Crores.

3.4.35 The Authority further, in the Third Control Period Tariff Order, had disallowed Rs. 50 Cr. against Project Management Cost on account of the extended period of construction till FY22 with a considered view that the scope of work of PMC consultant for the Terminal 2 had remained the same despite the increase in the time period for execution of the project. The Authority agreed with the view taken in the Third Control Period Tariff Order regarding disallowance of Rs. 50 Cr. against PMC Charges and proposed to deduct it from the capital cost proposed for Terminal 2 – Phase 1 in the true-up of the Third Control Period.

One-time Royalty

3.4.36 BIAL also submitted that it had incurred an additional expenditure of Rs. 7.57 Crores towards payment of one-time royalty to the Department of Mines & Geology. According to BIAL, the said Department had issued a demand notice for royalty on murram and building stone used in airport works without prior permission. While the penalty was subsequently waived, BIAL was directed to pay the royalty amount, which was accordingly paid.

3.4.37 The Authority examined BIAL's submission and noted that the one-time royalty payment arose from a mandatory regulatory requirement. Accordingly, the Authority considered the expenditure of Rs. 7.57 Crores as justifiable.

3.4.38 The Authority examined BIAL's submissions relating to the increase in completed cost of Terminal 2 Phase I and found the increase in the cost justifiable and therefore, the Authority proposed to consider the capital expenditure of Rs. 4,769.24 Crores after adjusting the PMC charges of Rs. 50 Crores as disallowed by the Authority in the Third Control Period Tariff Order and Rs 13.78 Crores disallowed in this Order.

Table 21: Details of Capital Expenditure for Terminal 2 - Phase I as submitted by BIAL and as proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Code	Asset	Approved in TCP Order	BIAL Submission for True-up	Proposed by the Authority for True up
A1	Terminal 2 Phase I	4,579.32	4,832.92	4,769.12

A2.1 Forecourt, roadways & landside development - Phase 1b (except MMTH)

3.4.39 As per BIAL's MYTP submission for the Third Control Period, Forecourts, Roadways & Landside Development – Phase 1b was proposed as a capital expenditure project deferred from the Second Control Period. In the Second Control Period Order, the Authority had approved a cost of Rs. 1,216 Crores based on the independent consultant's assessment. However, BIAL estimated the project cost at Rs. 1,875 Crores (including MMTH Phase I), reflecting an increase of Rs. 659 Crores.

3.4.40 In the Tariff Order for the Third Control Period, the Authority had noted that the scope of development covered under Forecourt, Roadways and Landside development (except MMTH Phase I) broadly comprised the following, as described in the ensuing paragraphs.

3.4.41 **Land Acquisition and Road Network Realignment:** The scope included BIAL bearing Way Leave Charges for land acquisition carried out by NHAI at the planned Trumpet expansion. The road network connectivity to Terminal 2 had been realigned with the metro vertical alignment, shifting from the originally planned elevated road network (from the existing ATC tower) to a depressed network at minus 6 metres, which ran up to T1 arrivals road before ramping back upwards toward T2. This shift had necessitated the addition of deep drains to the project list, along with an approximately 20% increase in the road development area compared to the earlier submission to meet enhanced connectivity requirements.

3.4.42 **Security, Underpass and Pedestrian Infrastructure:** A major CISF checkpoint had been planned on the main access road for a 10-lane road system, equipped with offices, checkpoints, CCTV cameras, bollards and parking spaces, and designed for 24x7 operations to meet security requirements. A 2-lane Vehicular Underpass (VUP) of 380 metres length had been added to cross beneath the main access road, connecting the north cargo road to the southern access road, with metro tracks and terminal road network passing above; the asphalt VUP has a clear width of 10.5 m with 7.5 m approaches, and includes drains, steel lighting and road furniture. Additionally, a 450 m semi-enclosed pedestrian walkway (240 m elevated + 70 m bridge across the main access road + 140 m at-grade) had been provided from the car park to T1 forecourt, equipped with 4 elevators, 2 escalators, 4 travellators and landscaping for safe and seamless pedestrian access.

3.4.43 **Lighting, Landscaping and ICT Features**: Other key features of the landside facilities include curved street lighting in place of standard light poles, and special architectural lighting for elevated roads comprising pier and deck girder up lights along with LED lighting for the full length of the flyovers. A comprehensive landscape plan had been developed along the main access road, extending from the start of the road network within KIA up to Terminal 2. The scope had also incorporated the latest and modern ICT systems for effective CCTV coverage and data storage across the entire landside area.

3.4.44 The Authority noted that the overall landside development program subsequently included dedicated metro-related infrastructure under the Multi-Modal Transport Hub (MMTH). Accordingly, MMTH – Phase I and Forecourt, Roadways & Landside Development – Phase 1b were treated as separate capitalization items, with MMTH relating to the transport hub and Phase 1b relating to forecourt, roadway, drainage, security and terminal access infrastructure.

3.4.45 In the Tariff Order for the Third Control Period, the Authority had approved a cost of Rs. 1,495.65 Crores for Forecourt, Roadways & Landside Development – Phase 1b (excluding MMTH). Against this, BIAL claimed an actual expenditure of Rs. 1,426.66 Crores as part of the true-up for the Third Control Period, as per its revised submission dated 21.05.2026, which was lower by Rs. 68.99 Crores.

3.4.46 The Authority, through its independent Consultant, examined the proposed CAPEX, inter alia, including the review of the tendering process, award letters, and invoices furnished by the Airport Operator. Based on the said examination, the Authority noted that the competitive bidding process had been duly followed by the Airport Operator, and the cost arrived at through the said process was found to be reasonable and within the project cost as had been determined by the Authority at the time of tariff determination for the Third Control Period. With regard to the detailed examination of each of the documents as aforesaid, the Authority proposed to allow the actual expenditure of Rs. 1,426.66 Crores as claimed by the Airport Operator in respect of the said works.

Table 22: Details of Capital Expenditure for forecourt, roadways & landside development - Phase 1b (except MMTH Phase I) as submitted by BIAL and as proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Code	Asset	Approved in TCP Order	BIAL Submission for True-up	Proposed by the Authority for True up
A2.1	Forecourt, roadways & landside development - Phase 1b (except MMTH)	1,495.65	1,426.66	1,426.66

A2.2 MMTH – Phase I

3.4.47 As per BIAL's MYTP submission for the Third Control Period, the scope of Forecourt, Roadways & Landside Development – Phase 1b was changed substantially as against the scope proposed earlier in the Second Control Period. BIAL submitted that during the earlier planning stage, a basic Multi Level Car Parking (MLCP) facility was envisaged to support Terminal 2 parking requirements. However, BIAL stated that discussions with Bengaluru Metro Rail Corporation Limited (BMRCL) had highlighted the airport metro connectivity as a necessary requirement and the forecourt and landside facilities were redesigned to accommodate metro connectivity and provide integrated access to both Terminal 1 and Terminal 2. This led to the evolution of the concept into a Multi-Modal Transport Hub (MMTH).

3.4.48 BIAL had also submitted that MMTH was conceived as a passenger-oriented transit hub integrating multiple transport modes including metro, buses, app-based taxis, private vehicles and future automated passenger movement systems. The Authority noted that the MMTH was intended to improve passenger access and inter-terminal connectivity and that the revised design also included facilities such as terminal roadways, internal roadways, multi-storey car parking, bus station, app taxi pick-up areas, inter-terminal connecting bridge, inter-terminal transfer facilities, baggage processing and pedestrian connectivity between Terminal 2, MMTH, Metro Station and Terminal 1.

Recognized Scope of Work for MMTH Phase - I as per the Tariff Order for the Third Control Period

3.4.49 The Authority noted that as per Table 78 (Allocation of MMTH cost into aeronautical and non-aeronautical) of the Tariff Order for the Third Control Period (Order No. 11/2021-22 dated August 28, 2021) it had essentially recognized and expected the following scope of work to be developed by BIAL as part of the MMTH Phase I project –

Table 23: Allocation of MMTH – Phase I areas by the Authority in the Third Control Period

S. No.	Floor	Usage	Area (m^2)	Type (Aeronautical/Non-Aeronautical/Common)
1.	Basement 3	Baggage sorting area	6,555	Aeronautical
2.	Basement 2	Private car parking	35,722	Non-Aeronautical
3.	Basement 1.5	Bus station	14,791	Aeronautical
4.	Basement 1	Private parking	36,419	Non-Aeronautical
5.	Level 0	App taxi and premium taxi (considered Non-Aeronautical as Metro was then expected to be operationalized in FY'26)	47,401	Non-Aeronautical
6.	Level 1	Passenger circulation and landscape	33,704	Aeronautical
		Total	**174,592**	

3.4.50 The Authority further noted that Phase I of MMTH, though proposed to be commissioned in FY 2021–22 along with Terminal 2 – Phase I, did not include the metro station per se, but comprised only the enabling works for the metro station and the baggage sorting area.

3.4.51 BIAL had submitted that these assets would be capitalized in FY 2021–22. However, the Authority was of the view that the enabling works for the metro station and the baggage sorting area would be put to use only upon commencement of metro operations. Since these assets would not be available for use by passengers until the metro became operational, the Authority held a considered view that passengers could not be charged for such assets before they were put to beneficial use.

3.4.52 Accordingly, the Authority had decided that the enabling works for the metro station and the baggage sorting area forming part of MMTH Phase I shall not be capitalized in FY 2021–22 but shall instead be capitalized in the year in which metro operations commence which was then envisaged to be FY 2025–26.

3.4.53 Based on BIAL's submission on the actual developed MMTH – Phase I over the Third Control Period, the Authority noted the following deviations (level-wise) in area developed vis-à-vis recognized areas in the Tariff Order for the Third Control Period:

Table 24: Level wise area developed by BIAL versus the Authority approved areas in the Tariff Order for the Third Control Period

S. No.	Floor	Usage	Classification as per BIAL	Area (m^2)	Floor Area (m^2)	MEPF Area (m^2)	Total Floor Area (m^2)	Authority Approved Area in Third Control Period (m^2)	Difference (m^2)
Reference				A	B	C	D = B+C	E	F=E-D

S. No.	Floor	Usage	Classification as per BIAL	Area (m²)	Floor Area (m²)	MEPF Area (m²)	Total Floor Area (m²)	Authority Approved Area in Third Control Period (m²)	Difference (m²)
1	Basement 3	Baggage sort and Conveyor	Aeronautical	4,735.00	4,926.20	934.04	5,860.24	6,555	694.76
		Staircase, Lift	Aeronautical	191.2					
2	Basement 2	Staircase, Lift, Escalator	Aeronautical	1,012.11	32,876.24	3,560.38	36,436.62	35,722	(714.6)
		Lift and Staircase Lobby	Aeronautical	873.97					
		Public Toilets	Aeronautical	195.48					
		Car Parking	Non-Aeronautical	16,012.67					
		6M wide driveway	Non-Aeronautical	14,141.70					
		Ramps	Non-Aeronautical	640.31					
3	Basement 1.5	Bus Kerb Area	Aeronautical	3,979.44	13,357.91	1,824.65	15,182.56	14,791	(391.56)
		Bus Driveway and Bus Parking for 18 buses	Aeronautical	7,745.57					
		Loading Dock, Garbage service zone	Aeronautical	1,091.02					
		Staircase, Lift, Escalator	Aeronautical	367.38					
		Public Toilets	Aeronautical	174.5					
4	Basement 1	Pick-up Zone: Road, kerb and public walkway	Aeronautical	11,006.94	33,235.84	4,886.33	38,122.17	36419	(1,703.17)

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S. No.	Floor	Usage	Classification as per BIAL	Area (m²)	Floor Area (m²)	MEPF Area (m²)	Total Floor Area (m²)	Authority Approved Area in Third Control Period (m²)	Difference (m²)
		Public Toilets	Aeronautical	109.97					
		Staircase, Lift, Escalator	Aeronautical	1,032.70					
		Central Lift Lobby	Aeronautical	1,108.11					
		Ramps	Aeronautical	1,946.17					
		Car Parking 336 slots	Non-Aeronautical	6,250.01					
		Driveway incl. Entry and exit points	Non-Aeronautical	11,144.17					
		Bike Parking	Non-Aeronautical	637.77					
5	**Level 0**	Terminal 2 Metro connection zone	Aeronautical (45.75 %) / Non-Aero (54.25 %)	11,803.20	46,490.86	3009.47	49,500.33	47,401	(2,099.33)
		Public Toilets	Aeronautical	490.53					
		Landscape	Aeronautical	4,390.21					
		Staircase, Lift, Escalator	Aeronautical	1,249.59					
		Car park zone	Non-Aeronautical	5,641.08					
		App taxi kerb area	Non-Aeronautical	5,652.81					
		Driveway	Non-Aeronautical	13,185.71					
		Retail	Non-Aeronautical	4,077.73					
		Retail circulation zone	Non-Aeronautical	–					

S. No.	Floor	Usage	Classification as per BIAL	Area (m²)	Floor Area (m²)	MEPF Area (m²)	Total Floor Area (m²)	Authority Approved Area in Third Control Period (m²)	Difference (m²)
6	Level 1	Staircase, Lift, Escalator	Non-Aeronautical	113.94	5,682.16	81.19	5,763.35	33,704	27,940.65
		Metro Connection Zone	Non-Aeronautical	271.4					
		Open Terrace	Non-Aeronautical	5,296.82					
Grand Total					**136,569.21**	**14,296.06**	**150,865.27**	**174,592.00**	**23,726.73**

3.4.54 The Authority noted that, as against the scope envisaged in Table 78 of the Tariff Order for the Third Control Period (Order No. 11/2021-22 dated August 28, 2021), BIAL had developed the MMTH Phase I project with certain variations in area, usage, and classification, as summarised in the following paragraphs.

3.4.55 The total developed area of the MMTH Phase I project stands at 150,865 m² as against the area of 174,592 m² approved by the Authority in the Third Control Period, reflecting a reduction of 23,727 m² (13.6%), with the variance being largely concentrated at Level 1, where only 5,763 m² was developed as against the approved 33,704 m².

3.4.56 The Authority further observed that Level 1, which was approved as Aeronautical in nature (comprising passenger circulation and landscape), had been developed and classified by BIAL as Non-Aeronautical, comprising Open Terrace, Metro Connection Zone, and Staircase/Lift/Escalator.

3.4.57 The Authority noted that Basement 2, Basement 1.5, Basement 1, and Level 0 collectively reflected a developed area of 4,909 m² over and above the respective areas approved by the Authority, primarily on account of the inclusion of MEPF service zones.

3.4.58 The Authority further observed that an area aggregating to approximately 28,816 m² across Basement 2, Basement 1, and Level 0 — which had been approved as Non-Aeronautical in the Third Control Period — has been re-classified by BIAL as Aeronautical, including elements such as the Pick-up Zone, ramps, staircases, lobbies, public toilets, landscape, and 45.75% of the Metro Connection Zone.

3.4.59 The Authority also noted that an MEPF area of 14,296 m² was introduced by BIAL as a "Common" category with a 34.49% allocation to Aeronautical, whereas staircases, lifts, lobbies, and public toilets situated on predominantly Non-Aeronautical floors were classified as 100% Aeronautical.

3.4.60 The Authority had approved the total cost of Rs. 537.34 Crores for MMTH-1 in the Third Control Period Order (Order No. 11/2021-22 dated 28.08.2021). Against this, BIAL has submitted the total cost of Rs. 781.70 Crores as part of the true-up of the Third Control Period (as per the revised submission dated May 21, 2026).

3.4.61 The Authority examined the submission made by BIAL with respect to the increase in the completed cost of MMTH Phase I. The Authority, however, noted that certain additional details, had been sought from BIAL through emails dated 11.11.2025, 08.05.2026 and 31.05.2026 for the purpose of assessing the reasonableness of the variance/increase in the cost so incurred. However, satisfactory

responses with detailed rationales for observed variances were not provided by BIAL. The Authority, accordingly, proposed to allow the capital cost pertaining to MMTH Phase I, as approved by the Authority in the Third Control Period Order, subject to the adequacy and sufficiency of the additional information/justification to be furnished by BIAL in this regard. This is mainly in view of a lower overall developed area but at a higher incurred cost for the overall MMTH Phase I facility.

Table 25: Details of capital expenditure for MMTH Phase – I as submitted by BIAL and as proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Code	Asset	Approved in Tariff Order	BIAL Submission for True-up	Proposed by the Authority for True up
A2.2	MMTH Phase – I	537.34	781.70	537.34

A3. Aircraft Maintenance & Airport Maintenance Facilities

3.4.62 As per BIAL's MYTP submission for the Third Control Period, Aircraft Maintenance & Airport Maintenance Facilities were included as a capital expenditure project deferred from the Second Control Period. BIAL proposed a capital expenditure of Rs. 52.87 Crores as part of the true-up of the Third Control Period.

3.4.63 The Authority noted that the adjusted approved amount carried forward from the Second Control Period was Rs. 45.05 Crores. Against this, BIAL incurred a total cost of Rs. 52.87 Crores towards the assets with hard costs accounting for Rs. 42.05 Crores

3.4.64 The Authority further noted that BIAL incurred an expense of Rs. 5.34 Crore. on account of PMC, Design Pre-Operative and Contingency Expenses, which is ~12.70% of the hard costs as against the Authority approved PMC, Design Pre-Operative and Contingency Expenses of 8% of the approved hard costs.

3.4.65 The Authority observed that BIAL had not provided a detailed rationale for incurrence of high PMC, Design Pre-Operative and Contingency Expenses and was of the considered view that the PMC, Design Pre-Operative and Contingency Expenses should be restricted to 8% of the hard costs as suggested by the Independent Consultant (RITES). Accordingly, the Authority proposed to approve PMC, Design Pre-Operative and Contingency Expenses as Rs. 3.36 Crores thereby reducing it by Rs. 1.98 Crores.

Table 26: Details of Capital Expenditure for Aircraft Maintenance & Airport Maintenance Facilities as submitted by BIAL and as proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Code	Asset	Approved in Tariff Order	BIAL Submission for True-up	Proposed by the Authority for True up
A3	Aircraft Maintenance & Airport Maintenance Facilities	45.05	52.87	50.89

A4. Utilities

3.4.66 As per BIAL's MYTP submission for the Third Control Period, Utilities had been included as a capital expenditure project deferred from the Second Control Period.

3.4.67 The Authority had approved a total expenditure of Rs. 67.48 Crore. towards utilities for the Third Control Period against which BIAL submitted an amount of Rs. 61.76 Crore.

3.4.68 The Authority proposed to approve the actual amount incurred by BIAL of Rs. 61.76 Crore on account of it being lower than the Authority approved amount for the asset in the Third Control Period Order (Order No. 11/2021-22 dated August 28, 2021).

Table 27: Details of capital expenditure for Utilities as submitted by BIAL and as proposed by the Authority at the Consultation Stage

(Rs. Cr)

Code	Asset	Approved in TCP Order	BIAL Submission for True-up	Proposed by the Authority for True up
A4	Utilities	67.48	61.76	61.76

A5.1 T2 Apron – Phase II

3.4.69 The Authority noted that, as per the MYTP submission made by BIAL for the Third Control Period, T2 Apron – Phase II had been included as a capital expenditure project deferred from the Second Control Period. The Authority further noted that, in the Tariff Order for the Third Control Period, a total expenditure of Rs. 447.17 Crores was approved towards T2 Apron – Phase II, as against which BIAL had submitted an actual amount of Rs. 219.65 Crores.

3.4.70 In light of above, Authority had taken cognizance of the Second Control Period Tariff order where the total capital expenditure of Rs. 1,976 Crores (hard cost) was approved towards the New South Airfield Development Works, of which Rs. 1,521.28 Crores had been capitalised in the true-up of the Second Control Period, after reducing Rs. 260.45 Crores on account of reclassification of certain assets towards T2 Apron Phase II and Eastern Connectivity Tunnel.

3.4.71 The Authority further noted that the amount of Rs. 164.42 Crores was reclassified from "North South Parallel Runway" to "T2 Apron – Phase II." The said reclassification had resulted in a reduction in the approved capital expenditure for the Third Control Period under the head ""T2 Apron – Phase II"" to Rs. 242.58 Crores, vis-à-vis Rs. 447.17 Crores as approved by the Authority in the Tariff Order for the Third Control Period. BIAL's submission of Rs. 219.65 Crores for T2 Apron – Phase II was within the reduced capital expenditure of Rs. 242.58 Crores as derived above.

3.4.72 The Authority, through its Independent Consultant, had examined the proposed CAPEX, inter alia, including review of the tendering process, award letters, and invoices furnished by the Airport Operator. Based on the said examination, the Authority noted that the competitive bidding process was duly followed by the Airport Operator, and the cost arrived at through the said process was found to be reasonable and within the project cost as determined by the Authority at the time of tariff determination for the Third Control Period. Based on the detailed examination of each of the documents as aforesaid, the Authority proposed to allow the actual expenditure of Rs. 219.65 Crores claimed by the Airport Operator in respect of the said works.

Table 28: Details of Capital Expenditure for T2 - Phase II as submitted by BIAL and as proposed by the Authority at the Consultation Stage

(in Rs. Crore)

Code	Asset	Approved in TCP Order	Approved after reclassification	BIAL Submission for True-up	Proposed by the Authority for True up
A5.1	T2 Apron Phase II	447.17	242.58	219.65	219.65

A5.2 Airport Rescue and Firefighting

3.4.73 Airport Rescue and Firefighting and T2 Apron – Phase II were two projects which BIAL has undertaken separately over the Third Control Period. However, the same were approved on consolidated basis under "T2 Apron – Phase II" as part of the Third Control Period Order.

3.4.74 The Authority noted that BIAL proposed the Airport Rescue and Firefighting along with T2 Apron – Phase II to manage fire hazards, which was deemed to be essential from passenger security perspective and would ensure smooth, safe and secure aircraft operations at the airport.

3.4.75 The Authority found BIAL's submission reasonable and justifiable and proposed to approve the actual amount incurred by BIAL of Rs. 1.62 Crores in light of its aeronautical utility.

A6. South Runway – Phase II

South Runway – Phase II

3.4.76 The Authority noted that, as per the MYTP submission made by BIAL for the Third Control Period, the South Parallel Runway – Phase II had earlier been proposed for capitalisation in FY 2020-21, which was subsequently deferred and proposed to be capitalised in FY 2021-22.

3.4.77 The Authority further noted that the said project had accordingly been included along with other capital expenditure items deferred from the Second Control Period to the Third Control Period. In this regard, the Authority noted that, based on the adjusted approved amounts carried forward from the Second Control Period, the net approved amount in respect of South Parallel Runway – Phase II stood at Rs. 286.56 Crores in the Tariff Order for the Third Control Period.

3.4.78 Further to the observation made under Paragraph 3.4.66, the Authority noted that the said reclassification and adjustments had been duly reconciled with reference to the Tariff Order for the Third Control Period and BIAL's previous MYTP submission, thereby leaving a balance of Rs. 454.72 Crores (hard cost) available to be utilised during the Third Control Period towards the New South Airfield Development Works.

3.4.79 The detailed reconciliation of the expenditure within the program as submitted by BIAL is shown in table below:

Table 29: CAPEX (hard cost) reconciliation approved for New south airfield development works

Sr. No.	Particulars	Value (in Rs. Cr.)
1.	BIAL's submission in TCP MYTP (A)	1,980.00
2.	Approved by Authority approved CAPEX in TCP Order (B)	1,976.00
3.	CAPEX capitalised in Second CP within the program (C)	1,781.73
4.	Reduction due to reclassification of CAPEX (D)*	260.45
5.	Revised CAPEX allowed in true-up of the Second CP towards New South Airfield development (E=C-D)	1,521.28
6.	Remaining CAPEX within the original approved limit (F=B-E)	454.72

**Reclassified as CAPEX towards T2 Apron Phase II and Eastern Connectivity Tunnel*

3.4.80 The Authority noted that BIAL had submitted a total cost of Rs. 530.26 Crore as part of True up of the Third Control Period for the South Runway Phase II, which included hard cost of Rs. 432.40 Crores, PMC/Soft cost of Rs. 56.05 Cr and IDC of Rs. 41.81 Crore.

3.4.81 The Authority noted that the actual hard cost incurred by BIAL in respect of South Runway – Phase II amounts to Rs. 432.40 Crores, which is within the remaining capital expenditure allowance of Rs. 454.72 Crores earmarked for the New South Airfield Development Works under the approved programme.

3.4.82 The Authority further noted that BIAL has incurred an expense of Rs. 56.05 Crores on account of PMC, Design Pre-Operative and Contingency Expenses, which is ~12.96% of the hard costs as against the Authority approved PMC, Design Pre-Operative and Contingency Expenses of 8% of the approved hard costs.

3.4.83 The Authority noted that BIAL did not provided a detailed rationale for incurrence of high PMC, Design Pre-Operative and Contingency Expenses and was of the considered view that the PMC, Design Pre-Operative and Contingency Expenses should be restricted to 8% of the hard costs as suggested by the Independent Consultant (RITES). Accordingly, the Authority approved PMC, Design Pre-Operative and Contingency Expenses as Rs. 34.59 Crores thereby reducing it by Rs. 21.46 Crores.

3.4.84 The Authority had also considered IDC of Rs. 41.81 Crores as submitted by BIAL while truing up the capital expenditure towards South Runway Phase II.

3.4.85 The Authority accordingly proposed to approve a total cost of Rs. 508.80 Crores after reduction of Rs 21.46 Crores towards higher PMC, Design Pre-Operative and Contingency Expenses.

Table 30: Details of capital expenditure for South Runway – Phase II as submitted by BIAL and as considered by the Authority at the Consultation Stage

(Rs. in Crore)

Code	Asset	Approved in TCP Order	BIAL Submission for True-up	Proposed by the Authority for True up
A6	South Runway – Phase II	286.56	530.26	508.80

A7. Existing Runways/Taxiway Improvements (Unplanned Works)

3.4.86 The Authority noted BIAL's submission regarding improvement of Existing Runways/Taxiway amounting to Rs. 217 Crores as the hard cost for this program in the Third Control Period MYTP, against which AERA had approved Rs. 177 Crores in the Third Control Period Order.

3.4.87 BIAL further highlighted that the Authority had not provided reasons for the disallowance of Rs. 40 Crores in the Tariff Order of the Third Control Period. Further, during the discussions with the Authority post issuance of Third Control Period Order, it was conveyed that they had assumed that the Program was completed as of 31.03.2021 and hence only the costs capitalized till that date was considered while the balance value was missed out inadvertently in the Third Control Period Order. Subsequently, BIAL had sought clarifications from the Authority vide its letter dated 28.08.2021.

3.4.88 The Authority vide its letter dated 11.11.2021 clarified that the capital expenditure related to Existing Runways/Taxiway improvements for the Third Control Period will be trued-up based on actual asset addition and subject to its reasonableness.

3.4.89 BIAL submitted the capital expenditure pertaining to improvement of existing runway/taxiway to carry out strengthening and upgradation of the existing airside runway infrastructure together with development of new facilities and its associated infrastructure. BIAL published EoI and based on evaluation of technical and financial evaluation of submissions of various bidders, the work was awarded to M/s. AIC Infrastructure. According to BIAL, as against a budgeted outlay of Rs. 217 crores, the completed cost was Rs. 243 crores, an overall variation of 11.98%.

3.4.90 The Authority noted BIAL's submission and took a considered view that the CAPEX incurred was necessary for the safe, secure and smooth conduct of aircraft operations at the airport. The Authority

therefore considered BIAL's submission for Improvements to Existing Runways/Taxiways reasonable and justifiable.

3.4.91 The Authority further noted BIAL's submission regarding the increase in capital expenditure of Existing Runways/Taxiway by Rs. 25.74 Crores on account of additional claims by M/s. AIC Infrastructure for additional scope, Automatic Irrigation System to maintain the Type-1 grass grown in the surrounding areas of New South Parallel Runway (NSPR) and relocation of DVOR/DME.

3.4.92 The Authority noted that BIAL has also incurred Interest During Construction (IDC) of Rs. 2.52 Crores and PMC, Design and Pre-Operative of Rs. 3.77 Crores.

3.4.93 The Authority, through its Independent Consultant, had examined the proposed CAPEX, inter alia, including review of the tendering process, award letters, and invoices furnished by the Airport Operator. Based on the said examination, the Authority noted that the competitive bidding process had been duly followed by the Airport Operator, and the cost arrived at through the said process was found to be reasonable and within the project cost as had been determined by the Authority at the time of tariff determination for the Third Control Period. Based on the detailed examination of each of the documents as aforesaid, the Authority proposed to allow the hard cost of Rs. 65.63 Crores, IDC of Rs. 2.52 Crores and PMC, Design and Preoperative Expense of Rs. 3.77 Crores totaling Rs. 71.92 Crores actual expenditure claimed by the Airport Operator in respect of the said works.

B. Sustaining Capex

3.4.94 In Third Control Period Order (Order No. 11/2021-22 dated August 28, 2021), the Authority examined BIAL's request to consider sustaining capital expenditure for the Third Control Period in light of the increase in airport facilities during the period. The Authority noted that the projected traffic at the airport in the initial years of the Third Control Period would be significantly lower than the airport's capacity. In view of the challenging circumstances that the aviation industry was facing, the Authority expected BIAL to defer all unnecessary sustaining capital expenditure to a future control period.

3.4.95 The Authority noted BIAL's submission seeking flexibility to incur sustaining capital expenditure during the Third Control Period. In this regard, the Authority observed that the list provided by it comprised all the sustaining capital expenditure projects submitted by BIAL and that BIAL therefore had the flexibility and choice to undertake the necessary projects within the approved sustaining capex for the Third Control Period. The Authority had also clarified that capital expenditure not specifically listed could also be undertaken by BIAL, provided the same had been essentially required for the operations, safety and security of the airport and was supported by proper justification and reasonableness.

3.4.96 The Authority further observed that sustaining capex of more than Rs. 900 Crores for the Third Control Period had been proposed by BIAL. The Authority was of the view that the airport operator should remain accountable for all capital expenditure, including sustaining capital expenditure, and that any departure from such accountability could create the possibility of projects being split into smaller amounts so as to avoid regulatory scrutiny.

3.4.97 The Authority had not accepted BIAL's submission that uncertainty arising from the dynamic business environment should warrant unrestricted flexibility in relation to the sustaining capex. With respect to the total size of sustaining capital expenditure, the Authority had computed the average sustaining capex for the Second Control Period based on actual sustaining capex and determined the sustaining capital expenditure for BIAL at Rs. 160.62 Crores per year with inflation indexation for the Third Control Period. Accordingly, as against the revised proposed sustaining capex of Rs.

1,584.15 Crores submitted by BIAL, the Authority had approved sustaining capital expenditure of Rs. 929.17 Crores for the third Control Period.

3.4.98 BIAL submitted the following year-wise sustaining capex incurrence amounts for the Third Control Period.

Table 31: Details of Sustaining Capex as approved by the Authority in TCP Order and as submitted by BIAL

(Rs. Cr)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Sustaining capex approved by the Authority in TCP Order	168.49	176.75	185.41	194.49	204.02	929.17
Sustaining capex incurred by BIAL in the Third Control Period	58.5	121.65	127.3	140.52	97.48	545.45
Difference in sustaining capex	109.99	55.1	58.11	53.97	106.54	383.71

3.4.99 The Authority noted that BIAL had incurred an overall sustaining capex of Rs. 545.45 Crores. which was 41.2% lower than the total sustaining capex approved by the Authority. The item-wise details of sustaining capital expenditure have been placed at Appendix-1. The Authority through its Independent Consultant had reviewed the actual sustaining capex assets acquired by BIAL over the Third Control Period and proposed to approve the same.

Table 32: Details of Sustaining Capex as submitted by BIAL and as proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Code	Asset	Approved in TCP Order	BIAL Submission for True-up	Proposed by Authority for True up of TCP
B	Sustaining Capex	929.16	545.45	545.45

3.4.100 In view of the above, the total Capex submitted by BIAL for true up verses the Capex proposed to be considered by the Authority is as provided in the table below:

Table 33 Comparison of total Capex - BIAL submitted vs Authority proposed for True up of the Third Control Period at the Consultation Stage

No.	Project	As submitted by BIAL for True up	As proposed by Authority	Variance
		A	B	C = B - A
1	Terminal 2 - Phase I	4,832.92	4,769.14	(63.78)
2	Forecourt, roadways & landside development - Phase Ib (except MMTH)	1,426.66	1,426.66	-
3	MMTH – Phase- I	781.70	537.34	(244.36)
4	Aircraft Maintenance & Airport Maintenance Facilities	52.87	50.89	(1.98)
5	Utilities	61.76	61.76	-
6	T2 Apron - Phase II	219.65	219.65	-
7	Airport Rescue and Fire Fighting Building	1.62	1.62	-
8	South Runway - Phase II	530.26	508.80	(21.46)
9	Existing Runways / Taxiway Improvements	71.92	71.92	-
	Sub-Total - (A)	**7,979.36**	**7,647.78**	(331.58)
10	Airside Security wall	-	-	-
11	Airside perimeter Road	-	-	-
12	T1 Optimization	-	-	-

No.	Project	As submitted by BIAL for True up	As proposed by Authority	Variance
		A	B	C = B - A
13	Northwest road expansion	-	-	-
14	CISF Barrack Expansion	-	-	-
15	Animal Quarantine facility	-	-	-
16	New cargo domestic terminal including Cool Port	-	-	-
17	Refurbishment of existing cargo terminals	-	-	-
18	Refurbishment of existing catering buildings	-	-	-
19	Water Treatment Plant	-	-	-
20	Landside Maintenance Building	-	-	-
	Sub-Total – Projects proposed in Third Control Period (B)	-	-	-
21	Sustaining capex including other Capex (C)	545.45	545.45	-
	Total	**8,524.81**	**8,193.23**	(331.58)

Allocation Ratios as per the Authority and the underlying principles

3.4.101 The Authority had examined the allocation ratios submitted by BIAL between aeronautical and non-aeronautical assets. The Authority wqass of the view that the allocation ratios approved in the Third Control Period Tariff Order, which were determined after due deliberation and considering the principle of consistency, should continue to apply for the true-up of the Third Control Period. Accordingly, the Authority proposed the following allocation principles:

- **Terminal 2 – Phase I**: The Authority proposed to consider the terminal area allocation ratio of 87.66% as approved in the Third Control Period Order.
- **Forecourt, roadways & landside development – Phase 1b (except MMTH)**: The Authority proposed to consider the allocation ratio of 85.73% as approved in the Third Control Period Order.
- **MMTH – Phase I**: The Authority noted that the allocation ratio based on aeronautical area usage as approved by the Authority for the 3rd Control Period was 31.53% as against a ratio of 34.49% being claimed by BIAL. For the purpose of true-up of the Third Control Period, the Authority proposed to consider allocation ratio of 31.53% as approved in the Third Control Period Order.
- **Aircraft Maintenance & Airport Maintenance Facilities and Utilities**: The Authority proposed to apply the overall airport terminal area ratio for BIAL as approved in the Third Control Period Order (85.73%).
- **T2 Apron – Phase II**: The Authority proposed to apply the allocation ratio of 99.20% as approved in the Third Control Period Order.
- **Airport Rescue and Firefighting, South Runway – Phase II and Existing Runways/Taxiway Improvements**: The Authority proposed to allocate the capital expenditure at 100% allocation ratio.
- **Sustaining Capex**: The Authority proposed to apply the terminal area ratio of 86.64% to the sustaining capex as approved in the Third Control Period Order.

3.4.102 Based on the asset-by-asset analysis and the allocation ratios discussed above, the aeronautical capital expenditure proposed by the Authority for true-up of the Third Control Period is set out in the table below:

Table 34: Aeronautical Capital Expenditure proposed by the Authority for the true-up of the Third Control Period at the Consultation Stage

(Rs. in Crore)

S. No.	Project	Capex proposed by the Authority for true-up of TCP	Allocation ratio	Aeronautical Capex proposed by the Authority for true-up of TCP
		A	B	C=A*B
A1	Terminal 2 - Phase I	4,782.92	87.66%	4,180.63
A2.1	Forecourt, roadways & landside development - Phase 1b (except MMTH)	1,426.66	85.73%	1,223.08
A2.2	MMTH – Phase- I	537.34	31.53%	169.42
A3	Aircraft Maintenance & Airport Maintenance Facilities	50.89	85.73%	43.63
A4	Utilities	61.76	85.73%	52.95
A5.1	T2 Apron - Phase II	219.65	99.20%	217.89
A5.2	Airport Rescue and Fire Fighting Building	1.62	100.00%	1.62
A6	South Runway - Phase II	508.8	100.00%	508.8
A7	Existing Runways / Taxiway Improvements	71.92	100.00%	71.92
	Sub Total (A)	**7,647.78**		**6,469.93**
B	Sustaining capex including other Capex (B)	545.45	86.64%	472.58
C	Projects not undertaken by BIAL in TCP	-	-	-
	Total	**8,193.23**		**6,942.51**

3.4.103 The Aeronautical capex proposed by the Authority for true-up of the Third Control Period as above is Rs. 6,942.51 Crores, the variance of Rs. (610.07) Crores. (i.e., a reduction of approximately 8.08%) from the Rs. 7,552.58 Crores approved by the Authority in the Tariff Order of the Third Control Period was primarily on account of rationalization of project costs, projects dropped/deferred by BIAL, lower actual capitalization and application of allocation ratio.

Depreciation for the Third Control Period

BIAL's submission on Depreciation for True up of the Third Control period

3.4.104 BIAL submitted the following Aeronautical Depreciation for true-up of the Third Control Period in its MYTP for the Fourth Control Period:

Table 35: Aeronautical Depreciation submitted by BIAL in its MYTP for the true-up of Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aeronautical Depreciation	360.78	485.83	864.22	860.17	850.26	3,421.26
Aeronautical Depreciation on Financing Allowance	17.42	27.54	38.71	41.27	43.19	168.13
Total Aeronautical Depreciation	378.20	513.37	902.93	901.44	893.45	3,589.38

3.4.105 BIAL subsequently submitted the following revised Aeronautical Depreciation vide its e-mail dated 21.05.2026:

Table 36: Revised Aeronautical Depreciation for Third Control Period as submitted by BIAL

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aeronautical Depreciation	360.78	485.83	864.22	860.17	863.48	3434.48
Aeronautical Depreciation on Financing Allowance	17.42	27.54	38.71	41.27	43.66	168.6
Total Aeronautical Depreciation	378.20	513.37	902.93	901.44	907.14	3603.08

3.4.106 The useful life of asset considered for depreciation by BIAL for the Third Control Period is as per the table below:

Table 37: Useful life of asset considered for depreciation by BIAL for the Third Control Period

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

Authority's Examination regarding Depreciation for True up of Third Control Period at the Consultation Stage

Recap of decisions taken by the Authority for depreciation at the time of tariff determination for the Third Control Period

3.4.107 The Authority, at the time of tariff determination for the Third Control Period, examined the issues raised by BIAL pertaining to useful lives of assets and concluded as under:

a) **Plant & Machinery**: The useful life of 15 years prescribed in Order No. 35/2017-18 already accounted for typical airport usage patterns. Adequate maintenance expenditure was being permitted to enable upkeep of assets in good operating conditions. Accordingly, the lower useful life of 7.5 years claimed by BIAL was not accepted.

b) **Buildings (Canopy, New Project Office, Nursery)**: Order No. 35/2017-18 did not prescribed a lower useful life for assets falling within the Building asset class. BIAL had not furnished adequate technical justification for departing from the prescribed life. The Authority, in line with the principle of consistency with statutorily certified depreciation, had retained 30 years as the useful life.

c) **Runway/Taxiway and Top Layer**: The Authority had permitted upgradation works on the runway to be amortised over the balance useful life of the original asset, which adequately addressed the periodic resurfacing requirements. Accordingly, the shorter useful lives claimed for the Runway/Taxiway (20 years) and Runway Top Layer (5 years) were not accepted.

d) **Other asset classes**: The Authority had proposed to revise the useful life of the other asset classes (IT equipment, furniture and fixtures, other roads, etc.) based on the useful life given in Order No. 35/2017-18.

3.4.108 In addition, the Authority had also undertaken the following adjustments at the time of tariff determination for the Third Control Period:

- Retention of useful life of 48.5 years for Land Development Capex in FY 2021 (consistent with FY 2020), as against 30 years considered by BIAL
- Adjustment of depreciation in respect of assets excluded pursuant to the EIL study
- Adjustment of depreciation on pre-operative expenses excluded from the RAB.

3.4.109 Based on the above, the depreciation decided by the Authority for the Third Control Period is given in the table below:

Table 38: Depreciation considered by the Authority in the Third Control Period Tariff Order (Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Total depreciation as per BIAL (A)	541.48	726.38	752.18	760.23	797.08	3,577.35
Adj. - Change in useful life, revision in asset addition (B)	(217.73)	(224.04)	(89.33)	(105.31)	(138.81)	(775.23)
Adj. - EIL assets (C)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(4.48)
Adj. - Less: Depreciation on excluded ECT cost (D)	(20.31)	(20.31)	(20.31)	(20.31)	(18.64)	(99.86)
Adj. - Add: Depreciation on FA assets (E)	11.19	11.19	11.19	10.03	8.4	52.01
Total adjusted depreciation (F = A+B+C+D+E)	313.75	492.33	652.83	643.75	647.14	2,749.79
Aeronautical proportion of gross block (G)	91.99%	87.81%	87.79%	87.78%	87.84%	
Aeronautical depreciation as per the Authority (H = F*G)	288.61	432.29	573.15	565.07	568.44	2,427.57

3.4.110 The Authority had further decided to true-up the depreciation for the Third Control Period based on actual asset additions and actual dates of capitalization.

3.4.111 The Authority examined the submissions made by BIAL, including the issues raised in respect of useful lives of Plant & Machinery, Building-class assets (Canopy, New Project Office and Nursery), Runway/Taxiway and Runway Top Layer.

3.4.112 The Authority noted that the matters raised by BIAL pertain to the basic principles and methodology adopted at the time of tariff determination for the Third Control Period, which were duly considered and concluded by the Authority in the Tariff Order. The Authority therefore proposed to retain the useful lives of assets as adopted in the Third Control Period Tariff Order, which are reproduced hereunder:

Table 39: Useful Lives considered by the Authority for the Third Control Period at the Consultation Stage

Asset type	Useful Life as per BIAL (Years)	Useful Life as per Authority (Years)
Earthwork	48.5	48.5
Terminal, utility, office and other buildings	30 (Buildings); 10 (Ancillary Bldg); 9 (Canopy); 1 (Pop-Up Retail Plaza)	30
Runway, taxiway and apron	Runways: 30; Runway Top Layer: 5; Bridges: 30; Taxiways: 20; Taxiways-New: 30; Taxiways-Upgrade: 5; Apron: 30	30
Water management system	30	30
Roads	5 (Roads / Roads New); Landscaping: 5; Interiors & Landscape: 1	5
Roads (Trumpet)	20	20
Baggage handling, aerobridges, HVAC equipment, other airport equipment	7.5	15
Electrical fittings	10	10

Asset type	Useful Life as per BIAL (Years)	Useful Life as per Authority (Years)
Security/safety equipments	7.5 (Safety & Security Equipment); 5 (Security Fencing)	15
IT Equipment	6 / 4 / 3	6
Software	5 / 3	5
Furniture and fixtures	0 / 7; Artwork: 5; Signage: 5; Furn & Fixt (3 yrs): 3	7
Vehicles	8 (Large & Small Vehicles); 7 (Crashfire Tenders); 5 (older Small Vehicles)	8
Office equipment	5 / 4	5
Intangibles (agreements)	30 / 7	30

3.4.113 The Authority further proposed not to consider financing allowance on depreciation, as submitted by BIAL, consistent with its position adopted in the Third Control Period Tariff Order.

3.4.114 The Authority had accordingly trued up the depreciation for the Third Control Period based on actual asset additions and actual dates of capitalization. The Aeronautical Depreciation proposed by the Authority for true-up of the Third Control Period is given in the table below:

Table 40: Aeronautical Depreciation Proposed to be considered by the Authority for True-Up of the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aeronautical Depreciation	283.98	418.01	558.22	566.10	575.30	2,401.60

3.4.115 The Authority accordingly proposed Rs. 2,401.60 Crores for True up of Third Control Period as provided in the table above.

BIAL's submission regarding Regulatory Asset Base for the Third Control Period

3.4.116 BIAL computed the Regulatory Asset Base (RAB) for the Third Control Period, as per the table below:

Table 41: Regulatory Asset Base (RAB) submitted by BIAL for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	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	218.21	7,721.19
Add: Additional FA	7.67	209.73	54.27	19.91	6.56	298.14
Less: Deletion	(1.28)	(0.79)	(2.93)	(6.50)	(8.31)	11.49
Less: Depreciation	(360.78)	(485.83)	(864.22)	(860.17)	(863.48)	3,421.26
Less: Depreciation on Additional FA	(17.42)	(27.54)	(38.71)	(41.27)	(43.66)	168.13
Closing RAB	4,423.21	9,564.21	9,885.73	9,380.75	8,690.06	—
Average RAB	4,369.38	6,993.71	9,724.97	9,633.24	9,035.40	—

The Authority's examination and proposal of Regulatory Asset Base (RAB) at the Consultation Stage

3.4.117 Based on the Authority's analysis of the capital expenditure, asset allocation and depreciation for True-up of the Third Control Period as discussed in detail in various paras of this chapter, the table

below provides the details of the Regulatory Asset Base proposed by the Authority for True up of the Third Control Period:

Table 42: RAB proposed to be considered by the Authority for true-up of the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Opening RAB (A)	4,427.38	4,582.03	9,234.07	9,638.30	9,443.03	-
Capital Additions (B)	439.91	5,070.83	965.38	377.33	89.07	6,942.51
Capital Deletions/Disposals (C)	(1.28)	(0.79)	(2.93)	(6.50)	(8.31)	(19.80)
Depreciation (refer Table 38) (D)	283.98	418.01	558.22	566.10	575.30	2,401.60
Closing RAB (E = A+B-C-D)	4,582.03	9,234.07	9,638.30	9,443.03	8,948.50	-
Average RAB (F= (A+E)/2)	4,504.71	6,908.05	9,436.19	9,540.67	9,195.76	-

Stakeholders' Comments regarding True Up of Capex, Depreciation and RAB for the Third Control Period

3.4.118 During Stakeholders' Consultation Process, the Authority has received comments / views from BIAL and IATA in response to the proposals of the Authority with regard to the True-up of Capex, Depreciation and RAB for the Third Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below:

BIAL's comments regarding True Up of Capex, Depreciation and RAB for the Third Control Period

3.4.119 BIAL's comment regarding the disallowance of disallowance of Rs. 50 Cr in PMC charges for Capex Terminal 2 – Phase I, is as mentioned below:

"Terminal 2 – Phase I, disallowance of Rs. 50 Cr PMC

Authority's Analysis

- *The Authority further, in the Third Control Period Tariff Order, had disallowed Rs. 50 Cr. against Project Management Cost on account of the extended period of construction till FY22 with a considered view that the scope of work of PMC consultant for the Terminal 2 has remained the same despite the increase in the time period for execution of the project. The Authority agrees with the view taken in the Third Control Period Tariff Order regarding disallowance of Rs. 50 Cr. against PMC Charges and proposes to deduct it from the capital cost proposed for Terminal 2 – Phase 1 in the true-up of the Third Control Period.*

BIAL's Submission

Background

BIAL had undertaken an integrated large-scale Airside and Terminal development program with associated road and other infrastructure facilities (PAL 1 Expansion) comprising of more than 80 sub-projects. Based on a competitive tendering process, BIAL had selected and entered into a PMC contract with M/s Turner for providing PMC services for the PAL 1 Expansion program.

The PMC contracted scope of services includes pre-construction support, construction management and project closeout, handover and operationalization primarily for NSPR & Terminal-2 projects and support for landside projects.

In the 2nd Control period Tariff order, the Authority, decided to fix a target date for completion of the Terminal 2 Phase 1 Project as 31st March 2021.

Pursuant to issuance of 2nd control period Tariff Order, the Authority has also clarified vide its letter dated 13.09.2018 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 properly justified, the same would be considered by the Authority while truing up the actual cost at the time of determination of tariff for the 3rd control period in respect of IDC and PMC." This clarification is specific and is intended only for time related delay in Project completion and not for any scope related changes. BIAL's submission is also for additional costs due to time delay and not for any scope changes.

Due to Covid-19 pandemic from Jan'2020, the project completion timeline got extended to 31st Dec 2022 (as acknowledged in Authority's decision in para 5.5.8 of TCP Order). This necessitated the extension of duration of services by the PMC to support project completion, which has a direct impact on the PMC cost. The number of man-months required to complete the scope of services consequently got extended till 31st December 2022. This change in the completion date is equivalent to a Force Majeure event which has affected both parties – BIAL & PMC agency.

As per the terms of the contract, the Force Majeure clause includes rulings of Governmental authorities as one of the events that qualifies for extension of time. Lockdown restrictions were issued vide various circulars of Government of India and Government of Karnataka. BIAL could not entirely de-mobilise the PMC as work was underway nevertheless (in line with Government circulars which permitted project implementation wherein in-situ labour camps were available) and had to be completed.

On its part, BIAL had taken the following steps to reduce the PMC costs, namely:

- *Changed deployment plan, etc., to optimize the use of PMC.*
- *Renegotiated the contract to obtain discounts from the PMC in the form of agreeing to a lump sum value for a ceiling limit of the deployment.*
- *Negotiated with the PMC to reduce costs by removal of escalation clause in the contract. As per the PMC contract, the consultant is entitled for 8% YoY escalation price for the deployed resources. The contract was also renegotiated to defer the YoY escalation cost*
- *The deployment of the PMC staff had been restructured for 28 staff members based on the specific skill set required for the Project and demobilization of other resources in advance. There were 7 expats deployed on the project which was reduced to 3 by demobilizing 4 of these staff prematurely.*

Having specifically clarified that the IDC and PMC cost would be considered if it is justified, the Authority has proposed not to allow the additional PMC cost for the additional time period required to complete the project. This is despite the Authority acknowledging the fact that the Covid-19 pandemic has created genuine issues for completion of the project by March 2021.

While AERA had allowed the deferment of date of commissioning of the Project, it has not considered the associated costs towards PMC. BIAL wishes to submit that given the circumstances, it was not possible to let go of the PMC abruptly and put the entire T2 and associated projects at risk as the pace of works was reduced but not halted.

We request AERA to consider the additional PMC Costs that were incurred due to Covid 19 which was beyond BIAL's control, which is fully in line with the clarification letter issued by AERA on 13.09.2018 and not disallow Rs. 50 Cr. from the actual incurred cost.

Further, AERA has, in its letter dated 11th November 2021, clarified that soft cost will be trued up based on actuals."

3.4.120 BIAL's comment regarding the disallowance of disallowance of "Disallowance of Covid-9 related costs of 13.78 Crores", is as mentioned below:

"Disallowance of Covid Cost 13.78 Crores

Authority's Analysis

- *The Authority observes that L&T has raised two claims for increase in expenses due to delay during the covid period. The Authority is of the view that the amount of Rs 13.78 Crores should have been borne by L&T as it is part of the day to day operation and this should not be passed on to the passengers. Accordingly, the Authority proposes to disallow the amount of Rs. 13.78 Crores from the cost of Terminal 2 – Phase I.*

BIAL's Submissions

Nation-wide lockdown was enforced by Government of India in March 2020. To ensure the seamless continuity of the project post lifting of lockdown provisions, L&T had proactively supported BIAL by maintaining a ready workforce and subcontractor availability.

These measures were essential to safeguard worker health and maintain project continuity, particularly during Bengaluru's severe second wave, when the city faced one of the highest Covid caseloads in India. The key actions undertaken by L&T for safeguarding of its workers (as already mentioned in our MYTP submission) are mentioned below:

1) *Since most of the workforce migrated back to their native towns due to fear and uncertainties during the pandemic, the contractor arranged transportation for laborers from Bihar, Orissa, Bengal and UP along with additional compensation, to bring them back to the Project Site.*
2) *Setup quarantine areas, social distancing protocols, hand hygiene stations,*
3) *Purchase and distribution of personal protective equipment (PPE) & masks*
4) *Invested in advanced equipment, such as Facial Recognition Systems (FRS) for attendance and forehead thermal temperature checking devices*
5) *Regular awareness camps were conducted to educate workers on health and safety measures, symptoms of the virus, and best practices for preventing its spread*
6) *Conducted Covid-19 tests for over 3000 newly inducted workers to detect and isolate positive cases*
7) *Organize vaccination camp where over 11,000 doses of vaccines were administered*

The Authority will appreciate that the Covid 19 situation was an abnormal event that no one in the world had anticipated and planned for. The steps taken by L&T & associated expenditure was exceptional in nature, was neither foreseeable nor contemplated in the original contract, and therefore could not reasonably have been absorbed by the contractor as part of normal operating costs

The summary of contractor's claims towards labour welfare costs incurred during Covid-19 and the amount negotiated by BIAL towards the same are as presented in the table below:

Sl. No.	Description	Amount (As claimed by L&T)	Amount (As negotiated by BIAL)
1	Service bills (Facilities to the labour)	14,234,445	13,783,826
2	Labour retention	22,463,198	22,463,198
3	Staff salaries	80,944,601	80,944,601
4	Form work materials	20,626,513	20,626,513
Total		**138,268,757**	**137,818,138**

- *Without these measures, it would not have been possible for the resumption of the construction activities at site, post wave 1 and wave 2 of Covid 19.*
- ***Hence, we request the Authority to consider these labour welfare expenses of Rs 13.78 Cr. as a part of the completed cost of PAL 1 program.***

3.4.121 BIAL's comment regarding the disallowance of Disallowance of Part of MMTH – Phase 1 cost, is as mentioned below:

"Disallowance of Part of MMTH – Phase 1 cost

Authority's Analysis

- *The Authority has examined the submission made by BIAL with respect to the increase in the completed cost of MMTH Phase I. The Authority, however, notes that certain additional details had been sought from BIAL through emails dated 11.11.2025, 08.05.2026 and 31.05.2026 for the purpose of assessing the reasonableness of the variance/increase in the cost so incurred. However, satisfactory responses with detailed rationales for observed variances were not provided by BIAL till date. The Authority, accordingly, proposes to allow the capital cost pertaining to MMTH Phase I, as approved by the Authority in the Third Control Period Order, subject to the adequacy and sufficiency of the additional information/justification to be furnished by BIAL in this regard. This is mainly in view of a lower overall developed area but at a higher cost incurred for the overall MMTH Phase I facility.*

BIAL's Submission

AERA has, in Table 24 of the Consultation Paper, proposed to allow Rs. 537.34 Cr towards MMTH as against the capitalized cost of Rs. 781.70 Cr. submitted by BIAL. AERA has also stated that certain additional details were sought on 11th November 2025, 8th May 2026 and 31st May 2026 for which satisfactory responses were not submitted by BIAL.

BIAL clarifies as follows:

In BIAL's MYTP Submission to AERA for Third Control Period, Forecourts, Roadways and landside development is tracked as one comprehensive program and MMTH is also a part of the same. BIAL's submission in Third Control Period MYTP has accordingly considered a total cost of Rs. 1875 Cr. for this program. BIAL has submitted the completed cost also as one overall Program level in its MYTP for the Fourth Control Period.

AERA, as part of its evaluation in Third Control Period, had segregated this into two sub-categories as MMTH and Other Forecourt development and bifurcated the cost estimates into two components in Table 79 and Table 99 of the Third Control Period Order. An overview of PAL-1 Completed cost was provided to AERA consultants on 2nd June 2026 which also included a break-down of the MMTH cost and its reconciliation.

In view of AERA's analysis of this program as two different segments, BIAL has redrawn the tables in Third Control period order so as to make a meaningful and relevant comparison of the estimates and actual values as below.
Table 79 of Third Control Period Order had detailed the hard cost break-down of the two projects as follows:

(Rs. in Crores)

Particulars	***As per BIAL***	***Proposed Capex***
Forecourt program (Except MMTH)	*1250.45*	*1250.45*
MMTH	*535.94*	*462.51*

Particulars	As per BIAL	Proposed Capex
TOTAL	**1786.40**	**1712.96**

- *Out of the total of 1712.96 Cr., Table 98 of Third Control Period Order considered a value of Rs. 1703.96 Cr. after adjusting Rs. 9 cr. capitalized in FY 21*
- *Rs. 73.44 Cr. was adjusted towards Metro Enabling works and Baggage Sorting area as these were proposed to be capitalized once the Metro was put to use (para 5.2.29 of TCP Order) which is the reason for difference between Rs. 535.94 Cr and Rs. 462.51 Cr.*

Table 99 of the Third Control Period Order has considered total cost including Soft cost, IDC etc. as follows. A comparison of the same is as given below:

(Rs. in Crores)

Particulars	Proposed Hard Cost (Table 98) (A)	Total Cost (Incl. Soft cost, IDC etc.) (B)	% of B to A
Forecourt program (Except MMTH)	1250.45	1495.65	119.60%
MMTH	453.51 #	537.34	118.48%
TOTAL	**1703.96**	**2032.99**	

 # after adjusting Rs. 9 cr. capitalised in FY 20-21

BIAL had, as part of the TCP MYTP evaluation provided break-up of the various cost elements of the overall program. Please refer to the correspondence enclosed which was submitted during review of Third Control Period (Enclosed as Annexure 1) where in the total hard cost of MMTH Program (including Baggage sorting, Metro Interfacing etc.) is Rs. 681 Cr. of which, MMTH line-item hard cost alone is Rs. 527 Crores. Hence, in order to present a correct comparison of the 2 sub-elements, it is required to reallocate amount from Forecourt Program to MMTH.
Based on the above, the re-drawn Table 98 and Table 99 of the Third Control Period (to include the costs relating to Metro enabling/ Baggage Sorting works in MMTH cost line item) is as follows:

(Rs. in Crores)

Particulars	Hard Cost (Table 98 of TCP Order)	Reallocation of adjustment for Metro enabling, Baggage sorting etc. #	Reworked Hard cost	Loading for Soft cost and IDC	Total Cost (Redrawn Table 99)
Forecourt program (Except MMTH)	1250.45	-154.14	1096.31	215	1311
MMTH	453.51	154.14	607.65*	114	722
TOTAL	**1703.96**	**0**	**1703.96**	**329**	**2032**

Amount as per Table 99 (Rs. 2033 Cr) matches with the redrawn Table 99 as above
**Rs. 608 crore plus estimated disallowance of Rs. 73 Crore (as considered by AERA in Table 79 of TCP Order) totals to Rs. 681 crore which is explained above.*

Baggage Storage and Tunnel	24
Elevated pedestrian system	14
Landscape, hardscape and other costs	45
Circulation Road works	18
Metro Interfacing works	53
Sub Total	**154#**

Actual PAL 1 cost Submitted (as part of MYTP submission and response to queries)

(Rs. in Crores)

Particulars	*Hard Cost submitted*	*Other Costs submitted*	*Total Actual capitalization*
Forecourt program (Except MMTH)	*1157.44*	*269.22*	*1426.66*
MMTH	*622.99*	*159.69*	*779.68*
TOTAL	***1780.43***	***425.91***	***2206.34***

From the above actual cost incurred for Baggage Sort and Metro Interface (which was disallowed by AERA) has been adjusted to make the actual amount comparable with the approved estimate.

(Rs. in Crores)

Particulars	*Actual*	*Baggage Sort and Metro interface adjusted (incl. its soft cost and IDC)*	*Comparable cost*	*Redrawn (Table 99)*	*Difference*	*% Diff.*
Forecourt program (Except MMTH)	*1427*		*1427*	*1311*	*115*	*8.8%*
MMTH	*778*	*-48.90 #*	*731*	*722*	*9*	*1.2%*
TOTAL	***2206***	***-49***	***2157***	***2033***	***124***	

 # As against 73.44 Cr. Hard cost, actual hard cost incurred is only Rs. 40 Cr. Including Soft cost and IDC, this works out to Rs. 48.90 Cr.

Key Reasons for differences

As submitted in response to queries on 11th May 2026 and 2nd June 2026, the difference in the Hard Cost for MMTH project is only 2% (Rs. 539 Cr. vis a vis Rs. 527 Cr.) which is due to the detailed design and related changes during work execution vis-a-vis the concept-based cost estimate submitted by BIAL earlier.

Other key reasons for variance in cost in Forecourt Project are due to increase in Interest During Construction on account of the following two factors:

- *While in Third Control Period, a constant Interest rate of 7.85% had been considered by AERA, the actual interest rates have varied between 8% in FY 23, 8.85% in FY 24 and 9.34% in FY 25, for the PAL-1 loan. This actual interest rate has also been considered by Authority in FRoR computation.*
- *Changes in draw-down pattern of the overall loan and resultant IDC based on actual Capitalization schedule.*

Considering that the differences in these projects are marginal and well justified, BIAL requests the Authority to consider the actual costs incurred as part of RAB.

AERA has also stated that queries sent on certain dates have not been responded to. With respect to this, BIAL clarifies as follows

Query Sent on	*Clarification*
11th November 2025	*Response submitted on 18th November 2025 including clarification to MECON on Terminal Sizing.*
8th May 2026	*Response submitted on 11th May 2026*
31st May 2026	*This query requires response on variance in costs categorized as Rate variance, Quantity variance etc. BIAL respectfully submits that the projects awarded by BIAL to contractors are not on an Item Rate / BOQ contract basis but on a lumpsum basis, wherein the contractor is required to construct and deliver the project as per design specifications, within the timelines. Accordingly, there is nothing additional for us to submit as detailed cost and quantity variance is not applicable.* *Further, as clarified above, the variance is insignificant and largely contributed by Interest cost etc. as elaborated above. The query relating to confirmation on adjustment of Credit Notes from RAB, Certificate on Credit Notes adjusted in RAB is included in Annexure 2.*

MMTH Area details

AERA has noted in the Consultation Paper that there is a lower developed area of MMTH vis-a-vis the Third CP MYTP submission. The change is largely in Level 1 wherein landscaping development was originally proposed by BIAL during Third Control period MYTP submission. This was proposed for passenger circulation and convenience. There has been a change in development plan and the said area is now being developed for providing Non-Aeronautical works. These are to be developed by concessionaires and has accordingly been considered as Non-Aeronautical in BIAL submission of area assessment for the Fourth Control Period.

BIAL would like to appraise the Authority that Level 01 has been constructed to an extent of 5,763.35 m², comprising essential functional and enabling components such as staircases, lifts, escalators, metro connection interfaces, open terrace areas and related access provisions. The area of 33,704 m² submitted earlier included not only the presently developed built-up area but also passenger circulation zones and landscaped areas that were planned as part of the overall phased development of the MMTH. As mentioned above, the balance area in level have been reconfigured into Non-Aeronautical based on operational requirements and demand. The necessary infrastructure for this reconfiguration is a part of the overall MMTH structure. This includes columns, beams and structural provisions designed to cater to the load requirements; electrical infrastructure including transformer capacity, tap-off points, cabling routes and distribution provisions; plumbing and drainage provisions including drains, pumping arrangements and irrigation-related infrastructure for the proposed landscape areas; and firefighting provisions such as main lines, tap-off points, capacity allowances and load requirements. These works form part of the permanent infrastructure of Level 01.

In view of the above, BIAL submits that a direct correlation purely on the basis of developed floor area may not reflect the actual scope executed or the costs incurred for the MMTH Phase I project. In infrastructure projects of this nature, which contains a combination of Aero, Non-Aero and Common areas, certain high-value items such as structural works, MEPF and ICT backbone systems, utility mainlines, safety systems, service capacities, interfaces with metro and passenger movement systems are required to be executed irrespective of the nature of service which the Airport Operator desires to perform. These provisions ensure seamless integration, maintain safety and code compliance and preserve the functionality of the overall MMTH master plan. Therefore, the variance in area should be viewed in the context of such implementation rather than on pure mathematical area basis. Accordingly, BIAL requests the Authority to take into consideration that it is a reconfiguration of Level 01 area and not an under-development vis a vis the area mentioned in the Third Control

Period Order. In other words, the specific area committed has been developed, but as Non-Aeronautical and also been submitted as such, by BIAL.
Reduction in landscaping activity does not result in a proportionate reduction in the building construction cost and hence there is no relation to building cost and this change in development plan. BIAL requests AERA to consider the actual constructed area and cost as part of RAB as per the justifications provided above."

3.4.122 BIAL's comment regarding the Disallowance of 1.98 Crs in Aircraft and Airport Maintenance Facilities and Rs. 21.46 Crs in South Runway Phase II is as mentioned below:

"Disallowance of 1.98 Crs in Aircraft and Airport Maintenance Facilities and Rs. 21.46 Crs in South Runway Phase II
Authority's Analysis

- *Aircraft & Airport Maintenance - The Authority further notes that BIAL has incurred an expense of Rs. 5.34 Crore. on account of PMC, Design Pre-Operative and Contingency Expenses, which is ~12.70% of the hard costs as against the Authority approved PMC, Design Pre-Operative and Contingency Expenses of 8% of the approved hard costs.... the Authority approves PMC, Design, Pre-Operative and Contingency Expenses as 3.36 Cr. thereby reducing it by Rs. 1.98 Cr.*
- *South Runway - The Authority notes that BIAL has not provided detailed rationale for incurrence of high PMC, Design Pre-Operative and Contingency Expenses and is of the considered view that the PMC, Design Pre Operative and Contingency Expenses should be restricted to 8% of the hard costs as suggested by the Independent Consultant (RITES). Accordingly, the Authority approves PMC, Design Pre-Operative and Contingency Expenses as Rs. 34.59 Crores thereby reducing it by Rs. 21.46 Crores.*

BIAL's Submission
BIAL has submitted an independent report prepared by M/s EIL as Annexure 1 to the MYTP Submission. Key conclusions of the EIL report are as under:

- *In page 49 of the report, EIL has clearly established the fact that the benchmark airports that RITES had used for comparison in 2nd control period when it recommended 5% as Design & PMC Costs are nowhere near the overall project cost, complexities and the challenges which were faced during the BIAL expansion project.*
- *In page 84, under the section titled "**Independent estimation of costs for Design and PMC services**", EIL has brought the fact that*
    - *As per the prescribed norms laid down by the Council of Architecture and also as per Appendix 16/ Para 12.11 of CPWD Works Manual 2014, Design Engineering Fees for Building and Infrastructure projects is @ 5% of the base cost. Project Management Consultant Fees is also given as @ 5% of the base cost.*
    - *In view of above 2 given references, the total Design Engineering & Project Management Consultancy Fees works ranges between 8% to 10%. The same is as per the provisions of CPWD works manual-2014 and Council of Architecture guidelines.*
    - *One of the critical parameters to be considered for comparison is the stage of design from which the airport operator hands it over to the EPC Contractor to take forward the construction.*
        - *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 until 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.

- *This resulted in very marginal increase in the completed cost of Terminal and NSPR (without factoring the impact of Covid 19 and additional scope requirements) for BIAL while the same could have been higher vis-a-vis the approved costs if the design handover to contractor had happened at Concept / Schematic design stage and not at detailed design stage (as done by BIAL)*

- *Cost savings through detailed design adoption:*
  - *Rs 70 crs with respect to the design of New South Parallel Runway (NSPR), taxiway, pavement, drainage works, terminal apron and associated infrastructure facilities*
  - *Rs 700 crs in actual price discovery thru tender process vis-à-vis MYTP submissions of 2nd Control period*

- *Regarding pre-operative expenses:*
  - *AERA had noted in para 3.3.70 of 3rd Control Period Tariff Order the need to have an own Project Management team when large capital expenditure projects are being executed.*
  - *It is pertinent to refer to Table 24 & Table 25 of MYTP submissions, wherein BIAL has clearly brought out the comparison in pre-operative expenses across various major airports – Delhi, Mumbai & MOPA Goa. Recent approvals given by AERA for Noida and Navi Mumbai also have pre-operative costs as a percentage of Hard Cost, higher than BIAL (Noida is ~9% and Navi Mumbai is ~8%).*

In light of the above, BIAL requests the Authority to consider the actual capitalized Design, PMC & Pre-operative costs for the 2 referred projects and not use the 8% limit which was never prescribed by AERA in the previous tariff orders.

AERA vide letter dated 11th November 2021, has also confirmed that it will true up the Design, PMC and Pre-Operative Expenses based on actuals subject to evaluation of reasonableness. BIAL has ensured that all costs incurred are well justified, contracted based on the robust procurement policy and approved post a thorough verification process. Accordingly, BIAL requests the Authority to consider the actual costs incurred for inclusion in RAB."

3.4.123 BIAL's comment regarding the disallowance of PAL – 2 Projects not included is as mentioned below:

"PAL – 2 Projects not included

Authority's Analysis

- *3.4.103 - The Aeronautical capex proposed by the Authority for true-up of the Third Control Period as above is Rs. 6,942.51 Crs, the variance of Rs. (610.07) Crs. (i.e., a reduction of approximately 8.08%) from the Rs. 7,552.58 Crores approved by the Authority in the Tariff Order of the Third Control Period is primarily on account of rationalization of project costs, projects dropped/deferred by BIAL, lower actual capitalization and application of allocation ratio.*

BIAL's Submissions

BIAL has, as part of its MYTP submission provided details of total capital expenditure addition in RAB in Table 34 of the MYTP submission with Aeronautical asset values included in Average RAB computation in Table 39. These submissions considered the estimated capitalization values for FY 26. Based on the actual capitalization done in FY 25-26, the updated values were submitted as part of the updated model submission in May 2026.

Additions to Capital Expenditure in Third Control Period included 3 broad components:

a) PAL 1 asset capitalization
b) Sustaining Capital Expenditure
c) Other Capital Expenditure including PAL 2 relating to T1 Upgrade, T2 Enhancement etc.

AERA has, considered the submissions relating to a) and b) above as part of the true up analysis. Sub category c) has not been included in the Consultation Paper. We request AERA to consider the items in sub-category c) also as part of the Capital Expenditure incurred and accordingly include the same for the purpose of True up of RAB. A summary table containing the total values of Capital Expenditure incurred is given below:

S. No.	Particulars	Total for TCP (Rs. in Crores)
a)	PAL-1 Capital Expenditure (As detailed in Table 15)	7,979.36
b)	Sustaining Capital Expenditure (As detailed in Table 15)	545.45
c)	Other Capital Expenditure (PAL 2 etc.)	192.99
	TOTAL	**8,717.80**

Break-up of Other Capital Expenditure (Rs. Cr.)

Particulars	Hard Cost	Soft Cost	Total
T1 Upgradation works	145.87	2.44	148.31
T2 Enhancement	28.09	0.61	28.70
MMTH Enhancement	15.58	0.40	15.98
Total	**189.54**	**3.45**	**192.99**

Extract of Fixed Asset Register, highlighting the above Capital Expenditure, is submitted as Annexure 3 .We request AERA to consider these assets as part of RAB for the purpose of True up. Relevant values may be appropriate adjusted in PAL-2 cost to be capitalized in Fourth Control Period. Refer Para 5.1.1"

3.4.124 BIAL's comment regarding the Aeronautical Asset Allocation for the Third Control Period is as mentioned below:

"Aeronautical Asset Allocation

Authority's Analysis

The Authority has examined the allocation ratios submitted by BIAL between aeronautical and nonaeronautical assets. The Authority is of the view that the allocation ratios approved in the Third Control Period Tariff Order, which were determined after due deliberation and considering the principle of consistency, should continue to apply for the true-up of the Third Control Period.

BIAL's Submission

AERA has, in Section 3.4 of the Consultation Paper, detailed the additions to RAB for Third Control Period and stated its proposal on the RAB addition and the average RAB to be considered for True up of the Third Control Period. Para 3.4.1 and 3.4.2 detail the list of projects and Paras 3.4.3 – 3.4.5 list the basis of allocation and the Aeronautical RAB (including Table 16 and Table 17).

BIAL respectfully submits the following with respect to the allocation ratios adopted by AERA.

a) AERA has, in Table 16 and Table 17 indicated that BIAL has submitted Allocation ratio of Terminal 2 – Phase 1 as 87.66%, Forecourts Roadways project as 85.73% etc. These are not the project wise allocation ratios submitted by BIAL for true up of RAB additions. These were the estimated allocation ratios submitted at an overall level when the projects were proposed to be executed, at the time of Third Control Period MYTP submissions in June 2020. Now, when these

Projects have been fully executed and assets at a line item level have been capitalized in Fixed Asset Register(FAR), the allocation of assets, at an individual line item level, as submitted by BIAL, should be considered and evaluated.

b) *While AERA has, in Para 3.4.4 has correctly noted the basis of asset allocation adopted by BIAL, it is imperative to note that the same is not considered by AERA. It is incorrect to state in Table 16 that the allocation ratios detailed therein have been submitted by BIAL while para 3.4.4 states as follows:*

> 3.4.4 BIAL has submitted the following regarding its basis of allocation of assets between aeronautical and non-aeronautical:
>
> - Allocation ratios for Opening RAB have been considered based on principles applied in the Second Control Period and the certificates submitted.
> - Assets capitalized over FY22 to FY 26 have been reviewed based on its Fixed Asset Register and were classified as Aeronautical, Non-Aeronautical and Common assets.
> - Common Assets capitalized relating to Terminal 2 - Phase 1 have been segregated between Aeronautical and Non-Aeronautical based on BIAL's calculation of the Terminal 2 - Phase 1 area ratio of 87.66%. BIAL has also submitted an Area Statement of Terminal 2.
> - Other Common assets capitalized in the Third Control Period, till commissioning of Terminal 2, have been considered by BIAL 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%.
> - For its MMTH Phase – I, BIAL has adopted an allocation ratio of 34.49% based on its own determination of attributable aeronautical usage in the MMTH - Phase I facility.

c) *Accordingly, pure Aeronautical, Non-Aeronautical assets are first identified and only for common Assets common asset allocation ratios have been used,*

d) *BIAL has carried out an extensive activity of identifying FAR line-item level allocation and this, together with the relevant Gross Block Certification by a Charted Accountant (CA) (Annexure 5 in the MYTP) was submitted in the MYTP for AERA's consideration and review.*

Program	*Allocation ratio submitted by BIALin MYTP (derived from FAR)*	*Allocation ratio considered by AERA (Table 33 of CP No. 01/2026-27)*
Terminal 2 - Phase I	*91.84%*	*87.66%*
Forecourt, roadways & landside development - Phase 1b (except MMTH)	*98.14%*	*85.73%*
MMTH – Phase- I	*34.50%*	*31.53%*
Aircraft Maintenance & Airport Maintenance Facilities	*90.34%*	*85.73%*
Utilities	*100.00%*	*85.73%*
T2 Apron - Phase II	*100.00%*	*99.20%*
Airport Rescue and Fire Fighting Building	*100.00%*	*100.00%*
South Runway - Phase II	*100.00%*	*100.00%*
Existing Runways / Taxiway Improvements	*100.00%*	*100.00%*
Sustaining capex including other Capex	*91.72%*	*86.64%*

BIAL had also submitted Gross Block Ratios across the years based on the FAR for the Third Control Period (certified by CA) as given below:

Particulars	21-22	22-23	23-24	24-25
Gross Block Ratio certified	92.43%	92.88%	90.55%	90.04%

a. *From the review of the Consultation Paper, BIAL notes that for the purposes of True up of allocation ratio, AERA has not reviewed the FAR submitted by BIAL but has instead adopted the overall allocation ratio used at the time of issuance of TCP order when the assets were in the implementation stage. This is not in line with AERA's decision as detailed in para 5.6.6 of TCP Order (reference below*

b. *As a matter of fact, BIAL submits to the Authority that for the true up of SCP, AERA had actually carried out a line-item level FAR review and decided certain reclassification, in its Third Control Period Order. Refer below extracts:*

> 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.

Table 15: Aeronautical asset addition proposed by the Authority from FY17 to FY21 based on the asset allocation study

Particulars (In INR Cr.)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Total investments in fixed assets during Second Control Period as per BIAL (A)	225.7	170.3	160.99	2,122.41	690.90	3370.30
Aeronautical asset addition to RAB as per BIAL' (B)	213.92	135.99	132.02	2,087.23	576.21	3145.37
Adjustments to aeronautical asset addition to RAB by the Authority						
Adj - Exclusion of written off amount in FY20 as per IGAAP audited accounts (disposal of assets not accounted by BIAL) (C)				-38.93		-38.93
Adj – Exclusion of Financing Allowance over capitalized amount by the Authority as per para 3.3.40 (D)				-41.07		-41.07
Proposed adjustment to RAB due to change in segregation logic as per asset allocation study, for reasons below (E):	-3.85	-0.92	-0.71	-13.4		-18.88
Electrical and Power House Equipment (E.1)	-3.19	-0.60	-0.70	-0.20		-4.69
BIAL App (E.2)	-0.27	-0.32	0	0		-0.59
Landscape in real estate area (E.3)	-0.14	0	0	0		-0.14
Car park related asset (E.4)	-0.17	0	0	0		-0.17
Water harvesting assets (E.5)	-0.08	0	-0.01	-13.2		-13.29

c. *A sample screenshot of Asset Line items reviewed by AERA (refer 2.1.2 d of below image) as part of allocation study in Third Control Period, together with the scope of work is as given below (Reference: Consultation Paper for Third Control Period)*

d. Review asset category-wise classification done by BIAL into aero, non-aero and common assets.
e. Review fixed asset register including the description of the assets of BIAL from FY17 to FY20 for its usage, classification methodology, location and type of revenue generated from the asset.
f. Check consistency between the fixed asset register and the financial statements of BIAL from FY17 to FY20.
g. Seek clarification and additional details from BIAL to assess asset allocation, as required. These clarifications and details are related to methodology adopted, usage of assets, location of assets, etc.
h. Prepare the general principles for the asset allocation into aeronautical, non-aeronautical and common assets to ensure consistent treatment for all the assets.
i. Undertake asset wise analysis and classification into aeronautical, non-aeronautical and common assets using the general principles.
j. Revise Gross Block from FY17 to FY21 for BIAL based on the revised asset allocation.

d. *Fixed Asset Register with line-item level classification has been submitted to AERA as part of MYTP for Fourth Control Period and in response to queries. BIAL requests that a similar asset allocation review based on FAR needs to be carried out for truing up of the allocation ratios for TCP.*

Fixed Asset Register with line-item level classification has been submitted to AERA as part of MYTP for Fourth Control Period and in response to queries. BIAL requests that a similar asset allocation review based on FAR needs to be carried out for truing up of the allocation ratios for TCP."

3.4.125 BIAL's comments with regard to Depreciation have been provided below:

"***Useful life and depreciation computation***

Authority's Analysis

The Authority notes that the matters raised by BIAL pertain to the basic principles and methodology adopted at the time of tariff determination for the Third Control Period, which were duly considered and concluded by the Authority in the Tariff Order ...

BIAL's Submission

BIAL does not have the copy of detailed computations made by AERA to arrive at depreciation values as listed in Table 31 and 101 of the Third Control Period Order.

The Consultation Paper for 4th control period also does not contain the detailed computations relating to Depreciation. Hence, BIAL has, based on its understanding of the changes to the asset useful lives as understood from the TCP Order, computed the Opening RAB and depreciation as per AERA determined useful lives (based on value of asset capitalization and Asset allocation as per AERA) "to be" for Third Control Period. This is tabulated as below:

(Rs. in Crores)

Particulars	21-22	22-23	23-24	24-25	25-26
Depreciation (excluding depreciation on Financing Allowance capitalized)	287.22	388.59	675.52	671.17	681.62

Detailed working sheet for the same is included in Annexure 4. CA Certificate on depreciation computation is attached as Annexure 5. BIAL requests AERA to consider the depreciation computation as submitted above for the purpose of true up of Third Control Period."

3.4.126 BIAL's comment regarding the disallowance of non-consideration of Financing Allowance for the Third Control Period is as mentioned below:

"Non consideration of Financing allowance for asset addition in TCP and non-consideration of depreciation on Financing allowance"

Authority's Analysis

- *Para 3.4.113: Not to consider financing allowance on depreciation, as submitted by BIAL, consistent with its position adopted in the Third Control Period Tariff Order.*

No analysis has been included by Authority on the Financing allowance estimates submitted by BIAL for additions to RAB in Third Control Period. (Refer MYTP Table 39).

BIAL's Submission relating to Financing Allowance

AERA had allowed financing allowance for approved projects in SCP Tariff Order [Decision 6.a(i) read with Table 27 of SCP Tariff Order; and Para 3.3.78 of TCP Tariff Order]. Based on the said decision by AERA in SCP Tariff Order, BIAL had made equity investments to the tune of Rs.2,425 Crs as of 31.03.2021 for the said projects.

Admittedly, due to delays caused by Covid-19, some of the said projects that were to be completed by 31.03.2021 have been completed by 31.12.2022. For such deferred projects which were in construction during TCP, AERA has withdrawn financing allowance. Since AERA had approved the investments and financing allowance for the projects in SCP, BIAL has a vested right to receive financing allowance for the said projects till the date of completion of the project, irrespective of which control period the same got completed in. Therefore, withdrawal of financing allowance for work in progress projects takes away a vested right which is impermissible and barred by the principles of promissory estoppel and legitimate expectations.

In paragraphs 5.5.19 to 5.5.20 of the TCP Tariff Order, AERA acknowledges that financing allowance is a measure of recompense for equity invested during construction phase. The amount of equity/internal accruals which are shareholder's funds invested by BIAL based on the above promise made for SCP approved projects, cannot go unrewarded. The Learned TDSAT in the DIAL TDSAT Judgment-I ***[@Para 105/Pg114]*** *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."*

Hence, we request AERA to honour its commitments made in the SCP Tariff order and provide Financing allowance for Projects deferred from 2nd control period to 3rd control period on account of Covid 19. BIAL has submitted certificate for computation of Financing allowance for FY 22, FY 23, FY 24 and FY 25 as Annexure 9 to MYTP.

Further, in line with the terms of the Concession Agreement and AERA Guidelines, based on actual Asset Capitalization in FY 26 for T1 Upgrade project BIAL submits an amount of Rs. 12.46 Crs as below which is requested to be included in addition to RAB.

(Rs. in Crores)

Particulars	***22-23***	***23-24***	***24-25***	***25-26***
Opening WIP: WIPAt-1	-	*7.23*	*24.47*	*241.33*
Capital Expenditure	*6.95*	*15.94*	*205.08*	*243.51*
Financing allowance	***0.28***	***1.31***	***11.79***	***26.23***
Capital receipts	-	-	-	-
Commissioned Assets	-	-	-	*148.31*
Commissioned Asset (FA)	-	-	-	***12.46***
Closing WIP: WIPAt	***7.23***	***24.47***	***241.33***	***350.31***

Particulars	*22-23*	*23-24*	*24-25*	*25-26*
WIP without FA	*6.95*	*22.88*	*227.96*	*323.17*
FA Carried forward	*0.28*	*1.59*	*13.37*	*27.15*
Commissioned cost without IDC/FA				*148.31*
Interest capitalised				-
Total capitalised in books				***148.31***
Capitalisation incl. FA				*160.77*
Financing allowance				***12.46***

BIAL's Submission relating to depreciation on Financing allowance capitalization approved by AERA

AERA has, in Para 3.4.113 of the CP has proposed not to provide Depreciation on Financing allowance. . BIAL submits that depreciation on AERA approved Financing allowance capitalized till 31st March 2021 needs to be provided for. This was originally considered in TCP Order Table 31 for True up of Depreciation for Second Control Period and also in estimating Depreciation for Third Control Period in Table 101 of the Third Control period Order.

BIAL requests the Authority to compute and provide for depreciation on Financing allowance, at the time of issuance of the order, for the Third and Fourth Control Period.

3.3 Useful life and depreciation computation

Authority's Analysis

- *The Authority notes that the matters raised by BIAL pertain to the basic principles and methodology adopted at the time of tariff determination for the Third Control Period, which were duly considered and concluded by the Authority in the Tariff Order ...*

BIAL's Submission

BIAL does not have the copy of detailed computations made by AERA to arrive at depreciation values as listed in Table 31 and 101 of the Third Control Period Order.

The Consultation Paper for 4th control period also does not contain the detailed computations relating to Depreciation. Hence, BIAL has, based on its understanding of the changes to the asset useful lives as understood from the TCP Order, computed the Opening RAB and depreciation as per AERA determined useful lives (based on value of asset capitalization and Asset allocation as per AERA) "to be" for Third Control Period. This is tabulated as below:

(Rs. in Crores)

Particulars	*21-22*	*22-23*	*23-24*	*24-25*	*25-26*
Depreciation (excluding depreciation on Financing Allowance capitalized)	*287.22*	*388.59*	*675.52*	*671.17*	*681.62*

Detailed working sheet for the same is included in Annexure 4. CA Certificate on depreciation computation is attached as Annexure 5. ***BIAL requests AERA to consider the depreciation computation as submitted above for the purpose of true up of Third Control Period.***"

Other stakeholders' comments:

3.4.127 IATA's comment with regard to True-up of RAB for the Third Control Period is mentioned below:

"IATA considers capex true-up to be one of the most important areas in this consultation. While aggregate capex appears broadly within the approved envelope, project-level overspends remain material and require careful regulatory scrutiny.

Based on our review, the following values require close attention:

- *actual capex is understood to be approximately ₹8,524.81 crore against approved capex of approximately ₹8,883.44 crore, i.e. around 4% lower at an aggregate level;*
- *aero allocation for T2 and T1 is understood to be approximately 85.34%;*
- *T2 allocation is understood to be approximately 87.1%;*
- *MMTH Phase 1 allocation is understood to be approximately 34.49%;*
- *aero capex true-up is understood to be approximately ₹7,098.63 crore; and*
- *BIAL appears to have submitted approximately ₹7,905.82 crore, while AERA has approved / proposed approximately ₹7,458.57 crore, around 6% lower than BIAL's submission.*

IATA appreciates that AERA has undertaken a detailed review and has not accepted BIAL's submission at face value. We further submit that while independent consultant review can support the assessment process, such evaluation does not substitute the Authority's responsibility to apply its own independent prudence and efficiency tests. The final determination of admissibility of costs rests with AERA and should be based on a rigorous assessment of necessity, efficiency and alignment with approved scope, beyond reliance on consultant validation alone.

Moreover, aggregate underspend should not obscure material project-level overspends. Even where total capex is lower than the approved envelope, inefficient or unjustified costs under individual projects should not be cross-subsidized or masked by savings elsewhere. Each project must be tested on its own merits, with reference to approved scope, cost reasonableness, change control, user consultation and actual benefit delivered.

Based on our review, material overspends appear under the following heads:

- *Terminal – Phase 1: approximately 5.54% overspend claimed; corrected by the authority to 4.15%*
- *South Runway – Phase 2: approximately 85.04% overspend claimed; corrected by authority to 77.55%*
- *MMTH Phase 1: 45.48% overspend claimed, AERA ultimately allowed 0% increase and capped recognition at the originally approved amount*
- *Unplanned existing runway / taxiway improvements: approximately ₹71.92 crore.*

IATA requests AERA to continue applying a project-by-project prudence test and to ensure that only efficiently incurred and properly justified costs are admitted for recovery. This is consistent with the approach advocated by IATA in Delhi CP4, where IATA noted that users should not be burdened with the airport operator's inability to deliver committed works to cost, scope, quality and programme. IATA requests AERA to assess each material capex variance against:

- *original approved scope;*
- *AUCC consultation record;*
- *evidence of efficient procurement;*
- *whether the project benefits aeronautical users;*
- *whether the claimed escalation was unavoidable;*
- *whether the asset is commissioned and available for use; and*
- *whether any part of the cost should properly be allocated to non-aeronautical or wider airport ecosystem users.*

In this context, IATA also supports the Authority's approach of ensuring that only assets that are capitalised, commissioned and available for actual aeronautical use are admitted into the RAB and tariff base. Any inclusion of assets prior to their operational readiness or utilisation would result in premature recovery from users and would not be consistent with established regulatory principles. This is covered in greater detail later in this submission under the section on Incremental ARR.

COVID-related contractor claims and force majeure costs:

IATA notes, based on our review, that BIAL has referred to COVID-19-related escalation and contractor claims, including a contractor claim of approximately ₹180 crore, negotiated down to approximately ₹85.94 crore. While IATA appreciates that BIAL may have negotiated down the claim, this in itself cannot establish tariff admissibility.

The relevant regulatory question is not whether the original contractor claim was reduced. The relevant question is whether the residual cost is efficient, unavoidable, properly allocated under the contract and directly required for provision of aeronautical services.

Where a force majeure clause was triggered, AERA should examine whether the contract already allocated such risks, whether escalation risk was built into the contract price, whether BIAL had mitigation options, and whether admitting the residual claim would transfer procurement and execution risk from BIAL to users.

IATA respectfully submits that negotiated contractor claims should not be automatically passed through to users. Only costs that are demonstrably efficient, unavoidable and directly linked to aeronautical service delivery should be allowed. IATA requests AERA to:

- *examine whether the force majeure clause already allocated the relevant cost risk;*
- *review whether BIAL's contract terms adequately protected users;*
- *disallow any portion of the claim attributable to contractor risk, procurement inefficiency, avoidable delay or weak contract management; and*
- *ensure that users do not bear costs that should properly remain with BIAL or its contractors.*

Disallowance of unrelated costs and expenditures:

IATA supports AERA's disallowance of welfare-related expenses where these are not mandatory or directly linked to the provision of aeronautical services. Based on our review, the amount appears to be approximately ₹1.78 crore. While employee welfare may be appropriate as part of BIAL's internal corporate policy, non-mandatory welfare expenditure should not automatically be passed through to airlines and passengers.

IATA also supports AERA's disallowance of approximately ₹50 crore in PMC-related costs where justification is insufficient or where such costs appear excessive. Users should not bear duplicated, inefficient or inadequately justified project management costs, particularly where substantial capex claims are already being made.

With respect to one-time royalty of approximately ₹7.57 crore payable to the Department of Mines & Geology, IATA does not object in principle if the amount is statutory, unavoidable and necessary for project execution. However, AERA should ensure that this does not include penalties, fines or avoidable compliance-related costs. Any fine or penalty arising from non-compliance should not be passed through to users.

MMTH / Multimodal Connectivity

IATA supports improvement of multimodal connectivity to Bangalore airport in principle. Efficient public transport access can improve passenger convenience, support sustainability and reduce road congestion. However, the regulatory treatment of MMTH / metro-related infrastructure must remain firmly anchored in cost-relatedness and user-pay principles. These assets do not serve only aeronautical users and will ultimately generate new non-aeronautical revenue streams either for the airport operator or transport operators. They may also benefit airport employees, visitors, cargo operators, MRO users, concessionaires, commercial tenants and wider city-side users.

Unlike core terminal or airside infrastructure, MMTH and metro-related infrastructure serves a significantly broader user base and is not exclusively linked to aeronautical activity. While terminal infrastructure principally supports airline and passenger operations, MMTH facilities may provide

benefits to airport employees, commercial establishments, public transport users, visitors and other non-aeronautical stakeholders. The resulting allocation question is therefore materially different from traditional airport infrastructure and requires careful consideration of both the beneficiary groups and the appropriate allocation of associated costs.

Based on airline feedback during AUCC deliberations, the MMTH / metro component, including the approximately ₹400 crore cost highlighted by airline stakeholders, has been one of the most contentious issues. Airline Operators Committee at BLR expressed concern that the cost of Metro / MMTH infrastructure would materially affect tariffs and ultimately be borne by airlines and passengers. IATA and airline members also raised concerns around the need for cost rationalization, demand validation and appropriate allocation. The November 2025 AUCC summary records that stakeholders raised consistent concerns around the scale, timing and cost efficiency of capex, particularly the MMTH / metro component and the overall tariff impact.

The position here should not be understood as opposition to metro connectivity. Rather, the concern is that aeronautical users should not cross-subsidise public transport, city-side mobility or non-aeronautical revenue-generating assets, particularly for activities generating revenues that fall outside the regulatory purview of AERA. This is consistent with IATA's position in Navi Mumbai, where IATA argued that site-wide enabling works and infrastructure supporting both aeronautical and non-aeronautical activities should not be disproportionately loaded onto aeronautical users, particularly where benefits extend beyond current users or future phases.

IATA further submits that the assessment should not be limited solely to cost allocation. The Authority should also consider whether MMTH and metro-related infrastructure may generate direct or indirect non-aeronautical value, including through commercial development opportunities, concession activities, retail operations, access-related arrangements, parking substitution effects and any revenue-sharing arrangements associated with metro operations. To the extent airport-funded infrastructure supports such revenues or commercial benefits, those benefits should be appropriately recognised within the regulatory framework and reflected in the assessment of both cost allocation and non-aeronautical revenue assumptions.

IATA further submits that MMTH and metro-related infrastructure should be assessed on a net-benefit basis, taking into account both the costs proposed to be recovered from users and the direct and indirect commercial benefits that such infrastructure may generate. As these facilities serve a wider group of beneficiaries than traditional aeronautical infrastructure and may support additional non-aeronautical revenue streams, the Authority should ensure that both costs and benefits are appropriately recognised within the regulatory framework.

Future metro connectivity should also be reflected in the demand assumptions supporting associated landside infrastructure. The availability of a direct metro connection may affect future demand for parking, kerbside and surface access facilities. Accordingly, investment decisions and asset sizing assumptions should reflect the impact that metro connectivity may have on future utilisation levels. To the extent that metro services reduce future demand for parking, surface access and related infrastructure, such impacts should be reflected in project sizing, investment decisions and future capital expenditure requirements.

Consistent with the principles discussed elsewhere in this submission regarding asset availability and recovery timing, airport users should not be required to fund MMTH or metro-related infrastructure before the relevant facilities are operational and capable of delivering demonstrable aeronautical benefit.

IATA therefore requests AERA to ensure that:

- *only clearly identifiable aeronautical components of MMTH / metro integration are admitted into the aeronautical RAB*

- *non-aeronautical and city-side components are excluded or appropriately allocated;*
- *car parking, commercial, retail or independent revenue-generating components are not loaded onto aeronautical users;*
- *any revenues or commercial benefits supported by MMTH and metro-related infrastructure are appropriately recognised within the regulatory framework and reflected in non-aeronautical revenue assessments, so that airport users receive the benefit of such revenues through the operation of the hybrid till framework;*
- *baggage-related or passenger-processing components are capitalised only when the metro is operational, and the relevant facility is available for actual aeronautical use; and*
- *costs relating to the enablement of metro services are not allocated to aeronautical users unless a clear, direct and proportionate aeronautical benefit can be demonstrated.*
- *In this context, and in specific regard to KIA West, we agree with the Authority's proposal not to consider the capital expenditure associated with the KIA West Metro Station for the purpose of tariff determination for the 4th Control Period. Other options to fund the same through non-aeronautical / commercial arrangements can be considered; or through recovery from the specific users; or through government funding – as has been done for the overall Metro Project and for other Metro Stations in different parts of the city.*

BIAL's response to Stakeholders' Comments regarding True Up of Capex, Depreciation and RAB for the Third Control Period

3.4.128 BIAL's response to IATA's comment regarding true up of Capex is as follows:

"BIAL submits that the Authority has already undertaken a detailed project-wise review of the capital expenditure proposed by BIAL, including the reasons for increase in cost and the supporting justifications submitted by BIAL. Specific to the South Runway Phase 2 Project, we request IATA to refer to para 3.4.81 of the Consultation Paper and in regard to MMTH Phase 1 Project, BIAL's responses are captured under para 3.2.3 of its Response to the CP."

3.4.129 BIAL's response to IATA's comment regarding COVID related claims is as follows:

"The EPC contract for Terminal 2 Phase 1 entered into in FY2018-19, was on a Fixed Price and Fixed Time (31st March 2021) basis. However, the Project execution was affected by Covid-19. Despite the 18-month extension in completion times, BIAL has been able to limit the EPC cost increase to 3% of the originally approved AERA figure for Terminal 2 Phase 1.

BIAL would like to inform IATA that the claim value was negotiated down ensuring that only items that were demonstrably efficient and unavoidable due to the pandemic were provided for.

A detailed note on cost increases in various projects and the reasons thereof has been submitted to AERA and based on its review of the same, AERA has proposed the costs be included in RAB."

3.4.130 BIAL's response to IATA's comment regarding disallowance of unrelated costs and expenditures is as follows:

"In this regard, the Authority is requested to consider BIAL's detailed submissions made in response to the Consultation Paper."

3.4.131 BIAL's response to IATA's comment regarding MMTH / Multimodal Connectivity is as follows:

"BIAL wishes to clarify that the AUCC discussions held in November 2025 pertained to the Metro Stations project and not the MMTH. The MMTH project was approved by the Authority in the Third

Control Period Tariff Order, and has since been commissioned and put to use, and its aeronautical allocation has already been determined by the Authority. Based on a detailed floor-wise assessment of the facility, the Authority approved an aeronautical allocation of 31.53% for the MMTH. Accordingly, the concerns raised by IATA regarding the allocation of MMTH costs have already been addressed by the Authority.

Regarding Metro capex, BIAL submits that:

1) *AERA, vide its letter dated 5th January 2018 to Government of Karnataka, has clearly stated that the Metro related capex located within the airport boundary which is funded by BIAL will form a part of the RAB for tariff determination purposes. Based on this, BIAL has entered into an MOU with BMRCL for construction of 2 metro stations within the Airport campus*

2) *Metro related capex has been approved by AERA for inclusion in RAB in other major airports like Hyderabad, Delhi and Mumbai too. Hence, this is a consistent approach adopted by AERA. This matter has been decided in TCP order wherein AERA has recognized the need for Airport Terminal Metro Station (ATMS) .*

3) *MECON (AERA's consultant) has also reviewed the need for the Project and the capex estimates submitted by BIAL for ATMS and based on this, AERA has proposed the capital expenditure for the ATMS project in the Consultation Paper.*

4) *BIAL has also completed the AUCC Process (Stage1,2&3) for this Project and stakeholders have given their approval for the Project.*

Metro connectivity has been a long pending demand from the passengers travelling from the city and is intended to improve passenger convenience and alleviate landside congestion as passenger traffic continues to grow. Accordingly, both the necessity of the project and the associated capital expenditure have been subject to detailed review by the Authority, and the concerns raised by IATA have already been addressed through the regulatory review process.

With regard to IATA's observations on non-aeronautical benefits, BIAL submits that car parking revenues have already been considered as part of the projected non-aeronautical revenues in MYTP. Accordingly, the commercial benefits arising from airport-funded landside infrastructure have been appropriately recognised within the regulatory framework.

As regards the inclusion of the KIA West Metro Station in the RAB, the matter is presently sub judice, and BIAL has submitted its detailed response under the relevant section of the Consultation Paper. The same may be considered while addressing the issues raised by IATA"

Authority's Analysis on Stakeholders' Comments on True up of Capex, Depreciation and RAB for the Third Control Period

3.4.132 The Authority has examined the matters relating to **Capital Expenditure, Asset Allocation, Depreciation and Regulatory Asset Base (RAB)** based on the submissions made by the airport operator, the observations and comments received during the **Stakeholder Consultation Meeting held on 29.06.2026**, and the written comments received from stakeholders by the due date specified **in the Consultation Paper, i.e. 13.07.2026**. Each of the issues raised has been considered in detail based on its merits in the context of the applicable regulatory framework and the principles of prudence, efficiency, reasonableness and protection of user interest. The Authority's analysis and decisions in respect of the same are set out in the following sub-sections.

Issues Related to Capital Expenditure

Disallowance of Rs. 50 Crs. towards PMC costs for the Terminal 2 Phase 1 Project

3.4.133 The Authority notes BIAL's submission (Refer Para 3.4.119) against the proposed disallowance of ₹50 crore towards Project Management Consultancy (PMC) costs relating to the Terminal 2 – Phase 1 project. BIAL has submitted that the additional PMC costs arose solely due to the extension of the project implementation period caused by the COVID-19 pandemic, without any change in the project scope, and has requested the Authority to allow these costs and withdraw the proposed disallowance.

3.4.134 The Authority has examined the submission and notes that this issue has already been discussed in detail in Paragraphs 3.4.17 to 3.4.38 of Consultation Paper No. 01/2026-27 dated 12.06.2026. As stated therein, the proposed disallowance of ₹50 crore towards PMC costs is consistent with the approach adopted in Tariff Order No. 11/2021-22 dated 28.08.2021 for the Third Control Period.

3.4.135 The Authority acknowledges that the COVID-19 pandemic led to unavoidable disruptions and extended the project implementation period. However, the key regulatory consideration is not merely whether additional expenditure was incurred, but whether such expenditure is prudent, efficient and appropriate for recovery through aeronautical tariffs. The Authority notes that the scope of services to be provided by the PMC consultant remained substantially unchanged despite the extended implementation period. Therefore, the additional PMC costs are not supported by any corresponding increase in project scope, asset creation or additional benefit to airport users.

3.4.136 The Authority has also considered BIAL's submissions regarding the contractual arrangements with the PMC consultant, the force majeure conditions arising from the COVID-19 pandemic, and the cost optimisation measures undertaken, including restructuring of resources, renegotiation of contractual terms, reduction in expatriate deployment and deferment of escalation-related costs. While these measures are acknowledged, they do not by themselves justify passing the entire increase in PMC costs to airport users through aeronautical tariffs.

3.4.137 The Authority is of the view that the regulatory treatment adopted in Tariff Order No. 11/2021-22 of the Third Control Period appropriately balances the interests of the Airport Operator and airport users. The delay in implementation and commissioning of Terminal 2 was not attributable to airport users, and therefore the additional costs arising solely from the extended implementation period should not be recovered from them. Allowing the increase in PMC costs would burden airport users without any corresponding enhancement in project scope or asset creation.

3.4.138 Accordingly, the Authority finds no merit in BIAL's request and decides to retain the disallowance of ₹50 crore towards PMC costs while undertaking the true-up of the Third Control Period, consistent with the approach adopted in Tariff Order No. 11/2021-22 and proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026.

3.4.139 The Authority has examined the submission and notes that this issue has already been discussed in detail in Consultation Paper No. 01/2026-27 dated 12.06.2026, wherein the Authority undertook a detailed review of the COVID-related claims raised by L&T in respect of Terminal 2 Phase 1 and the settlement subsequently reached between BIAL and the contractor. The Authority recognises that the COVID-19 pandemic constituted an extraordinary event which impacted project execution across the country and has not proceeded on the basis that all COVID-related costs are inadmissible. On the contrary, after examination the Authority has considered to admit COVID-related expenditure of ₹85.94 crore as part of the admissible capital cost of Terminal 2 Phase 1. Accordingly, the Authority's proposal is not based on a disallowance of COVID-related claims per se, but on the nature of the specific expenditure under consideration.

3.4.140 However, as specifically highlighted by the Authority in Paragraphs 3.4.29 and 3.4.30 of the Consultation Paper, the amount of ₹13.78 crore pertains to workers' welfare and workforce support measures such as worker mobilisation, transportation, quarantine arrangements, testing, vaccination, personal protective equipment and other employee welfare initiatives. While the Authority acknowledges that these measures may have been necessary in the prevailing circumstances, it is of the view that such expenditure relates to the contractor's responsibility for management, deployment, welfare and safety of its workforce and does not result in the creation of airport infrastructure assets capable of providing enduring benefits over the life of the project.

3.4.141 The Authority is therefore not in agreement with BIAL's contention that the exceptional nature of the COVID-19 pandemic warrants inclusion of the entire additional claim in the project cost. The Authority has already admitted a substantial portion of the COVID-19-related claim amounting to ₹85.94 crore after detailed scrutiny. Accordingly, the Authority is of the view that the balance claim does not merit inclusion in the capital cost. The delay in commissioning Terminal 2 – Phase I resulted in airport users being deprived of the intended benefits of the asset during the approved implementation period. Such delays are not attributable to airport users, and therefore the entire consequential additional costs arising solely from the extended implementation period cannot be passed on to them through aeronautical tariffs. Accordingly, the Authority retains its proposal to disallow the said expenditure from the capital cost of the Terminal 2 – Phase I project for inclusion in KIAB's Regulatory Asset Base (RAB).

MMTH -Phase I Capex

3.4.142 The Authority notes BIAL's submission (Refer Para 3.4.121) regarding MMTH Phase I and its request that the actual capitalised cost of ₹781.70 crore be considered for inclusion in the Regulatory Asset Base in place of ₹537.34 crore proposed in Table 24 of Consultation Paper No. 01/2026-27 dated 12.06.2026. BIAL has submitted that the apparent cost variance arises from the manner in which the Forecourt, Roadways and Landside Development Programme was evaluated during the Third Control Period and has proposed a reallocation of costs between MMTH and other forecourt development components.

3.4.143 The Authority has examined BIAL's submission in detail as discussed in Para 3.4.47 to 3.4.61 of the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Authority's concern arose from the fact that MMTH Phase I reflects a lower developed area than that considered during the Third Control Period Tariff Order while simultaneously reflecting a materially higher completed cost.

3.4.144 BIAL's submission is premised on reallocating approximately ₹154 crore of costs from other forecourt development components to MMTH, as summarised below:

Sub-Project	Amount (₹ crore)
Metro Interfacing Works	53
Baggage Storage and Tunnel	24
Elevated Pedestrian System	14
Landscape, Hardscape and Other Costs	45
Circulation Road Works	18
Total	154

3.4.145 Based on the above reallocation, BIAL has reconstructed the project cost allocation adopted in Tariff Order No. 11/2021-22 dated 28.08.2021 and submitted that the resulting variance between approved and actual MMTH cost is minimal.

3.4.146 The Authority is not in agreement with this approach as the approved MMTH cost reflected in Tariff Order No. 11/2021-22 dated 28.08.2021 was not derived through a purely accounting allocation exercise. The Authority undertook a project-specific prudence review of MMTH as a distinct asset and separately assessed its scope, functionality, cost and aeronautical allocation. As reflected in Table 79 of the aforesaid Tariff Order, MMTH and other Forecourt Development components were individually evaluated and approved.

3.4.147 Further, as observed by the Authority in Paragraph 5.2.29 of Tariff Order No. 11/2021-22 dated 28.08.2021, the Authority specifically excluded Metro Enabling Works and the Baggage Sorting Area from capitalisation during the Third Control Period on the ground that those assets would become operational only upon commencement of metro services and passengers should not be charged for assets not available for use. The Authority therefore made a conscious regulatory determination regarding the treatment and timing of these components.

3.4.148 Similarly, MMTH was subjected to a detailed functionality-based review for determining its aeronautical allocation. As reflected in Table 78 of Tariff Order No. 11/2021-22 dated 28.08.2021, the Authority assessed the utilisation of each level of the facility and determined the aeronautical allocation based on the functions actually performed within the asset:

Floor	Usage	Area (sq. m.)	Type
Basement 3	Baggage Sorting Area	6,555	Aeronautical
Basement 2	Parking	35,722	Non-Aeronautical
Basement 1.5	Bus Bay	14,791	Aeronautical
Basement 1	Parking	36,419	Non-Aeronautical
Level 0	Terminal, Metro, Tiered, Retail	47,401	Non-Aeronautical
Level 1	Landscape and Circulation	33,704	Aeronautical
Total Area (in m2)		174,592	
Aeronautical Area %		31.53%	

3.4.149 The Authority therefore does not consider MMTH to have been approved as part of an undifferentiated forecourt programme whose cost can now be recalculated through retrospective reallocation of expenditure between project components.

3.4.150 The Authority is of the view that BIAL's proposed reallocation reconciles programme-level costs, but it does not establish the prudence of the actual expenditure incurred on MMTH Phase I. The relevant regulatory question is not whether the historical approved cost can be recalculated through a different allocation of project components. The relevant question is whether the higher cost incurred on the MMTH asset ultimately delivered has been adequately justified.

3.4.151 In this regard, the Authority notes that MMTH Phase I reflects a lower developed area than that considered during the Third Control Period Tariff order. BIAL has also submitted that certain areas originally envisaged for passenger circulation and landscaped development have subsequently been reconfigured for non-aeronautical uses. Notwithstanding the reduction in development area, the completed project cost has increased substantially. In such circumstances, the Authority would reasonably expect robust technical, commercial and financial evidence demonstrating why the higher expenditure was necessary proportionate to the facilities ultimately commissioned. The Authority notes that sufficient supporting evidence enabling such assessment has not been furnished.

3.4.152 The Authority also notes BIAL's submission that detailed quantity-wise or rate-wise variance analysis is not available because portions of the project were executed through lump-sum contracts. The Authority is not in agreement with this contention. The contracting model adopted by the Airport Operator cannot limit the Authority's jurisdiction to assess prudence. Under Section 13(1)(a) of the AERA Act, 2008 (read together with amendments in 2019 and 2021), the Authority must satisfy itself that expenditure proposed for recovery through aeronautical tariffs is prudent, efficient and reasonable. Accordingly, BIAL remains responsible for providing sufficient project-level justification for material cost increases proposed for inclusion in the RAB.

3.4.153 The Authority has also considered BIAL's submissions regarding higher IDC arising from changes in interest rates and financing drawdowns. While such factors may contribute to an increase in total project cost, they do not address the central concern mentioned in Paragraph 3.4.61 of the Consultation Paper i.e., the increase in completed project cost despite a lower development area and the absence of sufficient evidence demonstrating that such increase was necessary and proportionate to the facilities ultimately delivered.

3.4.154 Accordingly, for the reasons set out above and those discussed in Paragraph 3.4.47 to 3.4.61 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority is not satisfied that the additional expenditure claimed by BIAL for MMTH Phase I is adequately justified for inclusion in the Regulatory Asset Base. The Authority therefore retains its proposal to recognize MMTH Phase I at the cost approved in Tariff Order No. 11/2021-22 dated 28.08.2021 and accordingly retains the amount of ₹537.34 crore proposed in Table 24 of the Consultation Paper.

Partial disallowance of Design, PMC, Pre-Operative and Contingency expenses pertaining to the Aircraft and Airport Maintenance Facilities project and the South Runway Phase II project.

3.4.155 The Authority notes BIAL's submission (Refer Para 3.4.122) regarding the disallowance of Design, PMC, Pre-Operative and Contingency expenses amounting to ₹1.98 crore for the Aircraft and Airport Maintenance Facilities project and ₹21.46 crore for the South Runway Phase II project.

3.4.156 As highlighted in Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority had proposed the aforesaid disallowances on the basis that the Design, PMC, Pre-Operative and Contingency expenses appeared higher than the levels considered appropriate during the review of the capital expenditure.

3.4.157 The Authority has examined the additional submissions furnished by BIAL, including the independent assessment undertaken by Engineers India Limited (EIL), project-specific explanations and supporting documentation relating to the design and execution of the works.

3.4.158 However, the Authority notes that Design, PMC, Pre-Operative and Contingency expenses are indirect cost components and do not, by themselves, create distinct airport assets. Accordingly, it is necessary to examine whether such costs are demonstrably reasonable, efficiently incurred and proportionate to the scale and complexity of the underlying works before being admitted into the Regulatory Asset Base.

3.4.159 Upon examination of the material placed on record, the Authority observes that while BIAL has provided an explanation for the expenditure incurred, the submissions do not adequately demonstrate that the entire amount claimed under these heads meets the standard of prudence and cost efficiency expected for inclusion in the Regulatory Asset Base.

3.4.160 The Authority is therefore of the view that the proposed disallowances represent a prudent regulatory adjustment and are appropriate for safeguarding user interest while ensuring recovery of efficiently incurred capital expenditure.

3.4.161 Accordingly, the Authority does not find merit in BIAL's request for reversal of the earlier proposed disallowances.

Inclusion of PAL-2 Related Capital Expenditure Capitalized During the Third Control Period in the True-up of Regulatory Asset Base

3.4.162 The Authority has examined BIAL's submission in the context of the project-wise capital expenditure assessment undertaken as part of the Fourth Control Period tariff determination exercise. The Authority notes that the amount of ₹192.99 crore comprises capitalized expenditure relating to T1 Upgradation Works, T2 Enhancement and MMTH Enhancement.

3.4.163 The Authority observes that MMTH Enhancement and T2 Enhancement form part of broader capital expenditure plan that have been separately examined as part of the Fourth Control Period review (summarised in **Table 205**). The Authority is of the view that these Capex items cannot be considered in isolation from the overall project costs being assessed for tariff determination purposes for the Fourth Control Period)

3.4.164 With regard to T1 Upgradation Works, the Authority notes that a portion of the expenditure was capitalized during FY 2025-26 and which according to BIAL had not been fully captured within the PAL-2 project cost proposed for consideration during the Fourth Control Period. The Authority therefore examined whether any part of the capitalized expenditure claimed by BIAL represents asset additions that would otherwise remain excluded from the Regulatory Asset Base if not recognized through the Third Control Period true-up.

3.4.165 Based on its assessment, the Authority assessed that expenditure of ₹94.10 crore relating to T1 Upgradation Works could be deemed for recognition in order to ensure that efficiently incurred and capitalized assets are duly reflected in the Regulatory Asset Base.

3.4.166 Accordingly, the Authority is unable to agree with BIAL's request for inclusion of the entire amount of ₹192.99 crore in the true-up of the Third Control Period. The Authority is of the view that expenditure relating to MMTH Enhancement and T2 Enhancement has already been addressed through the relevant project-specific determinations contained elsewhere in this Order. However, with regard to T1 Upgradation Works, the Authority considers it appropriate to recognize only such capitalized expenditure as is demonstrably excluded from the PAL-2 project cost being considered for tariff determination. Accordingly, an amount of approximately ₹94.10 crore is allowed as part of Regulatory Asset Base in the FY 2026.

Project-wise prudence review need

3.4.167 The Authority notes IATA's submission (Refer Para 3.4.127) regarding the true-up of capital expenditure for the Third Control Period and its request that capital expenditure be assessed on a project-by-project basis, with particular scrutiny of material cost overruns, allocation methodologies and commissioning status of assets.

3.4.168 The Authority notes IATA's submission regarding:

i. the aggregate capital expenditure incurred by BIAL during the Third Control Period vis-à-vis the asset additions approved by the Authority;

ii. the aeronautical allocation ratios adopted for Terminal 2, Terminal 1 and MMTH Phase I;

iii. the resulting aeronautical capital expenditure submitted by BIAL; and

iv. the difference between the capital expenditure submitted by BIAL and that proposed by the Authority for inclusion in the true-up of the Third Control Period.

3.4.169 The Authority has examined the submission.

Aggregate Capital Expenditure and Project-wise Prudence Review

3.4.170 At the outset, the Authority notes that BIAL submitted total capital expenditure of ₹8,524.81 crore for the true-up of the Third Control Period against the approved capital expenditure of ₹8,883.44 crore considered in Tariff Order No. 11/2021-22 dated 28.08.2021, resulting in a net aggregate variance of ₹(358.62) crore (Paragraphs 3.4.1, 3.4.6, 3.4.7 and 3.4.9; Tables 14 and 18).

3.4.171 As observed in Paragraphs 3.4.10 to 3.4.16 of the Consultation Paper, the projects capitalised during the Third Control Period comprised multiple categories, including

i. projects approved and executed by BIAL,

ii. projects approved but subsequently deferred or dropped,

iii. unplanned projects undertaken and capitalised by BIAL, and

iv. sustaining capex.

3.4.172 The Authority therefore considered it necessary to undertake a detailed project-by-project review rather than rely on aggregate expenditure comparisons.

3.4.173 The Authority further notes that out of the approved major projects, BIAL submitted capital expenditure of ₹7,905.82 crore against the amount of ₹7,458.57 crore approved by the Authority (Paragraph 3.4.11). The Authority specifically observed that material increases arose in three projects, namely Terminal 2 – Phase I, MMTH Phase I and South Runway – Phase II.

3.4.174 Accordingly, as stated in Paragraphs 3.4.14 to 3.4.16, the Authority, undertook a detailed due diligence review of the actual capital expenditure incurred by BIAL, including examination of the Fixed Asset Register, procurement and bidding processes, project implementation details, supporting documentation, operational necessity, project essentiality and cost reasonableness. Site visits were also undertaken to assess the major asset additions from the standpoint of necessity, prudence and operational utility.

3.4.175 The Authority therefore submits that the capital expenditure true-up has not been undertaken on the basis of aggregate capital expenditure performance but on the basis of an asset-by-asset prudence assessment.

Aeronautical Capital Expenditure for True-Up as submitted by BIAL

3.4.176 The Authority notes that, based on the capital expenditure and allocation ratios adopted by BIAL, the Airport Operator submitted aeronautical capital expenditure of ₹7,098.63 crore for true-up of the Third Control Period, as reflected in Paragraph 3.4.5 and Table 17 of the Consultation Paper.

3.4.177 The Authority further notes that the Authority independently reviewed both the underlying capital expenditure and the applicable aeronautical allocation methodology before determining the admissible aeronautical capital expenditure.

Authority's Proposed Capital Expenditure

3.4.178 As observed in Paragraphs 3.4.101 to 3.4.103 and Table 33 of the Consultation Paper, the Authority undertook an asset-by-asset reassessment of project costs and allocation factors and determined aeronautical capital expenditure of ₹6,942.51 crore for the true-up of the Third Control Period.

3.4.179 The reduction from the values submitted by BIAL arises from a combination of:

- rationalisation of project costs following prudence review;
- retention of approved allocation ratios in place of revised ratios proposed by BIAL;
- exclusion or reduction of expenditure not adequately justified;
- projects deferred or dropped by BIAL;
- lower actual capitalization under certain projects; and
- adjustment of aeronautical allocations based on the principles approved by the Authority.

3.4.180 It is pertinent to note that the final determination regarding the prudence and admissibility of expenditure rests solely with the Authority. However, the prudence review and true-up of the actual capital expenditure incurred during the Third Control Period have been independently carried out by the Authority based on BIAL's submissions, supporting documents, project-wise analyses, and the clarifications furnished during the regulatory process. Findings of the Independent Consultants provide valuable technical and commercial inputs, the final assessment of the prudence and admissibility of expenditure is undertaken by the Authority in accordance with the provisions of the AERA Act, 2008 and the applicable regulatory guideline framework.

3.4.181 The Authority's response on project-specific observations by IATA is provided below:

Terminal 2 – Phase I Cost Overrun

3.4.182 The Authority notes IATA's submission that Terminal 2 – Phase I reflects a cost overrun of approximately 5.54%, and that while BIAL claimed recognition of the entire increase in project cost, the Authority has proposed admission of a lower increase of approximately 4.15%. IATA has submitted that such cost overruns should be subjected to a detailed prudence review and should not be accepted merely because aggregate capital expenditure incurred during the Third Control Period remained within the overall approved asset additions envelope.

3.4.183 At the outset, the Authority agrees that the admissibility of capital expenditure cannot be determined solely on the basis of aggregate capital expenditure performance. Accordingly, as reflected in the project-specific review undertaken in Paragraphs 3.4.17 to 3.4.38 and summarised in Table 20 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority undertook a detailed independent assessment of Terminal 2 – Phase I with reference to the approved project scope, actual expenditure incurred, justification for cost variation, execution circumstances and supporting documentation furnished by BIAL.

3.4.184 The Authority notes that Terminal 2 – Phase I was originally approved as a deferred capacity expansion project from the Second Control Period, intended to create an additional passenger handling capacity of 25 MPPA (Paragraphs 3.4.17 to 3.4.19). The Authority further notes that the efficient project cost for Terminal 2 – Phase I had already been subjected to detailed examination during the Second Control Period through an independent study undertaken by RITES Limited and the resulting approved project cost was carried forward into the Third Control Period determination (Paragraph 3.4.19).

3.4.185 The Authority notes that against the approved project cost of ₹4,579.32 crore, BIAL submitted an actual completed project cost of ₹4,832.92 crore, reflecting an increase of ₹253.60 crore over the approved amount (Paragraph 3.4.24 and Table 20). The Authority also notes BIAL's submission that the increase arose primarily due to regulatory requirements, enhanced safety and security measures, site-specific execution challenges, passenger convenience enhancements, sustainability initiatives and the unprecedented impacts of the COVID-19 pandemic (Paragraphs 3.4.25 and 3.4.26).

3.4.186 The Authority carefully examined these submissions. With respect to the delay in project completion, the Authority observed that the COVID-19 pandemic resulted in substantial disruption to material supply chains, workforce availability and construction activities across the country (Paragraphs 3.4.22 and 3.4.27). The Authority therefore accepted that the delay beyond March 2022 was attributable to factors substantially beyond the control of the Airport Operator and accordingly proposed waiver of the 1% delay-related adjustment contemplated under the earlier tariff determination (Paragraph 3.4.23).

3.4.187 The Authority further examined BIAL's submissions concerning COVID-related cost escalation. As detailed in Paragraphs 3.4.27 to 3.4.32, BIAL furnished justifications demonstrating substantial increases in labour, commodity, fuel and construction material costs during the pandemic period. The Authority noted that BIAL did not simply accept the claims raised by its EPC contractor, M/s Larsen & Toubro. Rather, BIAL had subjected the claims to internal review and commercial negotiations, resulting in a substantial reduction of the contractor's original claim. The Authority considered that reasonable steps had been undertaken to mitigate the impact of the cost escalation before seeking recovery through tariffs (Paragraphs 3.4.29 and 3.4.32).

3.4.188 However, the Authority did not accept all expenditure claimed by BIAL. Specifically, as discussed in Paragraph 3.4.31, the Authority considered that labour welfare-related costs amounting to ₹13.78 crore represented expenditures that ought appropriately to be borne by the contractor as part of its ordinary operational responsibilities and should not be passed on to airport users. Accordingly, the Authority expressly disallowed ₹13.78 crore from the project cost.

3.4.189 Similarly, the Authority noted that in Tariff Order No. 11/2021-22 dated 28.08.2021 for determination of aeronautical tariffs for Kempegowda International Airport, Bengaluru for the Third Control Period, an amount of ₹50 crore had already been disallowed towards Project Management Consultancy charges on account of the extended construction period. Upon review, the Authority found no reason to depart from the rationale adopted in the aforesaid Tariff Order and accordingly continued with this disallowance during the true-up exercise (Paragraph 3.4.35).

3.4.190 The Authority further examined additional expenditure incurred towards sustainability and passenger facilitation initiatives, including solar rooftop infrastructure, Digi Yatra implementation and associated modifications to existing facilities (Paragraph 3.4.33), which were not included in the project while estimating and approving the project cost. The Authority concluded that these expenditures contributed to operational efficiency, passenger experience enhancement and sustainability objectives and therefore considered them admissible (Paragraph 3.4.34). This resulted in increase in project cost by ₹140.96 crore (₹110.63 Crores for DigiYatara and other initiatives and ₹30.33 Crores for modifications to existing infrastructure as provided in Paragraph 3.4.33). Likewise, the Authority examined the one-time royalty payment of ₹7.57 crore paid pursuant to directions of the Department of Mines & Geology and concluded that the expenditure arose due to a mandatory regulatory requirement and was therefore justified (Paragraphs 3.4.36 and 3.4.37).

3.4.191 Additionally, as discussed in Paras 3.3.22 to 3.3.31, the Authority has examined the landscaping cost associated with Terminal 2 Phase I and concluded that, while certain landscaping expenditure may be functionally necessary for terminal operations, a substantial portion relates to broader campus development, beautification, fancy fittings and fixtures, exotic horticulture elements, and other premium aesthetic features that are not intrinsic to aeronautical service delivery. Guided by the principles of prudence, efficiency, reasonableness and protection of user interest, the Authority has considered it appropriate to restrict the admissible landscaping cost for inclusion in the aeronautical RAB to 30% of the landscaping cost of Rs. 146.28 crore linked to the Terminal Building, with the balance not being considered as prudent aeronautical expenditure for tariff purposes.

3.4.192 Accordingly, after examining the aforesaid cost components and after making specific deductions in respect of expenditure not considered appropriate for recovery from airport users, the Authority proposed to admit a project cost of ₹4,769.12 crore against BIAL's claimed cost of ₹4,832.92 crore, as reflected in Table 20 of the Consultation Paper. Thus, while BIAL sought recognition of the entire cost increase, the Authority rationalised the claim and admitted only those expenditure components that were found to be necessary, prudent, adequately justified and directly attributable to provision of aeronautical infrastructure.

3.4.193 Accordingly, the Authority is of the view that the proposed treatment of Terminal 2 – Phase I appropriately reflects the principles of prudence, efficiency and reasonableness and therefore retains its proposal as set out in Paragraphs 3.4.17 to 3.4.38 and Table 20 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

South Runway Phase 2 cost overrun

3.4.194 The Authority notes IATA's submission that South Runway – Phase II reflects a material cost overrun, with BIAL claiming an increase of approximately 85.04% over the amount approved in the Third Control Period Tariff Order, whereas the Authority has proposed recognition of a lower increase of approximately 77.55%. IATA has submitted that such project-level cost variances should be subjected to rigorous prudence review and admitted only to the extent they are demonstrated to be reasonable, efficient and justified.

3.4.195 At the outset, the Authority notes that South Runway – Phase II forms part of the broader New South Airfield Development Works programme that had originally been approved during the Second Control Period and subsequently carried forward to the Third Control Period. As observed in Paragraphs 3.4.76 and 3.4.77 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the project was initially proposed for capitalisation in FY 2020-21 and subsequently deferred to FY 2021-22. The Authority further observed that, after considering the approved amounts carried forward from the Second Control Period, the approved amount specifically attributable to South Runway – Phase II stood at ₹286.56 crore in Tariff Order No. 11/2021-22 dated 28.08.2021 for determination of aeronautical tariffs for Kempegowda International Airport, Bengaluru for the Third Control Period.

3.4.196 However, the Authority also observed that the South Runway – Phase II project could not be examined in isolation from the overall New South Airfield Development programme. As explained in Paragraphs 3.4.78 and 3.4.79 and reflected in Table 28 of the Consultation Paper, certain approved expenditures originally forming part of the programme were subsequently reclassified towards Terminal 2 Apron – Phase II and Eastern Connectivity Tunnel. Following such reconciliation, the Authority determined that a hard cost allowance of ₹454.72 crore (from the amount approved in TCP Order by the Authority) remained available within the originally approved capital expenditure

envelope of the New South Airfield Development programme for utilisation during the Third Control Period.

3.4.197 It is in this context that the Authority examined BIAL's true-up submission. As observed in Paragraph 3.4.80 and Table 29 of the Consultation Paper, BIAL submitted a total project cost of ₹530.26 crore comprising hard costs of ₹432.40 crore, PMC/Design/Pre-operative and Contingency expenses of ₹56.05 crore and Interest During Construction (IDC) of ₹41.81 crore.

3.4.198 Upon examination, the Authority observed that the actual hard cost incurred by BIAL amounted to ₹432.40 crore which remained within the residual approved hard cost envelope of ₹454.72 crore available under the New South Airfield Development programme (Paragraph 3.4.81). Accordingly, the principal cost increase highlighted by IATA did not arise from the hard cost component of the asset itself exceeding the approved programme envelope. Rather, the Authority found that the primary area requiring regulatory scrutiny related to the level of PMC, Design, Pre-operative and Contingency expenses claimed by BIAL.

3.4.199 In this regard, the Authority observed in Paragraph 3.4.82 that BIAL claimed PMC, Design, Pre-operative and Contingency expenses of ₹56.05 crore, equivalent to approximately 12.96% of the hard costs. This was significantly higher than the level previously accepted by the Authority, namely 8% of the approved hard cost, based on the recommendations of the independent assessment undertaken by RITES during the earlier tariff determination exercise for the Third Control Period.

3.4.200 The Authority further observed that BIAL had not furnished adequate justification demonstrating why PMC, Design, Pre-operative and Contingency expenses should increase to 12.96% of the hard cost. In the absence of sufficient supporting rationale, and with due regard to the recommendations of the independent review undertaken by RITES, the Authority concluded in Paragraph 3.4.83 that these costs should continue to be restricted to 8% of the hard costs. Accordingly, the Authority reduced the admissible amount under this head from ₹56.05 crore to ₹34.59 crore, thereby disallowing ₹21.46 crore.

3.4.201 The Authority further notes that IDC amounting to ₹41.81 crore was separately examined and considered as submitted by BIAL for the purposes of true-up (Paragraph 3.4.84).

3.4.202 Consequently, after undertaking its prudence review, the Authority did not admit the entire expenditure claimed by BIAL. As set out in Paragraph 3.4.85 and Table 29 of the Consultation Paper, while BIAL sought recognition of ₹530.26 crore, the Authority proposed an admissible project cost of ₹508.80 crore after specifically reducing ₹21.46 crore towards excessive PMC, Design, Pre-operative and Contingency expenses.

3.4.203 The Authority therefore is in disagreement with stakeholder comment that the proposed treatment of South Runway – Phase II permits recovery of all costs claimed by the Airport Operator without adequate scrutiny. On the contrary, the Authority's review specifically identified and rationalised expenditure, resulting in a reduction of the amount proposed for tariff recovery. The Authority is therefore satisfied that the capital expenditure proposed for admission reflects prudent and efficient expenditure associated with the delivery of aeronautical infrastructure and is consistent with the project-by-project prudence review framework advocated by IATA.

3.4.204 Accordingly, the Authority found it proposal regarding South Runway – Phase II as set out in Paragraphs 3.4.76 to 3.4.85 and Tables 28 and 29 of Consultation Paper No. 01/2026-27 dated 12.06.2026 is reasonable and thereby, the Authority retains its stand.

MMTH Phase 1 cost overrun and aeronautical allocation

3.4.205 The Authority notes IATA's submission that MMTH Phase I reflects a cost overrun of approximately 45.48%, with BIAL claiming project cost recognition of ₹781.70 crore against the amount of ₹537.34 crore approved in Tariff Order No. 11/2021-22 dated 28.08.2021. IATA has submitted that such material project-level cost increases warrant detailed prudence review and should be admitted only to the extent they are supported by adequate justification and demonstrable benefits to airport users.

3.4.206 At the outset, the Authority notes that MMTH Phase I underwent a significant evolution in scope during the planning and development stage. As observed in Paragraphs 3.4.47 and 3.4.48 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the project was originally envisaged as a Multi-Level Car Parking facility to support Terminal 2 operations but subsequently evolved into a Multi-Modal Transport Hub following developments relating to Bengaluru Metro Rail Corporation Limited's proposed airport metro connectivity. The revised concept envisaged an integrated passenger transport hub comprising facilities such as terminal roadways, internal roadways, multi-storey car parking, bus station, app-based taxi facilities, inter-terminal connectivity infrastructure, baggage processing facilities and future metro connectivity integration.

3.4.207 However, the Authority notes that the true-up exercise is concerned not merely with the conceptual merits of the project but with whether the project ultimately delivered corresponds with the scope, area and functionality that formed the basis of the Authority's approval in Tariff Order No. 11/2021-22 dated 28.08.2021.

3.4.208 In this regard, the Authority notes that the approved MMTH Phase I scope recognised in the Third Control Period determination is detailed in Paragraphs 3.4.49 to 3.4.52 and Table 22 of the Consultation Paper. The Authority had specifically identified the various functional components of MMTH Phase I and determined the appropriate aeronautical and non-aeronautical treatment of each area. The Authority had further clarified that certain elements, including enabling works associated with the metro station and baggage sorting areas, would become eligible for capitalisation only upon commencement of metro operations, as passengers could not derive benefit from such facilities prior to their actual use.

3.4.209 The Authority further observes that the asset ultimately developed by BIAL differed materially from the facility forming the basis of the Authority's approval. As detailed in Paragraphs 3.4.53 to 3.4.59 and Table 23 of the Consultation Paper, BIAL developed a total area of 150,865 square metres compared to the 174,592 square metres recognised by the Authority during the Third Control Period. This represents a reduction of approximately 23,727 square metres, or 13.6%, relative to the approved scope.

3.4.210 The Authority notes in particular that Level 1, which had been approved as an aeronautical area comprising passenger circulation and landscaping functions, was developed substantially differently from the approved configuration. As observed in Paragraphs 3.4.55 and 3.4.56, only 5,763 square metres were developed at Level 1 against the approved area of 33,704 square metres, with the developed area being classified by BIAL as predominantly non-aeronautical in nature. The Authority further observed additional changes in classification and allocation of areas throughout the MMTH facility, including reclassification of various facilities previously approved as non-aeronautical to aeronautical usage and introduction of significant MEPF areas with revised allocation methodologies (Paragraphs 3.4.57 to 3.4.59 of the Consultation Paper).

3.4.211 Against this backdrop, the Authority examined BIAL's claim for project cost recognition. As recorded in Paragraph 3.4.60 and Table 24 of the Consultation Paper, the Authority had approved a

project cost of ₹537.34 crore for MMTH Phase I in Tariff Order No. 11/2021-22 dated 28.08.2021, whereas BIAL subsequently submitted an actual project cost of ₹781.70 crore, representing an increase of ₹244.36 crore or approximately 45.48%.

3.4.212 The Authority notes that such a significant increase in project cost would ordinarily require detailed supporting justification demonstrating the reasons for the increase, the relationship between the increased expenditure and the approved scope, and the efficiency and prudence of the expenditure incurred. However, the Authority notes that satisfactory responses and detailed rationales substantiating the increase in cost were not provided by BIAL despite repeated opportunities. The Authority further notes that the claimed increase in project cost was accompanied by a reduction in the overall developed area of the project relative to that recognised in the Third Control Period determination. In other words, BIAL sought recognition of substantially higher project costs notwithstanding the fact that the overall developed area was materially lower than the area approved by the Authority.

3.4.213 The Authority therefore does not agree that the increase in project cost should be admitted in the absence of adequate supporting justification. Given that,

i. the material variations between the approved and developed scope,

ii. the reduction in the overall developed area,

iii. the reclassification of significant portions of the facility, and

iv. the absence of satisfactory explanations supporting the increase in project cost despite repeated requests by the Authority, the Authority does not consider it appropriate to permit recovery of the additional expenditure claimed by BIAL from airport users.

3.4.214 Accordingly, as set out in Paragraph 3.4.61 and Table 24 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority has proposed to cap the admissible project cost at the amount previously approved in Tariff Order No. 11/2021-22 dated 28.08.2021, namely ₹537.34 crore, as against the project cost of ₹781.70 crore claimed by BIAL. Therefore, notwithstanding the 45.48% cost increase claimed by the Airport Operator, the Authority has proposed zero increase in the admissible project cost for MMTH Phase I.

3.4.215 As a result, the prudent review of MMTH Phase I represents a clear example of the Authority's project-specific prudence review approach. The Authority has not accepted the expenditure claimed by BIAL merely because such expenditure was incurred. Rather, in the absence of adequate justification demonstrating the necessity and reasonableness of the increase, the Authority has declined to admit any additional project cost and has retained the cost previously approved. Accordingly, the Authority retains its proposed treatment of MMTH Phase I as set out in Paragraphs 3.4.47 to 3.4.61 and Tables 22 to 24 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

Unplanned runway and taxiway improvement works

3.4.216 The Authority notes IATA's submission regarding expenditure of approximately ₹71.92 crore towards unplanned Existing Runway / Taxiway Improvement Works and its contention that such expenditure should be subjected to rigorous prudence review before being admitted for recovery through aeronautical tariffs.

3.4.217 At the outset, the Authority notes that the expenditure under this head pertains to strengthening and upgradation of existing airside infrastructure and therefore differs from discretionary asset additions or scope augmentations undertaken at the initiative of the Airport Operator. As observed in

Paragraphs 3.4.86 to 3.4.89 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the works related to improvements of the existing runway and taxiway system, together with associated airside infrastructure necessary for safe and efficient aircraft operations.

3.4.218 The Authority further notes that BIAL had originally proposed a capital expenditure outlay of ₹217 crore under this programme in its MYTP for the Third Control Period, against which the Authority approved ₹177 crore in Tariff Order No. 11/2021-22 dated 28.08.2021. BIAL subsequently submitted that the disallowance of ₹40 crore in the Third Control Period Order had arisen on account of an inadvertent omission relating to expenditures capitalised after 31.03.2021 and sought clarification from the Authority in this regard (Paragraph 3.4.87).

3.4.219 The Authority notes that, vide its communication dated 11.11.2021, it had clarified that expenditure relating to Existing Runway / Taxiway Improvements would be examined at the time of true-up based on actual asset additions and subject to an assessment of its reasonableness (Paragraph 3.4.88). Accordingly, the Authority did not provide automatic approval for the expenditure but expressly subjected it to a future prudence review.

3.4.220 The Authority observes that BIAL ultimately incurred a completed project cost of ₹243 crore against the original budgeted cost of ₹217 crore, representing a variation of approximately 11.98% (Paragraph 3.4.89). In support of the expenditure, BIAL submitted that the works related to strengthening and upgrading existing runway and taxiway infrastructure and associated facilities necessary for operation of the airport. BIAL also submitted that the work was awarded through a competitive procurement process following issuance of an Expression of Interest and technical and commercial evaluation of competing bids, pursuant to which the contract was awarded to M/s AIC Infrastructure (Paragraph 3.4.89).

3.4.221 As recorded in Paragraph 3.4.91, part of the increase arose from additional claims relating to additional scope, installation of an Automatic Irrigation System required to maintain Type-1 grass surrounding the New South Parallel Runway and relocation of DVOR/DME facilities. The Authority examined the justification furnished for these works as part of its prudence assessment.

3.4.222 As observed in Paragraph 3.4.90, the Authority formed the view that the proposed asset additions were necessary for the safe, secure and smooth conduct of aircraft operations at Kempegowda International Airport, Bengaluru. Unlike commercial or discretionary improvements, the expenditure directly related to operational airside infrastructure that is fundamental to maintaining aircraft movement capability, airfield safety and operational reliability. The Authority therefore considered that the underlying expenditure met the threshold of necessity from an aeronautical service perspective.

3.4.223 Further, as recorded in Paragraph 3.4.92, the Authority separately examined Interest During Construction of ₹2.52 crore and PMC, Design and Pre-Operative expenses of ₹3.77 crore rather than automatically accepting all amounts submitted by BIAL.

3.4.224 The Authority notes that the expenditure was specifically subjected to independent technical scrutiny. As observed in Paragraph 3.4.93, the Authority was satisfied that a competitive procurement process had been duly undertaken and that the resulting costs were reasonable.

3.4.225 Accordingly, after examining the underlying scope, procurement process, operational necessity and cost reasonableness of the expenditure, the Authority proposed to admit only the actual expenditure attributable to the works under consideration, namely ₹65.63 crore towards hard cost, ₹2.52 crore towards Interest During Construction and ₹3.77 crore towards PMC, Design and Pre-Operative expenses, aggregating to ₹71.92 crore (Paragraph 3.4.93).

3.4.226 The Authority therefore does not agree that the expenditure under this head represents an unjustified cost overrun or expenditure admitted without scrutiny. On the contrary, the Authority specifically assessed whether the expenditure was necessary for safe and efficient airside operations, verified that the works had been competitively procured, and independently reviewed the reasonableness of the costs incurred before proposing their admission. The Authority is therefore satisfied that the expenditure of ₹71.92 crore represents prudent and justified investment in critical aeronautical infrastructure and accordingly retains its proposed treatment set out in Paragraphs 3.4.86 to 3.4.93 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

IATA's proposed prudence review criteria

3.4.227 The Authority notes IATA's submission that project variances should be examined against approved scope, cost reasonability, consultation history, efficiency of procurement, aeronautical benefit, cost reasonability, avoidability of cost escalation, commissioning status and allocation between aeronautical and non-aeronautical users. The Authority observes that these considerations are broadly consistent with the prudence review principles applied by the Authority while undertaking the Third Control Period capital expenditure true-up and while assessing proposed Fourth Control Period asset additions, as evidenced by the detailed project-wise reviews set out in Chapters 3 and 5 of the Consultation Paper.

Commissioned and operational assets

3.4.228 The Authority notes IATA's support for the principle that airport users should not bear the cost of infrastructure until such assets are commissioned and available for use. In this regard, as explained in Paragraphs 12.3 and 12.4 of the Consultation Paper, the Authority has proposed for stakeholder consultation the Incremental ARR Approach based on the User Pay Principle for identified high value capex projects planned for completion and commission in the latter half of the upcoming 5 year Tariff Cycle (Control Period). Under this approach, the tariff impact of such projects is proposed to be considered only after the relevant assets are capitalised, commissioned, and put to use.

3.4.229 The Authority is of the view that this approach appropriately protects the interests of airport users by ensuring that they pay only for infrastructure from which they derive service benefits. Further, the proposed true-up of capital expenditure for the Third Control Period is based on a detailed project-wise prudence review and is consistent with the principles highlighted by IATA. Accordingly, the Authority retains its proposed treatment of the Third Control Period capital expenditure true-up as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

3.4.230 The Authority notes IATA's submission regarding the treatment of COVID-19-related contractor claims associated with the Terminal 2 Phase 1 project. As discussed in paragraphs 3.4.17 to 3.4.38 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority undertook a detailed examination of the actual capital expenditure incurred on Terminal 2 Phase 1, including COVID-related claims raised by Larsen & Toubro Limited (L&T), the EPC contractor for the project. The Authority agrees that the relevant regulatory consideration is whether the underlying expenditure is prudent, efficient, adequately substantiated and appropriate for recovery through aeronautical tariffs and not just the fact whether a contractor claim has been negotiated or reduced.

3.4.231 The Authority further agrees that negotiated contractor claims should not automatically be passed through to airport users. Accordingly, the Authority examined the nature of the expenditure, the circumstances giving rise to the claim and the extent to which the expenditure arose from the extraordinary disruption caused by the COVID-19 pandemic as opposed to normal contractor

responsibilities or commercial risks. The Authority also considered whether the claimed costs represented expenditure that properly belonged to the contractor, the airport operator or airport users.

3.4.232 In this regard, paragraphs 3.4.29 and 3.4.30 of the Consultation Paper specifically provide the Authority's assessment of labour welfare and workforce support costs claimed by L&T during the COVID period.

3.4.233 As to the question whether the proposed treatment transfers contractor risk, procurement risk, execution risk or contract management risk to airport users, the Authority notes that the Authority has assessed the admissibility of ad-hoc costs such as the resultant Covid-19 related costs on a case-by-case basis and has admitted only such expenditure as was found to be prudently incurred, adequately justified and directly attributable to the creation of airport infrastructure assets.

3.4.234 Accordingly, the Authority is of the considered view that the approach adopted in paragraphs 3.4.17 to 3.4.38 of the Consultation Paper appropriately addresses the allocation of COVID-related risks between BIAL, L&T and airport users and ensures that users are not required to bear costs that does not bring any material benefit to them. The Authority therefore retains its proposal regarding the treatment of the COVID-related claims associated with the Terminal 2 Phase 1 project as set out in the Consultation Paper (No. 01/2026-27 dated 12.06.2026).

3.4.235 The Authority notes IATA's support for the prudence review undertaken in respect of certain cost elements associated with the Terminal 2 – Phase 1 project. As discussed in paragraphs 3.4.29 to 3.4.35 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority has not treated all expenditure incurred by BIAL as automatically admissible for tariff determination. The Authority specifically proposed to disallow some claims of COVID-related labour welfare and workforce support costs, being of the view that such expenditure are standard regular expenses forming part of the contractor's day-to-day operational responsibilities and ought to be borne by Larsen & Toubro Limited (L&T) the EPC contractor rather than airport users. Further, as recorded in paragraph 3.4.35, the Authority retained the disallowance of ₹50 crore towards Project Management Consultancy (PMC) charges, consistent with the approach adopted in the Third Control Period Tariff Order, since the scope of work of the PMC consultant remained substantially unchanged despite the extension in the project execution period. With regard to the one-time royalty of ₹7.57 crore payable to the Department of Mines & Geology, the Authority has considered the expenditure on the basis that it constitutes a statutory project-related cost and not a penalty or non-compliance-related charge. Accordingly, consistent with its mandate under Section 13 of the AERA Act, 2008, the Authority has allowed only such costs pertaining to the Terminal 2 Phase I project as are considered prudent, justified and directly attributable to the creation of aeronautical assets, and retains its proposal as set out in the Consultation Paper.

3.4.236 The Authority notes IATA's support for improved multimodal connectivity to the Airport and its submissions regarding the regulatory treatment of MMTH and metro-related infrastructure. The Authority agrees that such infrastructure requires careful regulatory assessment because it serves multiple user groups and contains both aeronautical and non-aeronautical elements. Accordingly, as discussed in paragraphs 3.4.47 to 3.4.61 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority has undertaken a detailed review of the scope, usage, classification, timing of capitalization and cost of the MMTH Phase I project by BIAL.

3.4.237 The Authority notes IATA's concern that aeronautical users should not cross-subsidise public transport infrastructure, city-side facilities, parking facilities or other non-aeronautical assets. In this regard, the Authority has not considered MMTH as a full aeronautical asset even in the Third Control

Period Tariff Order. As part of the assessment undertaken in that Order, the Authority carried out a detailed functional review of the various components of the MMTH facility and determined an aeronautical allocation of 31.53%, with the balance being treated as non-aeronautical. The Third Control Period approval itself distinguished between aeronautical functions such as baggage sorting areas, bus station facilities and passenger circulation areas, and non-aeronautical components such as private car parking and other city-side transport facilities. The Authority's review of MMTH Phase I continues to be guided by this approach which recognises that only the appropriately allocable aeronautical portion of such mixed-use infrastructure should be considered for tariff determination purposes.

3.4.238 The Authority also notes IATA's submission that airport users should not bear the cost of facilities before such facilities are available for operational use. In this regard, paragraphs 3.4.50 to 3.4.52 provide that the Authority had determined that the metro enabling works and baggage sorting area forming part of MMTH Phase I should not be capitalised until commencement of metro operations, since passengers would not derive beneficial use from such assets prior to that point. The Authority had therefore proposed capitalization only upon operationalisation of the metro system, consistent with the principle that users should not be charged for assets before they are available for use.

3.4.239 The Authority further notes the concern regarding the scale of investment, tariff impact and cost efficiency of MMTH-related infrastructure. While MMTH Phase I was approved at a cost of ₹537.34 crore in the Third Control Period Tariff Order, BIAL has submitted an actual project cost of ₹781.70 crore as part of the true-up exercise. The Authority has proposed to retain the previously approved cost of ₹537.34 crore for true-up purposes, mainly in view of a lower overall developed area by BIAL but at a higher incurred cost for the overall MMTH Phase I facility.

3.4.240 The Authority further notes IATA's observations regarding commercial benefits, retail activities, parking revenues, access-related revenues and other potential non-aeronautical value associated with MMTH and metro-related infrastructure. The Authority reiterates that the classification and allocation of MMTH assets continue to be governed by the applicable regulatory framework and that any non-aeronautical revenues will continue to be considered in accordance with the Hybrid Till approach adopted by the Authority.

3.4.241 The Authority also notes IATA's submission that aeronautical users should not bear the cost of metro-related infrastructure unless such assets have a clear and proportionate link with aeronautical services. In this regard, the Authority notes that, while assessing the Capital Expenditure (CapEx) for the Fourth Control Period, it has proposed not to consider the capex relating to the KIA West Metro Station for tariff determination. This is based on the Authority's view that only those assets which justify the applicable regulatory requirements and have a demonstrable link with aeronautical operations can be included in the Regulatory Asset Base (RAB).

3.4.242 Accordingly, the Authority is of the view that the analysis contained in paragraphs 3.4.47 to 3.4.61 adequately addresses these concerns. It recognises the mixed-use nature of the MMTH infrastructure, allows recovery only of the eligible aeronautical portion, ensures that metro-dependent assets are not considered for tariff recovery before they become operational, subjects any increase in project cost to prudence review, and excludes metro-related capex that is not justified for inclusion in the RAB. Therefore, the Authority decides to retain its proposal on MMTH Phase I and the related metro infrastructure as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

Aeronautical Assets Allocation ratio for the Third Control Period

3.4.243 The Authority notes BIAL's submissions (Refer Para 3.4.125) regarding aeronautical asset allocation and has carefully examined the issues raised therein. In this regard, it is to be noted that for the purpose of true-up of the Third Control Period, the Authority has considered it appropriate to apply the aeronautical asset allocation methodology and allocation ratios approved in Tariff Order No. 11/2021-22 dated 28.08.2021, in order to ensure consistency, transparency, regulatory certainty and predictability in determination of the aeronautical portion of the Regulatory Asset Base ("RAB"). The said allocation ratios were not adopted on an ad hoc basis. At the time of tariff determination for the Third Control Period, while undertaking the true-up of the Second Control Period, the Authority had carried out a detailed asset allocation assessment through an independent study for BIAL, having regard to the nature, usage and functional characteristics of the assets, and applying the relevant regulatory principles. The allocation ratios so determined were thereafter approved after due regulatory scrutiny and formed the basis of the Third Control Period Tariff Order.

3.4.244 The Authority further notes that the asset allocation approach adopted in the Third Control Period was broadly aligned with the principles, wherein the non-aeronautical component of common assets is generally considered to be in the range of 8% to 12% for airports handling traffic up to 10 MPPA, and up to 20% for airports handling traffic above 10 MPPA. Having regard to BIAL's traffic profile, asset composition and operational characteristics, the allocation ratio approved in Tariff Order No. 11/2021-22 dated 28.08.2021 were considered reasonable, appropriate and consistent with the applicable regulatory framework.

3.4.245 The Authority is of the considered view that revisiting the approved asset allocation ratio at the true-up stage solely on the basis of the Fixed Asset Register ("FAR") after actual capitalisation would, in effect, amount to reopening a regulatory determination already concluded after an independent asset allocation exercise and due regulatory scrutiny. The approved allocation ratio formed the basis for determination of the aeronautical and non-aeronautical portions of the RAB for the Third Control Period. Any revision to the approved allocation ratios would mean an artificial shift of a portion of the non-aeronautical asset base into the aeronautical RAB, thereby increasing the aeronautical RAB and the return thereon, while correspondingly reducing the non-aeronautical asset base, associated non-aeronautical revenues and the resultant level of cross-subsidisation available to aeronautical users under the Hybrid Till framework. Such an approach would not be consistent with the principles of regulatory certainty, consistency and stability, which are integral to the Multi-Year Tariff framework.

3.4.246 In view of the above, the Authority does not find merit in BIAL's request for a fresh FAR-based review of the aeronautical asset allocation ratio for the true-up of the Third Control Period. Accordingly, the Authority decides to retain the approach set out in Consultation Paper No. 01/2026-27 dated 12.06.2026, and to continue applying the allocation ratio approved in Tariff Order No. 11/2021-22 dated 28.08.2021.

3.4.247 The Authority notes IATA's observations regarding the allocation ratios adopted by BIAL, including Terminal 1 allocation of approximately 85.34%, overall terminal allocation of approximately 87.1%, and MMTH Phase I allocation of approximately 34.49%.

3.4.248 The Authority notes that the allocation ratios referred to by IATA are based on BIAL's submissions regarding allocation of assets between aeronautical and non-aeronautical activities. As recorded in Paragraphs 3.4.3 to 3.4.5 and Tables 16 and 17 of the Consultation Paper, BIAL adopted various allocation methodologies for different categories of assets, including a Terminal 2 area ratio of

87.66%, Terminal 1 ratio of 85.34%, overall terminal building ratio of 87.1%, and an MMTH Phase I allocation ratio of 34.49%.

3.4.249 The Authority has examined BIAL's allocation methodology. As observed in Paragraph 3.4.101, the Authority is of the considered view that the allocation ratios approved in Tariff Order No. 11/2021-22 dated 28.08.2021 were determined after extensive examination and stakeholder consultation and should continue to apply for the true-up of the Third Control Period in the interest of consistency and regulatory certainty.

3.4.250 Accordingly, the Authority proposed to apply:

- 87.66% for Terminal 2 – Phase I;
- 85.73% for Forecourt, Roadways and Landside Development – Phase 1b (except MMTH);
- 31.53% for MMTH Phase I, as against the 34.49% claimed by BIAL;
- 85.73% for Aircraft Maintenance & Airport Maintenance Facilities and Utilities;
- 99.20% for T2 Apron – Phase II;
- 100% for Airport Rescue and Fire Fighting Building, South Runway – Phase II and Existing Runways/Taxiway Improvements; and
- 86.64% for Sustaining Capex.

3.4.251 The Authority notes, in particular, that although BIAL sought an aeronautical allocation of 34.49% for MMTH Phase I, the Authority did not accept the allocation proposed by BIAL and instead retained the allocation ratio of 31.53% approved in the Third Control Period Order (Paragraph 3.4.101).

3.4.252 This demonstrates that the Authority independently reviewed and, where necessary, corrected allocation assumptions adopted by the Airport Operator.

Depreciation for the Third Control Period

3.4.253 The Authority notes the submission of BIAL (Refer Para 3.4.125) and states that the depreciation values reflected in Tariff Order No. 11/2021-22 dated 28.08.2021 were not derived merely from accounting depreciation as reported by BIAL but were determined pursuant to the regulatory framework governing depreciation and useful lives of airport assets prescribed by the Authority.

In this regard, the Authority notes that Order No. 35/2017-18 dated 12.01.2018 on Determination of Useful Life of Airport Assets, as amended by Amendment No. 01 dated 09.04.2018, forms part of the tariff determination framework. The aforesaid Order prescribes the useful lives and depreciation rates applicable to various airport asset categories, including terminal buildings, runways, taxiways, aprons, baggage handling systems, IT assets and other airport infrastructure. The aforesaid Order further provides that depreciation shall be computed using the Straight-Line Method and prescribes specific principles relating to determination of useful life, treatment of lease periods, treatment of significant asset components and circumstances where different useful lives may be considered subject to adequate technical justification and examination by the Authority.

The Authority further observes that the useful lives adopted for tariff determination purposes in the Third Control Period were determined after applying the regulatory framework contained in Order No. 35/2017-18 dated 12.01.2018, as amended on 09.04.2018, together with the Authority's assessment of asset classification, asset allocation and admissibility of the underlying asset base.

Accordingly, the depreciation values reflected in Table 31 and Table 101 of Tariff Order No. 11/2021-22 dated 28.08.2021 are an efficient outcome of the Authority's regulatory determination.

During the consultation stage, BIAL submitted revised depreciation workings and requested adoption of depreciation values recalculated based on its interpretation of the Authority's useful life framework. Upon independent examination and review of the revised submission, the Authority has determined the applicable depreciation in accordance with its regulatory approach and assessment of the asset-level information provided by BIAL. The depreciation considered by the Authority is set out in **Table 45.**

Financing Allowance for the Third Control Period and Depreciation thereon

3.4.254 The Authority notes BIAL's submission (Refer Para 3.4.124) seeking (i) inclusion of Financing Allowance in respect of projects that were approved during the Second Control Period but were capitalised during the Third Control Period, and (ii) allowance of depreciation on Financing Allowance. BIAL has submitted that Financing Allowance was permitted by the Authority in earlier tariff determinations and that, having undertaken investments on the basis of such regulatory treatment, it had a reasonable expectation that Financing Allowance would continue to be available for projects approved during the Second Control Period but capitalised during the Third Control Period. BIAL has further submitted that discontinuance of Financing Allowance for such projects is inconsistent with the regulatory framework that applied at the time the investments were undertaken. BIAL has also relied upon the observations of the Hon'ble TDSAT in its judgment dated 23.04.2018 in Delhi International Airport Limited vs. Airports Economic Regulatory Authority and Others (Appeal No. 1 of 2015), wherein the Hon'ble TDSAT observed that the cost of investment cannot be regarded as zero merely because the investment is funded through internal accruals or other non-debt sources. BIAL has requested that Financing Allowance and depreciation thereon be considered for the Third and Fourth Control Periods.

3.4.255 The Authority has examined BIAL's submission. As discussed by the Authority in Paragraphs 5.5.19 to 5.5.21 of Tariff Order No. 11/2021-22 dated 28.08.2021 for determination of aeronautical tariffs for Kempegowda International Airport, Bengaluru for the Third Control Period, the Authority undertook a detailed review of the concept and its application of Financing Allowance, the regulatory basis on which it had been considered under the relevant guiding principle and the manner in which it had been applied in earlier control periods. Following such examination, the Authority concluded that Financing Allowance was essentially an additional return that an airport operator receives during the construction period before an asset is commissioned and then starts earning a return on the normal Regulatory Asset Base (RAB). The Authority's exact reasoning as provided in Paragraphs 5.5.19 to 5.5.21 of Tariff Order No. 11/2021-22 dated 28.08.2021 may be referred to below:

" *5.5.19 On the financing allowance, the Authority noted that the financing allowance is a notional amount arising from the return of cost of debt given to the equity investment in the capital work in progress assets. The Authority is of the view that the equity invested in work in progress assets cannot be treated as a debt instrument with an assured return of cost of debt. The Authority noted that such assured return on equity investments on the work in progress assets are not available to the developers of other infrastructure. It is expected that the future returns from the project should generate adequate returns to cover the cost of the equity during the construction stage. Therefore, the Authority adequately compensates the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.*

5.5.20 The Authority considers that giving an assured return on the equity investment even on the work in progress assets would result in reducing the risks associated with equity investment in capital projects which then needs to be accounted while determining the cost of equity. Therefore, the Authority is of the opinion that the return on equity that is entitled to the airport operator would remain the same whether the Authority allows or disallows financing allowance.

5.5.21 Further, the Authority notes that in case of greenfield developments, the airport operator would have to wait for a considerable length of time before getting return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalise. It was with this consideration that the Authority had earlier provided Financing Allowance in initial stages to such airports. The Authority notes that BIAL can now be considered as brownfield airport as the operations have matured over the last decade. Since the operations are now stable, this has reduced the construction and traffic risk for the new construction at the airport. Further, it may be noted that Financing Allowance has never been provided in the case of other airports such as DIAL, MIAL and KIAL. Moreover, it is also noted that BIAL's equity investment for the new construction projects is largely through internal accruals instead of direct equity infusion by its shareholders. Thus, the Authority is of the view that the locked-up equity in the capital work in progress assets henceforth cannot be given the assured return of cost of debt. Based on the above, the Authority decides to disallow the Financing Allowance (FA) for BIAL on the assets which will be capitalized from Third Control Period onwards."

3.4.256 As explained above, the Authority noted that Financing Allowance represented a notional return on equity invested in Capital Work in Progress ("CWIP") assets by applying a return equivalent to the cost of debt during the construction period. The Authority was of the view that equity invested in CWIP assets could not be treated as a debt instrument carrying an assured return during the construction phase. The Authority further noted that the risks associated with equity investments in capital projects were adequately compensated through the regulated return on equity once the assets were capitalised and put to use. The Authority also observed that allowing Financing Allowance would reduce the risks borne by equity investors and could result in double compensation, since the regulated return on equity already incorporated such risks. Further, the Authority noted that BIAL had matured into a brownfield airport with substantially lower construction and traffic risks than those associated with greenfield developments, for which Financing Allowance was originally conceived, and that such allowance had not been provided to comparable airports.

3.4.257 Accordingly, the Authority decides not to consider Financing Allowance for assets capitalised including its impact on depreciation during the Third Control Period consistent with the decisions taken in the Tariff Order No. 11/2021-22 dated 28.08.2021 issues for the Third Control Period.

Treatment of Landscaping Cost associated with Terminal Building

3.4.258 The Authority has examined the treatment of landscaping expenditure proposed to be considered as part of the capital cost of the Terminal Building and included in the Regulatory Asset Base ("RAB").

3.4.259 While the Authority acknowledges the airport operator's objective of creating high-quality and globally benchmarked airport infrastructure, it is also necessary to distinguish between:

- expenditure that is essential and functionally required for provision of aeronautical services; and

- expenditure that is incurred for fancy fittings and fixtures and display of exotic horticulture elements towards aesthetic enhancement, placemaking, beautification, branding, or premium passenger experience.

3.4.260 The Authority is of the view that landscaping, by its nature, is not fully comparable to the Terminal Building itself, nor can it be regarded as wholly coterminous with the terminal's aeronautical functionality. Unlike core terminal assets required for passenger processing, security, baggage handling, boarding, arrivals, and related operational functions, landscaping is generally spread across external campus areas such as terminal frontage, kerbside zones, forecourts, approach roads, medians, public circulation areas, and other landside/common interfaces. The benefits of such landscaping are therefore available not only to aeronautical users but also to visitors, meeters and greeters, staff, concessionaires, and the general airport campus environment.

3.4.261 The Authority is guided by the principles of prudence, efficiency, reasonableness and protection of user interest in determination of tariff. Airport users may reasonably be expected to bear costs that are necessary for safe, secure and efficient airport operations. However, users should not be required to bear the tariff impact of disproportionate expenditure on non-core aesthetic or beautification-oriented elements, particularly where the airport has already attained operational maturity and has generated substantial returns on invested capital over time. To the extent such expenditure reflects fancy fittings and fixtures, premium design choices, ornamental features, imported or exotic plant material, thematic horticulture, decorative installations, or experience-led external beautification, the same cannot be considered essential aeronautical infrastructure for tariff purposes.

3.4.262 Therefore, for the purpose of capitalization into RAB, the Authority deems it prudent to restrict the admissible landscaping cost associated with the Terminal Building i.e. Rs 27.12 Cr (i.e. 30% of the landscaping cost amounting to Rs. 90.39 Cr) linked to the Terminal Building. The said allowance is considered reasonable to cover the portion of landscaping expenditure that may be regarded as necessary and functionally associated with terminal operations, while excluding the balance attributable to common campus development, landside/public interface, beautification, and discretionary premium design elements.

3.4.263 The Authority is of the view that this approach appropriately balances:

- the need to allow recovery of prudent and functionally necessary landscaping expenditure; and
- the need to protect airport users from bearing the cost of fancy fittings and fixtures and exotic horticulture elements that are excessive, non-essential or based on experience-driven external development and not intrinsic to aeronautical service delivery.

3.4.264 Accordingly, only 30% of landscaping cost linked to the Terminal Building shall be considered for inclusion in the aeronautical RAB.

3.4.265 Based on the above facts and detailed assessment, the aeronautical asset additions as decided by the Authority for the Third Control Period is provided in the table below:

Table 43: Aeronautical Asset Additions decided by the Authority for True-Up of the Third Control Period

(Rs. in Crore)

Project undertaken by BIAL for the Third Control Period	2022	2023	2024	2025	2026	Total
Terminal 2 - Phase I	-	3,458.21	458.83	205.66	4.06	**4,126.75**

Project undertaken by BIAL for the Third Control Period	2022	2023	2024	2025	2026	Total
Forecourt, roadways & landside development - Phase 1b (except MMTH)	119.81	963.45	125.56	12.22	2.05	**1,223.09**
MMTH – Phase- I	-	-	145.38	24.04	-	**169.42**
Aircraft Maintenance & Airport Maintenance Facilities	11.35	34.26	(1.82)	(0.15)	-	**43.64**
Utilities	45.10	5.37	-	2.49	0.01	**52.97**
T2 Apron - Phase II	13.11	202.30	2.29	0.18	-	**217.88**
Airport Rescue and Fire Fighting Building	0.02	1.59	-	-	-	**1.61**
South Runway - Phase II	159.96	222.19	120.24	6.45	(0.04)	**508.80**
Existing Runways / Taxiway Improvements	46.32	13.96	-	11.61	0.03	**71.92**
Sustaining Capex	50.68	105.40	110.30	121.74	84.46	**472.58**
PAL 2 (Part Capitalization attributable to T1 Upgrade)					94.10	**94.10**
	446.35	**5,006.73**	**960.78**	**384.24**	**184.67**	**6,982.76**

Depreciation for the Third Control Period

3.4.266 The Authority decided to retain the useful lives of assets as adopted in the Third Control Period Tariff Order, which are reproduced hereunder:

Table 44: Useful Lives considered by the Authority for the Third Control Period

Asset type	Useful Life as per Authority (Years)
Earthwork	48.5
Terminal, utility, office and other buildings	30
Runway, taxiway and apron	30
Water management system	30
Roads	5
Roads (Trumpet)	20
Baggage handling, aerobridges, HVAC equipment, other airport equipment	15
Electrical fittings	10
Security/safety equipments	15
IT Equipment	6
Software	5
Furniture and fixtures	7
Vehicles	8
Office equipment	5
Intangibles (agreements)	30

3.4.267 The Authority further decides not to consider the financing allowance on depreciation, as submitted by BIAL, in line with the position adopted by the Authority in the Third Control Period Tariff Order and for the reasons set out in para 3.4.254 to 3.4.257 of this Tariff Order.

3.4.268 Based on the comments received from the stakeholders on Depreciation, and after due examination of the actual asset additions and the actual dates of capitalisation, the Authority has carried out a prudence check and accordingly recomputed the True Up of Depreciation for the Third Control Period, as detailed hereunder:

Table 45: Aeronautical Depreciation decided by the Authority for True-Up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aeronautical Depreciation	285.62	382.78	660.87	657.57	665.21	**2,652.05**

Regulatory Asset Base (RAB)

3.4.269 The Authority, based on its analysis of Capital Expenditure, asset allocation and Depreciation for the True Up of the Third Control Period, as discussed in detail in the preceding paragraphs of this Chapter, has carefully examined and recomputed the Regulatory Asset Base for the True Up of the Third Control Period. The details of the Regulatory Asset Base as decided by the Authority are presented in the table below:

Table 46: RAB decided by the Authority for true-up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Opening RAB (A)	4,427.38	4,586.84	9,210.02	9,507.00	9,227.15	-
Capital Additions (B) (Refer **Table 43**)	446.36	5,006.75	960.77	384.22	184.66	6,982.76
Capital Deletions/Disposals (C)	(1.28)	(0.79)	(2.93)	(6.50)	(8.31)	(19.8)
Depreciation (refer Table 45)	285.62	382.78	660.87	657.57	665.21	2,652.05
Closing RAB (E = A+B-C-D)	4,586.84	9,210.02	9,507.00	9,227.15	8,737.49	-
Average RAB (F= (A+E)/2)	4,507.11	6,898.43	9,358.51	9,367.07	8,982.32	-

3.5 True up of Weighted Average Cost of Capital (WACC) for the Third Control Period

BIAL'S submission regarding WACC for the True up of the Third Control Period

3.5.1 BIAL made the following submissions with regard to the Weighted Average Cost of Capital for the Third Control Period.

Cost of Equity:

3.5.2 BIAL submitted that the concessions granted to BIAL and the relevant Project Agreements, including the amended Shareholders Agreement and Schedule III to the amended State Support Agreement, provide for a financial plan which pegged the Project Internal Rate of Return at 14.58%, translating to an Equity IRR of 21.66% and resulting in 24.40% as Cost of Equity. BIAL submitted that this was the construct on which the concession arrangement of BIAL was developed.

3.5.3 BIAL further submitted that it had consistently requested the Authority to take into consideration the Cost of Equity as captured in the amended Shareholders Agreement and Schedule III to the amended State Support Agreement.

3.5.4 BIAL had also referred to the judgment of the Hon'ble Supreme Court in the matter of Delhi International Airport Ltd. vs Airport Economic Regulatory Authority, 2022, wherein the Hon'ble Supreme Court observed that parties who operated in a pioneering effort in civil aviation should not be taken by surprise in a manner affecting their commercial viability, as it may discourage private participation in essential economic activities.

3.5.5 BIAL submitted that its issue relating to Cost of Equity is part of Civil Appeal No. 1798-99 of 2021 filed before the Hon'ble Supreme Court and the matter is currently sub-judice. Accordingly, without prejudice to the claims and pleas made by BIAL and the reliefs sought in the said civil appeals, BIAL factored the Cost of Equity at 15.05%, as considered by the Authority in the Tariff Order for the Third Control Period based on the study report of IIM Bangalore.

3.5.6 BIAL considered cost of equity as approved by the Authority in the Tariff Order for the Third Control Period i.e. 15.05%.

Cost of Debt:

3.5.7 BIAL submitted that, for the projects under the PAL-1 capital expenditure programme approved by the Authority in the Second Control Period Order and implemented during the Second and Third Control Periods, it had negotiated with lenders to arrive at the lowest possible interest rate while finalising the terms of the expansion loan of Rs. 10,206 crores.

3.5.8 BIAL submitted that its expansion loan was 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 was higher, subject to the effective lending rate of any lender not being lower than the MCLR of that lender. The loan was a floating rate loan with an annual reset clause linked to the prevailing MCLR levels at the time of reset. The interest rate considered in the Third Control Period Tariff Order was 7.85% p.a.

3.5.9 BIAL had further submitted that its credit rating was upgraded to AAA with Stable Outlook by ICRA Ltd., India Ratings and Research Pvt. Ltd. and CRISIL Ratings Ltd. BIAL submitted that the interest rate for its term loans was based on SBI 1-year MCLR plus 50 basis points, equivalent to 9.45% p.a.p.m. based on the 1-year MCLR prevalent as on August 21, 2024, being the previous reset date. The interest rate applicable for the existing NCDs is 8.35% p.a.

3.5.10 BIAL submitted that, considering the rating upgrade and mitigation of construction risk following completion of the PAL-1 programme, refinancing of the existing term loan facilities would result in interest cost reduction and benefit airport users through lower tariffs. BIAL had proposed to refinance the entire outstanding term loans of Rs. 8,069 Crores through issuance of NCDs at a fixed interest rate of 8.15% p.a. for the first 10 years out of the loan tenor of 15 years. BIAL submitted that the refinancing agreements are expected to be executed by September 2025 and the refinanced interest rate of 8.15% shall be applicable from October 1, 2025.

3.5.11 BIAL submitted that the refinanced interest rate of 8.15% is the lowest for any PPP airport in India and reflects BIAL's diversified revenue profile, structured returns on its Regulatory Asset Base 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.

3.5.12 The actual Cost of Debt submitted by BIAL for the Third Control Period is shown in the table below:

Table 47: Cost of Debt Calculation submitted by BIAL for True Up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026
Average Principal	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	7.33%	7.74%	8.49%	8.88%	8.42%
Effective Cost of Debt	**8.22%**				

3.5.13 The Effective Cost of Debt had been arrived at based on the weighted average of Cost of Debt based on the average principal outstanding for the years in the Third Control Period.

Computation of WACC:

3.5.14 BIAL considered the same methodology for calculation of WACC as adopted by the Authority in the Tariff Order for the Third Control Period and the WACC as calculated by BIAL stands at 11.77% with

notional debt and equity at 48% and 52% respectively. The calculation of WACC submitted by BIAL for the Third Control Period as per the MYTP for the Fourth Control Period is shown in the table below:

Table 48: WACC submitted by BIAL for the Third Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.05%	52%	7.83%
Debt	8.22%	48%	3.94%
WACC			**11.77%**

Recap of decisions taken by the Authority regarding WACC for the Third Control Period as per the tariff order for the Third Control Period

3.5.15 Decision No. 6.6.1: *"To consider the cost of equity at 15.05%as per the outcome of the independent study."*

3.5.16 Decision No. 6.6.2: "To *consider the notional debt to equity (gearing) ratio of 48%:52% as suggested by the independent study."*

3.5.17 Decision No. 6.6.3: *"To consider 7.85% as cost of debt for the Third Control Period."*

3.5.18 Decision No. 6.6.4: *"To true-up the cost of debt of BIAL for the Third Control Period based on actuals subject to its reasonableness and efficiency."*

3.5.19 Decision No. 6.6.5: *"To consider the WACC of 11.59% for the Third Control Period based on above mentioned cost of equity, cost of debt and considering the notional gearing ratio as suggested by the independent study."*

Table 49: WACC proposed to be considered by the Authority towards True up for the Third Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.05%	52.00%	8.02%
Debt	7.85%	48.00%	4.97%
WACC		**11.59%**	

Authority's examination regarding WACC for True up of the Third Control Period at the Consultation Stage

Cost of Equity

3.5.20 The Authority noted BIAL's submission that the Project Agreements and related financial plan provided for a Project IRR of 14.58%, translating to an Equity IRR of 21.66% and Cost of Equity of 24.40%. The Authority also noted BIAL's submission that the issue relating to Cost of Equity is presently pending before the Hon'ble Supreme Court.

3.5.21 The Authority further noted that, without prejudice to its claims and pleas in the pending civil appeals, BIAL had considered Cost of Equity of 15.05% for the purposes of filing its MYTP, in line with the Cost of Equity considered by the Authority in the Tariff Order for the Third Control Period based on the independent study carried out by IIM Bangalore.

3.5.22 In view of the foregoing and pending final adjudication of the matter before the Hon'ble Supreme Court, the Authority noted that BIAL adopted a Cost of Equity of 15.05%, consistent with the regulatory approach adopted by the Authority in the Tariff Order for the Third Control Period. Accordingly, for the purpose of True-Up of the Third Control Period, the Authority proposed to consider the Cost of Equity at 15.05%.

Cost of Debt

3.5.23 The Authority noted that BIAL had submitted the actual Cost of Debt for the Third Control Period based on the average debt balance and interest cost incurred during the period. The year-wise Cost of Debt ranges from 7.33% in FY 2021-22 to 8.88% in FY 2024-25 and 8.42% in FY 2025-26, resulting in a weighted average Cost of Debt of 8.22% for the Third Control Period.

3.5.24 The Authority noted that the debt availed by BIAL was primarily towards the PAL-1 capital expenditure programme, which had been approved by the Authority and implemented during the Second and Third Control Periods. The Authority also noted that the expansion loan was a floating rate facility linked to MCLR, with annual reset, and the actual interest rates during the Third Control Period were impacted by movements in benchmark lending rates.

3.5.25 The Authority further noted that BIAL has obtained AAA credit rating with Stable Outlook from multiple rating agencies and had proposed refinancing of the outstanding term loans through NCDs at 8.15% p.a. The Authority observed that the proposed refinancing reflects BIAL's efforts to optimise its financing structure and reduce the overall borrowing cost, which is expected to accrue benefits to airport users through improved financing efficiency.

3.5.26 The Authority further noted that the actual cost of debt as submitted by BIAL is lower than the average of one-year SBI MCLR plus 150 bps on year-on-year basis across the control period.

3.5.27 Upon examination of the submissions and supporting material placed on record, the Authority was of the view that the weighted average Cost of Debt of 8.22% submitted by BIAL for the True-Up of the Third Control Period appeared reasonable and efficient, taking into account the nature and purpose of the borrowings, the floating rate structure and annual reset mechanism, prevailing benchmark lending rates, and BIAL's demonstrated efforts towards refinancing at competitive terms.

3.5.28 The Authority further noted that, in the Tariff Order for the Third Control Period, Cost of Debt was considered at 7.85% and it had also been decided that the same would be subject to true-up based on actuals, subject to assessment of reasonableness and efficiency. In light of the submissions made by BIAL and the Authority's examination thereof, the Authority proposed to consider the Effective Cost of Debt at 8.22% towards True-Up of the Third Control Period.

3.5.29 Accordingly, the Authority proposed to consider the Cost of Debt of 8.22% for true-up of the Third Control Period, as submitted by BIAL. The details of computation of cost of debt proposed to be considered by the authority are below:

Table 50: Cost of Debt Calculation proposed to be considered by the Authority towards True Up for the Third Control Period at the Consultation Stage

Particulars (FY ending March 31)	2022	2023	2024	2025	2026
Average Principal	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	7.33%	7.74%	8.49%	8.88%	8.42%
Effective Cost of Debt	8.22%				

Gearing Ratio

3.5.30 The Authority noted that the notional Debt-Equity gearing of 48:52 was considered in the Tariff Order for the Third Control Period. Accordingly, the Authority proposed to retain and consider the Debt-Equity gearing of 48:52 for the True-Up of the Third Control Period.

WACC for the Third Control Period

3.5.31 The Authority vide Decision No. 6.6.5 of the Tariff Order for the Third Control Period had decided to consider WACC of 11.59% for the Third Control Period based on Cost of Equity of 15.05%, Cost of Debt of 7.85% and notional gearing ratio of 48% debt and 52% equity.

3.5.32 Since the Authority had decided to true-up the Cost of Debt based on actuals subject to reasonableness and efficiency, and the Authority found the Cost of Debt of 8.22% submitted by BIAL to be reasonable and efficient, the WACC / FRoR for true-up of the Third Control Period works out to 11.77%. The revised WACC was recomputed as per table below:

Table 51: WACC proposed by the Authority towards True up for the Third Control Period at the Consultation Stage

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.05%	52.00%	7.83%
Debt	8.22%	48.00%	3.95%
WACC / FRoR			11.77%

3.5.33 Based on the above, the Authority proposed the WACC of 11.77% for True-up of the Third Control Period.

Stakeholders' Comments regarding True-up of WACC for the Third Control Period

3.5.34 During Stakeholders' Consultation Process, the Authority has not received any comments from BIAL, or any other stakeholder in response to the proposals of the Authority in Consultation Paper No. 01/2026-27 dated 12th June 2026 with regard to WACC.

Authority's Analysis on Stakeholders' Comments regarding True up of WACC for the Third Control Period

3.5.35 Accordingly, the WACC decided by the Authority for the True-up of the Third Control Period is as shown in the table below:

Table 52: WACC decided by the Authority for the Third Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.05%	52.00%	7.83%
Debt	8.22%	48.00%	3.95%
WACC / FRoR			11.77%

3.6 True Up of Operating Expenses

BIAL's submission regarding Operating Expenses for the True up of Third Control Period

3.6.1. BIAL submitted the Operating Expenses for the true-up of the Third Control Period based on actuals incurred during the period till FY25 and estimation for FY26.

3.6.2. The component wise breakup of Operating Expenses submitted by BIAL for the Third Control Period is as follows:

Table 53: Operating Expenses submitted by BIAL for True up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	208.28	255.24	316.6	384.35	439.15	1,603.62
O&M	156.57	213.21	297.44	386.28	471.88	1,525.38

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Lease Rent	15.11	21.26	22.93	17.55	24.32	101.17
Utilities	28.37	40.85	72.55	65.89	63.53	271.19
Insurance	6.43	7.63	9.95	10.85	11.29	46.15
Rates & Taxes	4.92	8.68	9.38	11.86	13.17	48.01
Marketing & Advertising	9.48	21.62	12.33	24.01	20.87	88.31
Collection cost	2.87	5.62	7.25	7.94	9.96	33.64
General Admin Cost	25.33	38.41	45.62	62.91	66.42	238.68
Waiver and bad debts	0.00	0.12	5.99	-2.35	0.00	3.76
Misc. Expenses	-0.44	0.54	-5.65	4.07	0.00	-1.48
Other Borrowing Costs	2.90	5.95	12.75	9.29	61.95	92.84
Concession Fee	31.40	69.67	107.51	144.94	160.08	513.59
CSR	0.00	0.00	0.00	0.00	0.24	0.24
Total	**491.21**	**688.80**	**914.65**	**1,127.59**	**1,342.85**	**4,565.09**

3.6.3. Subsequently, vide e-mail dated 21.05.2026, BIAL revised Operating Expenses for FY2025-26 based on unaudited provisional financials for FY2025-26. Accordingly, the revised component wise breakup of Operating Expenses submitted by BIAL is as follows:

Table 54: Revised Operating Expenses submitted by BIAL for True up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	208.28	255.24	316.6	384.35	451.46	1,615.93
O&M	156.57	213.21	297.44	386.28	460.47	1513.96
Lease Rent	15.11	21.26	22.93	17.55	22.82	99.67
Utilities	28.37	40.85	72.55	65.89	41.62	249.28
Insurance	6.43	7.63	9.95	10.85	10.62	45.48
Rates & Taxes	4.92	8.68	9.38	11.86	11.71	46.55
Marketing & Advertising	9.48	21.62	12.33	24.01	23.58	91.02
Collection cost	2.87	5.62	7.25	7.94	8.49	32.17
General Admin Cost	25.33	38.41	45.62	62.91	58.34	230.60
Waiver and bad debts	0.00	0.12	5.99	-2.35	0.11	3.87
Misc. Expenses	-0.44	0.54	-5.65	4.07	5.56	4.08
Other Borrowing Costs	2.90	5.95	12.75	9.29	64.16	95.05
Concession Fee	31.40	69.67	107.51	144.94	162.74	516.26
CSR	0.00	0.00	0.00	0.00	0.21	0.21
Total	**491.21**	**688.80**	**914.65**	**1,127.59**	**1321.89**	**4544.13**

<u>Reasons for increase in various heads of expenditure as submitted by BIAL:</u>

Personnel Costs

3.6.4. BIAL submitted that the increase in Personnel Costs during the Third Control Period was primarily on account of higher manpower addition necessitated by the scale of infrastructure augmentation undertaken during the period. BIAL further stated that, with the operationalization of Terminal 2,

which is significantly larger than Terminal 1, the requirement for terminal management, operational and support staff increased correspondingly.

3.6.5. BIAL also submitted that the Authority, in the Tariff Order for the Third Control Period, had considered terminal area increase as the relevant driver for manpower growth, and that the actual manpower deployment during the period was commensurate with the substantial increase in terminal area. BIAL further stated that the employee-to-passenger ratio remained broadly in line with pre-COVID levels, which according to BIAL, reflected efficient deployment of manpower in line with the growth in traffic and operational scale.

O&M Expenses

3.6.6. BIAL submitted that the increase in O&M Expenses during the Third Control Period was primarily on account of the operationalization of Terminal 2 Phase 1 and the associated expansion in the scale and complexity of airport operations. BIAL stated that the approved O&M cost benchmarks in the Tariff Order for the Third Control Period did not adequately capture the requirements of the expanded asset base, particularly in view of the significant increase in terminal area upon commissioning of Terminal 2.

3.6.7. BIAL further submitted that Terminal 2 is a next-generation terminal with higher architectural complexity, sustainability-linked infrastructure, advanced passenger processing systems and integrated domestic and international operations, all of which entailed higher maintenance intensity and specialized operational support. BIAL stated that the technology-driven nature of Terminal 2, including advanced mechanical, electrical and digital systems, has resulted in materially higher O&M requirements as compared to Terminal 1.

3.6.8. BIAL also submitted that certain one-time and non-recurring O&M expenses were incurred during the Third Control Period, which had not been included in the Third Control Period submissions / Tariff Order. These, inter alia, included NASFT related expenses, COVID-related expenditure, express cargo terminal strengthening works, Terminal 2 trial and start-up management costs, expenditure incurred during project construction, and Alpha 3 strengthening works. BIAL submitted that these costs were incurred in connection with operationalization, safety, strengthening and support of airport operations during the period.

Marketing & Advertising Expense

3.6.9. BIAL submitted that the increase in Marketing and Advertising Expenses during the Third Control Period was mainly on account of expenditure incurred in connection with the operationalization of Terminal 2 and associated communication and passenger outreach requirements. BIAL stated that, with the transition from a single-terminal airport to a two-terminal airport, it was necessary to communicate changes relating to Terminal 2 effectively to passengers, stakeholders, employees and the travelling public.

3.6.10. BIAL further submitted that expenditure under this head also included aviation business marketing initiatives, including support extended for new route launches, particularly in the international segment, and outreach initiatives undertaken through cargo promotion programmes such as LogiConnect to attract cargo partners, agents and feeder services. BIAL stated that these expenditures were incurred to support traffic growth, route development and airport business promotion.

3.6.11. BIAL also submitted that part of the increase under this head was on account of unbudgeted expenditure incurred during the Third Control Period, including expenditure relating to Terminal 2

inauguration and other customer-facing initiatives undertaken in connection with the commencement and promotion of operations at the new terminal.

Travel Expenses

3.6.12. BIAL submitted that the increase in Travel Expenses during the Third Control Period was primarily on account of Employee Transportation Costs. BIAL stated that the airport is located at a considerable distance from the city centre and was not adequately connected through convenient public transport options aligned to employee shift requirements. Accordingly, BIAL submitted that expenditure was incurred towards provision of transportation facilities for employees commuting to and from the airport.

3.6.13. BIAL further submitted that the increase in manpower following the commissioning of additional assets such as Terminal 2 Phase 1 and MMTH Phase - I necessitated a corresponding increase in the number of vehicles deployed for staff transportation. BIAL also stated that a new transportation vendor was engaged from November 2022 following the due procurement process prescribed under its procurement policy, and that increase in fuel prices and increase in the number of employees availing transportation services also contributed to the higher expenditure under this head.

Office Costs

3.6.14. BIAL submitted that the increase in Office Costs during the Third Control Period was in line with the increase in operations and employee strength, including the impact of commissioning of Terminal 2 Phase 1. BIAL has stated that Office Costs were projected with an annual increase of 10%, except for FY 2022-23 wherein an increase of 80% was sought, considering the scale-up in airport operations during the period.

3.6.15. BIAL further submitted that, in Consultation Paper No. 10/2021-22 issued for the Third Control Period, the Authority had 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. However, BIAL stated that the said adjustment factor was not considered in the Tariff Order for the Third Control Period, wherein only inflation adjustment of 4.9% on FY 2020-21 actuals had been considered as the base.

3.6.16. BIAL also submitted that expenditure under this head mainly comprised regular business expenses incurred on an efficient basis, including memberships and subscriptions, business meeting expenses, printing and stationery, corporate communication expenses and other routine office-related expenditure. BIAL stated that business meeting expenses included expenditure incurred in connection with meetings with key stakeholders such as BCAS, DGCA, CISF, various regulatory institutions and airport stakeholders.

Aeronautical allocation of Operating Expenses as submitted by BIAL

3.6.17. BIAL in its MYTP for the Fourth Control Period also submitted the basis of segregation of total operating expenses into aeronautical and non-aeronautical expenses which is as follows:

Table 55: Basis of Allocation submitted by BIAL for Third Control Period

Operating expenses	Basis of allocation
Personnel Costs	Employee Head count ratio has been computed based on categorization of employee departments into Aero/ Non-Aero and Common. Head count ratio of the respective years 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 Aero 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 Aero 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 Aero Gross Block Ratio
CSR	Corporate Social Responsibility expenses have been segregated by considering the Aeronautical Profit Before Tax for the period.
General admin costs	General and administrative expenses have been considered as common expenses and segregated based on the Aero Gross Block Ratio
Concession fee	Concession Fee has been computed based on the respective Aeronautical / Non-Aeronautical Revenues for the year.

3.6.18. BIAL submitted a certificate dated 10.07.2025 from Shreedhar Mohan and Associates on allocation of Operating Expenses into Aeronautical and Non-Aeronautical for the Third Control Period. The ratio of allocation of Operating Expenses into Aeronautical and Non – Aeronautical as per the certificate is given below:

Table 56: Aeronautical allocation ratios of Operating Expenses submitted by BIAL for the Third Control Period

Particulars (FY ending March 31)	Basis of Allocation	2022	2023	2024	2025	2026
Personal Cost	Employee Head Count Ratio	94.86%	94.41%	95.02%	94.61%	94.37%
Operations & Maintenance Cost	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%
Land Lease Rent	Leased Area Ratio	99.82%	99.65%	99.65%	99.14%	98.77%
Utilities Cost	100% Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Insurance Cost	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%
Property taxes	Leased Area Ratio	99.82%	99.65%	99.65%	99.14%	98.77%
Marketing & Advertisement Expenses	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%
Collection Charges	100% Aero	100.00%	100.00%	100.00%	100.00%	100.00%
General Administration Cost	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%
Concession Fee	Revenue Ratio	43.05%	51.77%	52.74%	53.82%	51.86%
CSR	100% Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Waivers & Bad Debts	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%
Miscellaneous Expenses	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%
Other Borrowing Costs	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	90.01%

3.6.19. The Aeronautical Portion of various expenses of the Third Control Period using above allocation principles is given below:

Table 57: Aeronautical Operating expenses submitted by BIAL for true-up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	197.56	240.98	300.82	363.65	414.43	**1,517.44**
O&M	144.72	198.02	269.35	347.79	424.76	**1,384.63**
Lease Rent	15.08	21.19	22.85	17.40	24.02	**100.54**
Utilities	28.37	40.85	72.55	65.89	63.53	**271.19**
Insurance	5.94	7.09	9.01	9.77	10.16	**41.97**
Rates & Taxes	4.91	8.65	9.35	11.76	13.00	**47.67**
Marketing & Advertising	8.76	20.08	11.17	21.62	18.79	**80.41**
Collection cost	2.87	5.62	7.25	7.94	9.96	**33.64**
General Admin Cost	23.41	35.67	41.31	56.64	59.79	**216.82**
Waiver and bad debts	0.00	0.11	5.42	-2.12	0.00	**3.42**
Misc. Expenses	-0.41	0.50	-5.12	3.66	0.00	**-1.36**
Other Borrowing Costs	2.68	5.53	11.55	8.37	55.76	**83.88**
Concession Fee	13.52	36.07	56.71	78.01	83.01	**267.31**
CSR	0.00	0.00	0.00	0.00	0.24	**0.24**
Total	**447.42**	**620.35**	**812.21**	**990.38**	**1,177.44**	**4,047.80**

3.6.20. Subsequently, vide e-mail dated 21.05.2026, BIAL submitted a revised allocation ratio for allocation of Operating Expenses into Aeronautical and Non-Aeronautical for the Third Control Period based on unaudited actual financials for FY2025-26. Accordingly, the allocation ratio submitted by BIAL is as follows:

Table 58: Revised Aeronautical allocation ratios of Operating Expenses submitted by BIAL for the Third Control Period

Particulars (FY ending March 31)	Basis of Allocation	2022	2023	2024	2025	2026
Personal Cost	Employee Head Count Ratio	94.86%	94.41%	95.02%	94.61%	94.37%
Operations & Maintenance Cost	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	89.83%
Land Lease Rent	Leased Area Ratio	99.82%	99.65%	99.65%	99.14%	98.77%
Utilities Cost	100% Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Insurance Cost	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	89.83%
Property taxes	Leased Area Ratio	99.82%	99.65%	99.65%	99.14%	98.77%
Marketing & Advertisement Expenses	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	89.83%
Collection Charges	100% Aero	100.00%	100.00%	100.00%	100.00%	100.00%
General Administration Cost	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	89.83%
Concession Fee	Revenue Ratio	43.05%	51.77%	52.74%	53.82%	51.50%
CSR	100% Aero	100.00%	100.00%	100.00%	100.00%	100.00%
Waivers & Bad Debts	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	89.83%

Particulars (FY ending March 31)	Basis of Allocation	2022	2023	2024	2025	2026
Miscellaneous Expenses	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	89.83%
Other Borrowing Costs	Aero Gross Block Ratio	92.43%	92.88%	90.55%	90.04%	89.83%

3.6.21. The revised Aeronautical Portion of various expenses of the Third Control Period, using above allocation principles is given below:

Table 59: Revised Aeronautical Operating expenses submitted by BIAL for True-up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	197.56	240.98	300.82	363.65	426.05	1529.06
O&M	144.72	198.02	269.35	347.79	413.62	1373.50
Lease Rent	15.08	21.19	22.85	17.40	22.54	99.06
Utilities	28.37	40.85	72.55	65.89	41.62	249.28
Insurance	5.94	7.09	9.01	9.77	9.54	41.35
Rates & Taxes	4.91	8.65	9.35	11.76	11.57	46.23
Marketing & Advertising	8.76	20.08	11.17	21.62	21.18	82.81
Collection cost	2.87	5.62	7.25	7.94	8.49	32.17
General Admin Cost	23.41	35.67	41.31	56.64	52.40	209.43
Waiver and bad debts	0.00	0.11	5.42	-2.12	0.10	3.52
Misc. Expenses	-0.41	0.50	-5.12	3.66	4.99	3.63
Other Borrowing Costs	2.68	5.53	11.55	8.37	57.63	85.75
Concession Fee	13.52	36.07	56.71	78.01	83.81	268.11
CSR	0.00	0.00	0.00	0.00	0.21	0.21
Total	**447.42**	**620.35**	**812.21**	**990.38**	**1153.76**	**4024.12**

Recap of decisions taken by the Authority regarding Operating Expenses in the Third Control Period

3.6.22. The Authority, in the Tariff Order for the Third Control Period, had concluded as under in respect of Control Period:

i. Decision Nos. 7.6.1: *"To consider allocation ratio as set out in Table 151 above for the Third Control Period."*

ii. Decision No 7.6.2: *"To consider aeronautical operating expenditure as set out in Table 152 for the Third Control Period*

iii. Decision No 7.6.3: *"To true up the operating expenditure for the current control period bas ed on actuals, at the time of determination of tariff for the next control period."*

3.6.23. The Authority had considered the following Total Operating Expenses at the time of tariff determination for the Third Control Period:

Table 60: Total Operating Expenses decided by the Authority during tariff determination of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	210.71	245.22	259.44	301.93	319.44	1,337.00
O&M	131.28	142.77	202.88	221.84	243.63	942.39
Lease Rent	15.11	21.26	22.87	23.56	24.26	107.06
Utilities	28.65	37.73	55.74	58.47	61.33	241.92
Insurance	5.11	5.82	10.85	10.98	11.16	43.91
Rates & taxes (other than IT)	8.70	9.12	13.22	13.87	14.55	59.45
Marketing & Advertising	8.21	14.03	9.93	10.92	12.01	55.10
Collection cost	3.33	6.84	8.03	9.34	10.84	38.39
CSR	0.00	0.00	0.00	0.00	0.15	0.15
General admin costs	26.72	28.37	29.77	31.22	32.75	148.84
Total operating expenses	**437.82**	**511.16**	**612.73**	**682.13**	**730.12**	**2974.21**
Concession fee	17.61	44.26	64.47	87.78	93.95	308.07
ORAT	0.00	0.00	0.00	0.00	0.00	0.00
Total operating expenditure - Aero	**455.43**	**555.42**	**677.2**	**769.91**	**824.07**	**3282.28**

3.6.24. The Authority had considered the following Aeronautical allocation ratio at the time of tariff determination for the Third Control Period:

Table 61: Allocation ratio decided by the Authority during tariff determination of the Third Control Period

Operating expenses (FY ending March 31)	2022	2023	2024	2025	2026
Personnel Costs	87.65%	87.65%	87.65%	87.65%	87.65%
O&M (others)	90.38%	90.57%	89.03%	88.88%	88.72%
Lease Rent	99.98%	99.31%	98.75%	97.56%	96.18%
Utilities	100.00%	100.00%	100.00%	100.00%	100.00%
Insurance	91.99%	87.81%	87.79%	87.78%	87.84%
Rates & taxes (other than IT)	86.85%	86.85%	86.85%	86.85%	86.85%
Collection Cost	100.00%	100.00%	100.00%	100.00%	100.00%
Marketing & Advertising	84.10%	84.10%	84.10%	84.10%	84.10%
General admin costs	90.00%	90.00%	90.00%	90.00%	90.00%

3.6.25. Based on the above allocation ratio, the Authority had considered the following Aeronautical Operating Expenses at the time of tariff determination for the Third Control Period:

Table 62: Aeronautical Operating Expenses decided by the Authority during the tariff determination of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	184.7	214.95	227.41	264.66	280.00	1,171.72
O&M	118.65	129.3	180.63	197.17	216.15	841.89
Lease Rent	15.1	21.11	22.58	22.98	23.34	105.12
Utilities	28.65	37.73	55.74	58.47	61.33	241.92
Insurance	4.7	5.11	9.52	9.64	9.8	38.77
Rates & taxes (other than IT)	7.55	7.92	11.48	12.04	12.63	51.63
Marketing & Advertising	10.23	18.64	16.38	18.53	20.95	84.73

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
CSR	0.00	0.00	0.00	0.00	0.15	0.15
General admin costs	24.05	25.54	26.79	28.1	29.48	133.95
Total operating expenses	**393.63**	**460.31**	**550.53**	**611.58**	**653.83**	**2,669.89**
Concession fee	17.61	44.26	64.47	87.78	93.95	308.07
ORAT	0.00	0.00	0.00	0.00	0.00	0.00
Total operating expenditure - Aero	**411.24**	**504.57**	**615.00**	**699.36**	**747.78**	**2,977.96**

Authority's examination and proposal regarding Operating Expenses for True up of the Third Control Period at the Consultation Stage

3.6.26. The Authority's analysis of aeronautical Operating Expenses for True up for the Third Control Period was based on the revised submissions made by BIAL vide e-mail dated 21.05.2026 subsequent to the MYTP as provided in Table 54

3.6.27. The Authority, through the Independent Consultant, examined the true-up of Operating Expenses for the Third Control Period based on a detailed review of the submissions and records furnished by BIAL. In this regard, the following documents / information were considered by the Authority:

- Ledgers and other internal records maintained by BIAL in respect of Operating Expenses for the Third Control Period;
- Audited Financial Statements for FY22-FY25 and unaudited Financial Statement for FY26;
- Explanations and clarifications furnished by BIAL regarding the reasons for variation in various sub-items of Operating Expenses during the Third Control Period; and
- Chartered Accountant certificates submitted by BIAL, including those relating to the allocation of Operating Expenses between Aeronautical and Non-Aeronautical activities along with the basis / justifications thereof.

3.6.28. Based on the aforesaid examination, the Authority noted that BIAL submitted total Operating Expenses of Rs. 4,544.13 Crores for the Third Control Period as against Rs. 3,282.28 Crores approved by the Authority in the Tariff Order for the Third Control Period with the resultant variation of 38.45%.

3.6.29. The Authority further noted that the major variation was primarily under certain expense heads such as Personnel Costs, Operations & Maintenance Expenses, Marketing & Advertising Expenses and General Administration Expenses. Accordingly, after undertaking prudence check and examining the documentary evidence, supporting submissions and Chartered Accountant certificates furnished by BIAL, the Authority analyzed the reasons for such variation under each expense head, as discussed in the ensuing paragraphs.

Personnel Costs:

3.6.30. The Authority noted that BIAL has submitted the employee cost of Rs. 1,615.93 Crores for the Third Personnel Costs. These expenses were segregated into 4 areas: Salaries, Bonuses & Allowances; Contribution to Provident & Other Funds; Staff Welfare Expenses; Staff Recruitment & Training. A comparison of total Payroll expense submitted by BIAL vis-a-vis the cost approved by the Authority during the Third Control Period is given in the table below:

Table 63: Comparison of Employee Cost as submitted by BIAL for true-up and as approved by the Authority in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL **(A)**	208.28	255.24	316.6	384.35	451.46	1,615.93
As approved in the Third Control Period **(B)**	210.71	245.22	259.44	301.93	319.44	1,337.00
Difference **(B-A)**	2.43	(10.02)	(57.16)	(82.42)	(132.02)	(278.93)

3.6.31. The Authority through its independent Tariff Consultant, also verified the actual employee number in the payroll of the Airport Operator through the manpower register provided by the Airport Operator during the site visit of the Airport. The year-on-year actual employee on the payroll of the Airport Operator are as under:

Table 64: Employee Headcount submitted by BIAL for True up of the Third Control Period in the MYTP

Category	Department	FY22	FY23	FY24	FY25	FY26
Support Services	MD & CEO	4	3	3	3	3
Support Services	Finance	56	63	69	75	83
Support Services	Human Resources	18	19	20	26	29
Support Services	Administration	8	8	8	9	9
Support Services	Legal	8	10	10	13	19
Support Services	CMO Office	5	6	8	16	19
Support Services	Marketing	4	4	3	0	0
Support Services	Corporate Communications	2	2	3	3	3
Support Services	Corporate Affairs	6	6	7	8	7
Commercial	Corporate Social Value	3	4	4	5	5
Commercial	VP - Commercial Office	2	2	2	3	4
Commercial	F & B and Retail	25	28	34	37	39
Commercial	Facilities	0	3	3	3	7
Commercial	Landside Traffic (Commercial)	13	17	18	24	25
Operations	Advertising	5	8	9	10	12
Operations	Head – Operations and E&M	4	5	7	6	6
Operations	Aviation Stakeholder & Quality Management	0	0	0	0	0
Operations	Customer Engagement and Service Quality	12	14	20	21	20
Operations	Terminal Operations	108	147	219	243	246
Operations	Airside Operations	87	97	121	123	126
Operations	Landside Technical	0	0	0	0	0
Operations	Aviation Safety	18	22	23	26	28

Category	Department	FY22	FY23	FY24	FY25	FY26
Operations	Bird AirStrike Hazard Management	9	11	12	12	12
Operations	Enterprise Risk & Corporate Resilience	6	7	7	7	7
Operations	Security	54	65	64	76	90
Operations	Security Screening	127	170	304	326	319
Operations	ARFF	222	209	214	232	230
Corporate Strategy & Development	ICT	60	46	56	60	75
Corporate Strategy & Development	Corporate Strategy & Development	2	2	0	0	0
Corporate Strategy & Development	Forecasting and Slots	5	4	5	0	0
Corporate Strategy & Development	Centre of Excellence	6	5	5	1	0
Corporate Strategy & Development	Business Planning	5	4	7	9	9
Corporate Strategy & Development	Aviation Business	12	11	15	17	19
Corporate Strategy & Development	Ops Planning & Project Co-ordination	4	4	3	10	12
Engineering & Maintenance	Innovation Lab	3	4	3	2	4
Engineering & Maintenance	Technical & Engineering	16	17	17	22	25
Engineering & Maintenance	Landside Maintenance	50	106	126	144	157
Engineering & Maintenance	Landscaping	27	16	17	19	22
Engineering & Maintenance	Environment & Utilities	52	45	57	64	66
Engineering & Maintenance	Airfield Maintenance	60	77	82	90	93
	Total	**1108**	**1271**	**1585**	**1745**	**1830**

Table 65: Employee Head count as submitted by BIAL for True up of the Third Control Period in its revised submission

Particulars (FY ending March 31)	2021	2022	2023	2024	2025	2026	Total
Manpower Additions		-73	163	314	160	13	577
Closing Manpower	1181	1108	1271	1585	1745	1758	

3.6.32. The Authority noted that BIAL submitted employee cost of Rs. 1,615.93 Crores for the Third Control Period, as against Rs. 1,337.00 Crores approved by the Authority in the Tariff Order for the Third Control Period. This reflected an increase of Rs. 278.93 Crores, i.e., about 21% over the approved amount. The Authority further noted that the overall increase was mainly attributable to higher employee additions undertaken by BIAL compared to those considered earlier by the Authority, increase in cost per employee, and certain one-time gratuity payments proposed in FY 2025-26

3.6.33. The Authority observed that, as against employee additions of 262 approved in Table 138 of the Tariff Order for the Third Control Period, BIAL added 577 employees. BIAL submitted that the increase in manpower was necessary due to the scale of infrastructure augmentation during the period, particularly

the operationalization of Terminal 2 (capitalized in Dec'22), which is significantly larger than Terminal 1, and the consequent requirement for additional terminal management and operational staff.

3.6.34. The Authority observed that the manpower additions undertaken by BIAL during the Third Control Period were broadly commensurate with the substantial increase in terminal area and associated infrastructure commissioned during the period. The terminal area had increased by about 156% during the Third Control Period, which would reasonably require corresponding augmentation in manpower for operation, maintenance, security support, passenger facilitation and other allied airport functions.

3.6.35. The Authority further noted that, while the manpower additions undertaken by BIAL during the Third Control Period were broadly supported by the substantial increase in terminal area and the associated infrastructure commissioned during the period, the cost per employee claimed by BIAL, in the range of about Rs. 0.18 Crores to Rs. 0.24 Crores during the Third Control Period, appeared to be significantly high and not fully justified, particularly when benchmarked against other similarly placed major airports. The Authority further noted that BIAL had an employee base of 1,758 employees at the end of the Third Control Period, which was itself higher than the employee base at such comparable airports. Notwithstanding this larger manpower base, the cost per employee claimed by BIAL continued to remain higher than that of such airports. This, in the Authority's view, indicated that the employee cost levels claimed by BIAL were not supported by commensurate efficiency and were therefore not fully justified for true-up purposes.

3.6.36. The Authority was further of the view that any inefficiency in employee cost could not be passed on to airport users through aeronautical tariffs. The Authority also noted that a significant portion of the manpower additions during the Third Control Period pertained to newly recruited employees, who would ordinarily be expected to have a lower cost base as compared to the existing employee pool. However, such effect was not adequately reflected in the employee cost per head submitted by BIAL. On the contrary, the cost per employee claimed by BIAL exceeded the levels approved by the Authority in the Tariff Order for the Third Control Period. Accordingly, while the Authority considered the manpower count submitted by BIAL to be reasonable having regard to the scale-up in infrastructure and operations, the cost per employee was proposed to be restricted to the levels approved by the Authority in the Tariff Order for the Third Control Period, as set out in Table 138, i.e. in the range of Rs. 0.17 Crores to Rs. 0.21 Crores during FY 2021-22 to FY 2025-26.

3.6.37. Accordingly, the Authority proposed to re-compute the allowable Personnel Costs for the Third Control Period based on the actual manpower considered reasonable, together with the employee cost per head approved by the Authority in the Tariff Order for the Third Control Period. On this basis, the Authority proposed to allow Personnel Costs in accordance with the methodology adopted in Table 138 of the Tariff Order for the Third Control Period.

3.6.38. Accordingly, the Authority proposed to allow the Personnel Costs for the Third Control Period on this basis, as set out in the table below:

Table 66:Personnel Costs proposed by the Authority for True up for the Third Control Period at Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs proposed by the Authority	181.08	227.25	308.07	358.18	372.17	1446.76

O&M Expenses:

3.6.39. The Authority observed that the O&M expenditure comprised costs towards airside maintenance contracts and spares for runway, apron, airfield lighting, wildlife hazard management, FOD and spill management, passenger boarding bridges and other critical airside systems; terminal-related contracts for baggage handling systems, screening equipment, VHT systems, electrical and HVAC systems, trolley operations, passenger facilitation, housekeeping and security; landside expenditure towards security, consumables, fuel, housekeeping, landscaping, civil and electrical works, vehicle and equipment maintenance, parking and traffic management; utilities-related expenditure towards power systems, water and wastewater systems, sewage treatment, solid waste management and airside noise monitoring; and ICT expenditure towards airport systems, enterprise platforms, passenger processing, cybersecurity, Digi Yatra, BLR Pulse and other digital and regulatory support systems.

3.6.40. The Authority noted BIAL's submission that O&M expenses were identified and recorded based on the location and nature of expenditure through specific cost centres and general ledger codes. The Authority also noted that major O&M contracts were awarded in accordance with BIAL's Board-approved procurement policy, which provided for tendering, qualification criteria, commercial and techno-commercial evaluation, vendor selection, negotiation and approval processes.

3.6.41. The Authority reviewed the costs submitted by BIAL for the true-up of the Third Control Period and compared them with the O&M expenses approved in the Third Control Period Order.

Table 67: Comparison of O&M expenses as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Total O&M as submitted by BIAL **(G= E+F)**	156.57	213.21	297.44	386.28	460.47	1513.96
As approved in the Third Control Period **(H)**	131.28	142.77	202.88	221.84	243.63	942.39
Difference **(H-G)**	(25.29)	(70.44)	(94.56)	(164.44)	(216.84)	(571.57)

3.6.42. The Authority noted that BIAL submitted total O&M expenses of Rs. 1,513.96 Crores for the Third Control Period, as against Rs. 942.39 Crores approved by the Authority in the Third Control Period Order. This reflected an increase of Rs. 571.57 Crores, i.e. about 60.65% over the approved amount.

3.6.43. Upon examination of the detailed contract-wise and function-wise O&M expenditure, the Authority observed that the increase in O&M expenses was mainly attributable to the substantial expansion in the scale, scope and complexity of airport operations during the Third Control Period. The principal reasons for variation are summarized below:

a. **Operationalization and stabilization of Terminal 2:** A significant portion of the increase related to Terminal 2 becoming operational and the associated recurring O&M requirements. This resulted in increased expenditure towards housekeeping manpower, screening equipment maintenance, baggage handling systems, passenger systems, HVAC, terminal electrical systems, shuttle operations, PHE systems, fire protection systems and utility support for Terminal 2.

b. **Increase in passenger processing and facilitation costs:** The Authority noted material increases in costs relating to screening equipment maintenance, baggage handling systems, VHT systems, Digi Yatra / Digi Buddy support, trolley operations, terminal vehicle drivers, shuttle operations and other passenger facilitation services. These increases were attributable to higher passenger throughput,

increased utilization of terminal infrastructure, service level requirements and deployment of additional manpower and systems for smooth passenger processing.

c. **Scale-up in terminal operations and housekeeping:** Terminal housekeeping and associated cleaning equipment costs increased substantially during the Third Control Period. The Authority noted that this was driven by the larger operating footprint following expansion, higher passenger traffic, enhanced housekeeping requirements across both terminals and adjoining passenger areas, and the full-year impact of operations at new terminal facilities.

d. **Growth in ICT and digital O&M expenditure:** A significant increase was also observed under ICT-related O&M, particularly in ICT operations management, enterprise systems, passenger systems, cybersecurity, BLR Pulse and Digi Yatra. The Authority noted that such increase was due to the addition of new digital platforms, enterprise applications, network and endpoint infrastructure, data centre-related O&M, cybersecurity systems, passenger-facing technology platforms and full-year support costs for digital transformation initiatives.

e. **Airside expansion and higher safety / regulatory maintenance requirements:** Airside O&M expenditure increased on account of the second runway and associated infrastructure, additional airfield ground lighting systems, wildlife hazard management, FOD / spill / waste management, turf and vegetation maintenance, maintenance of non-AGL electrical systems, and increased airside manpower deployment. These were safety-critical and regulatory-driven requirements arising from the expanded airfield infrastructure and traffic intensity.

f. **Increase in landside and campus-wide support expenditure:** The Authority noted increases under landside security, consumables, fuel, vehicle and equipment maintenance, parking and traffic management, landscaping and civil / electrical upkeep. These increases were attributable to a larger operational campus, expanded access and circulation areas, higher passenger and vehicle movement, and associated maintenance and support requirements across the airport estate.

g. **Utilities and common infrastructure support for expanded operations:** Expenditure towards water and wastewater systems, HT power systems, T2 utility operations, solid waste management and related consumables increased in line with the commissioning and operation of additional airport facilities and common infrastructure.

3.6.44. The Authority further observed that the variation in O&M expenses was not attributable to any single contract or expenditure head, but was broad-based across terminal, ICT, landside, airside and utilities functions. The more significant increase in later years of the Third Control Period reflected the progressive ramp-up of Terminal 2 operations, full-year impact of newly commissioned assets, increase in manpower-intensive services, and the recurring maintenance obligations arising after expiry of warranty / defect liability periods for several new systems and assets.

3.6.45. The Authority also noted that certain expenditure heads had shown increase due to specific business and operational drivers. In particular:

a. **Enterprise O&M contracts** increased mainly due to higher laptop lease charges, addition of network devices for new infrastructure, deployment of new digital and enterprise platforms, data centre-related O&M, full-year impact of digital transformation support and technology advisory subscriptions;

b. **Passenger O&M contracts** increased due to expiry of defect liability / warranty periods for Terminal 2 passenger systems and the commencement of AMC / O&M costs for self-bag drop systems, kiosks, queue management systems, e-gates, digital engagement systems, passenger Wi-Fi and lost-and-found support systems; and

c. **Drivers for terminal vehicles** increased due to additional buggy operations at Terminal 2, MMTH and other passenger areas to support service levels, including services for PRM / PwD passengers, senior citizens and pregnant women.

3.6.46. The Authority further noted that BIAL incurred certain one-time and non-recurring O&M expenses during the Third Control Period. These included, inter alia, NASFT-related expenses, COVID-related expenditure, express cargo terminal strengthening works, Terminal 2 trial and start-up management costs, certain construction-related expenditure charged to the profit and loss account as per applicable accounting standards, Alpha 3 strengthening works, restoration works, waste disposal-related expenditure and mechanical sweeper hiring. The Authority noted that such expenses arose in connection with commencement of new facilities, Operationalisation, strengthening works, safety, security and compliance requirements.

3.6.47. The Authority noted that BIAL incurred an amount of Rs. 15.74 Crores towards NASFT (National Aviation Security Fee Trust) during the Third Control Period. The Authority was of the view that expenses / payments relating to NASFT were in the nature of a security levy / statutory security-related mechanism, which is governed separately and is not an O&M expense directly incurred by the airport operator for provision of aeronautical services. Further, such costs are generally recoverable / adjustable through the separate security fee framework and allowing the same as part of Aeronautical O&M expenses may result in double recovery from airport users. Accordingly, the Authority proposed to exclude Rs. 15.74 Crores incurred towards NASFT in the true-up of the Third Control Period.

3.6.48. The Authority verified the O&M expenses based on relevant documents, including CA certificates, and also considered the examination carried out through its Independent Consultant. Based on the review of BIAL's submissions, supporting documents, contract-wise details and justifications for major variations, and considering that the overall O&M expenses as a proportion of Gross Block were in the range of around 2.21% to 3.11%, which appeared reasonable and broadly in line with comparable airports, the Authority found the O&M expenses, except to the extent of NASFT-related expenses, to be reasonable and necessary for airport operations. Accordingly, the Authority proposed to allow Rs. 1,498.22 Crores, after deducting the NASFT-related expense from the O&M expenses submitted by BIAL for true-up of the Third Control Period.

Lease Rent Expenses:

3.6.49. BIAL pays lease rent to KSIIDC, Government of Karnataka, for the 4,008 acres of land leased for KIAB. The comparison of costs submitted by BIAL for true-up vis-à-vis those approved by the Authority in the Third Control Period for Lease Rent Expenses is given in the table below:

Table 68: Comparison of Lease Rent Expenses as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL **(A)**	15.11	21.26	22.93	17.55	22.82	99.67
As approved in the Third Control Period **(B)**	15.11	21.26	22.87	23.56	24.26	107.06
Difference **(B-A)**	0.00	0.00	(0.06)	6.01	1.44	7.39

3.6.50. The Authority noted that the lease rent payable by BIAL to KSIIDC was linked to the actual compensation paid by KSIIDC to the landowners towards the site cost. Accordingly, the variation in lease rent expenses during the later years of the Third Control Period, vis-à-vis the amount approved

in the Third Control Period Order, was primarily attributable to the status of actual compensation disbursement by KSIIDC. The Authority further noted that although the site cost was revised with effect from 24th May 2022, the impact of such revision was not fully reflected in the lease rent for the subsequent years, since the related compensation to landowners was yet to be paid by KSIIDC and the settlement process remained pending. Therefore, the lease rent expense reflected the actual payable position based on compensation paid, rather than the revised site cost alone.

3.6.51. The Authority noted that the Lease Rent expenses submitted by BIAL for true-up amounted to Rs. 99.67 Crores for the Third Control Period, as against Rs. 107.06 Crores approved in the Third Control Period Order, resulting in a reduction of Rs. 7.39 Crores.

3.6.52. The Authority verified the lease rent expenses with reference to the books of accounts, CA certificates and other supporting documents submitted by BIAL and found the same to be reasonable. Accordingly, the Authority proposed to allow Lease Rent expenses of Rs. 99.67 Crores for true-up of the Third Control Period.

Utility Expenses:

3.6.53. The Authority analyzed the submission made by BIAL with regards to utility expenses for the Third Control Period.

3.6.54. The Authority analyzed the utility consumption of BIAL along with the utility charges submitted by BIAL towards True up for the Third Control Period as per the table below:

Table 69: Utility consumption submitted by BIAL as per MYTP for True up for the Third Control Period

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Power Cost						
Contracted demand (kVA) (Actual)	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 (Rs. per kVA p.m)	260	290	375	365	375	
Contracted demand cost (Rs. Cr)	3.98	7.40	9.56	11.43	13.95	
Consumption (Mn kwh)	74.41	95.77	142.91	166.48	220	
Power unit tariff (Rs. per kWh)	6.5	6.65	7.65	6.78	5.68	
Power consumption cost (Rs. Cr)	48.37	63.71	109.37	112.86	124.92	
Recovery %	54%	52%	43%	48%	56%	
Recovery cost (Rs. Cr)	28.18	36.69	51.55	59.42	77.99	
Net Power cost (Rs.Cr) (A)	**24.16**	**34.41**	**67.38**	**64.87**	**60.88**	**251.70**
Water Cost						
Actual water consumption (ML pa)	641.25	990.46	1,271.18	1,304.18	1,595.09	
Rainwater harvesting – Actual (%)	0.09	0.08	0.37	0.59	0.66	
Potable water cost (Rs./KL) – Actual	99.85	99.99	99.8	99.72	121.64	
Potable water cost (Rs. Cr) – Actual	5.84	9.09	7.99	5.32	6.57	
Recovery % – Actual	0.46	0.42	0.6	1	1.08	
Net potable water cost (Rs. Cr) – Actual	3.13	5.31	3.19	0.02	-0.5	
Raw water consumption (Million KL)	0.4	0.5	0.8	0.4	1.3	
Raw water cost / KL	25	25	25	25	25	
Net Raw Water Actual	1.08	1.13	1.98	1.00	3.15	
Total Water Cost (B)	**4.21**	**6.44**	**5.17**	**1.02**	**2.65**	**19.49**
Total Utilities Cost (in Cr.) (C = A+B)	**28.37**	**40.85**	**72.55**	**65.89**	**63.53**	**271.19**

3.6.55. The comparison of cost submitted by BIAL for true-up and as approved by the Authority in the Third Control Period is given in the table below:

Table 70: Comparison of Utilities Expenses as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL **(A)**	28.37	40.85	72.55	65.89	41.62*	249.28
As approved in the Third Control Period **(B)**	28.65	37.73	55.74	58.74	61.33	241.92
Difference **(B-A)**	0.28	(3.12)	(16.81)	(7.15)	19.71	(7.36)

**As per revised submission for FY26*

3.6.56. The Authority noted that BIAL, in its revised submission, estimated Utility Expenses of Rs. 41.62 Crores for FY 2025-26, resulting in total Utility Expenses of Rs. 249.28 Crores for the Third Control Period, as against Rs. 241.92 Crores approved by the Authority in the Tariff Order for the Third Control Period. This reflected an increase of Rs. 7.36 Crores, i.e., about 3.04% over the approved amount.

3.6.57. The Authority further observed BIAL's justification for the downward revision in FY 2025-26 utility expense estimate. BIAL submitted that the actual power consumption was around 180 MUs as against 220 MUs considered in the MYTP, primarily due to cessation of operations by M/s Celebi, delay in commissioning of EV-based infrastructure for BMTC buses and ground handling vehicles, and non-levy of BESCOM surcharge/additional fee on wheeled energy during FY 2025-26. .

3.6.58. The Authority examined BIAL's submission of net utility charges based on documentary evidence, including CA certificates. The Authority proposed to consider Utility Expenses at actuals, net of recoveries, and to treat the same as 100% Aeronautical, as these expenses were net of recoveries from concessionaires, consistent with the decision taken in the Tariff Order for the Third Control Period.

3.6.59. Accordingly, the Authority proposed to consider the aeronautical utility expenses for the Third Control Period, based on BIAL's revised submission and after netting off the utility charges revenue from other Non-Aeronautical Revenue in accordance with para 2.13.9.10 (vii), as set out below:

Table 71: Utility expenses proposed to be considered by the Authority for True up for the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Net Power Cost **(A)**	24.16	34.41	67.38	64.87	42.09	232.91
Net Water Cost **(B)**	4.21	6.44	5.17	1.02	-0.47	16.37
Less: Utility Charges Revenue claimed under NAR **(C)**	12.56	18.01	24.81	31.92	30.68	117.98
Utility Expenses (D=A+B-C)	**15.81**	**22.84**	**47.74**	**33.97**	**10.94**	**131.30**

Insurance Costs

3.6.60. The Authority analyzed BIAL's submissions regarding insurance expenses for the Third Control Period. BIAL had taken various insurance covers viz. Contractors All Risk (Commercial), Airport Operator Liability, terrorism and others.

3.6.61. The Authority examined the Insurance Cost submitted by BIAL for the True up of the Third Control Period with the cost approved by the Authority in the Third Control Period Order in the table below:

Table 72: Comparison of Insurance Expenses as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL (a)	6.43	7.63	9.95	10.85	10.62	45.48
As approved in the Third Control Period (b)	5.11	5.82	10.85	10.98	11.16	43.91
Difference (b-a)	(1.32)	(1.81)	0.9	0.13	0.54	(1.57)

3.6.62. The Authority noted that BIAL had submitted Insurance expenses of Rs. 45.48 Crores for the Third Control Period, as against Rs. 43.91 Crores approved by the Authority in the Tariff Order for the Third Control Period. This reflected an increase of Rs. 1.57 Crores, i.e., about 3.58% over the approved amount. The Authority examined the submissions and supporting documents provided by BIAL and found the expenses to be reasonable. Accordingly, the Authority proposed to allow the insurance expenses of Rs. 45.48 Crores submitted by BIAL for true-up of the Third Control Period.

Marketing & Advertisement Expense:

3.6.63. The Authority examined the Marketing & Advertising expenses submitted by BIAL for true-up of the Third Control Period vis-à-vis the costs approved by the Authority in the Tariff Order for the Third Control Period. The same is set out in the table below:

Table 73: Comparison of Marketing & Advertising expense as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Sales & Marketing Expense as submitted by BIAL (a)	9.48	21.62	12.33	24.01	23.58	91.02
As approved in the Third Control Period (b)	8.21	14.03	9.93	10.92	12.01	55.10
Difference (b-a)	(1.270	(7.590	(2.4)	(13.09)	(11.57)	(35.92)

3.6.64. The Authority noted that BIAL had submitted Marketing & Advertising expenses of Rs. 91.02 Crores for the Third Control Period, as against Rs. 55.10 Crores approved by the Authority in the Third Control Period Order. This resulted in an increase of Rs. 35.92 Crores, i.e., about 65.19% over the approved amount.

3.6.65. The Authority observed that the Marketing & Advertising expenses comprise expenditure towards aeronautical business development activities, airline engagement for new routes and connectivity development, promotion of passenger and cargo network strengths, participation in route/slot conferences and cargo seminars, Digi Yatra initiatives, vendor partner meetings and terminal-related marketing activities. These also included passenger awareness and experience enhancement initiatives such as wayfinding and signage improvements, service excellence measures, multilingual support and Terminal 2-related branding and passenger facilitation initiatives.

3.6.66. The Authority further noted that BIAL had incurred an additional unbudgeted expenditure of Rs. 19.09 Crores, which includes Rs. 17.65 Crores towards the inauguration of Terminal 2 by the Hon'ble Prime

Minister and BLR Pulse. BIAL also included Rs. 1.44 Crores towards bad debts as part of the unbudgeted cost. The Authority verified the expenses based on the relevant documents submitted by BIAL, including CA certificates.

3.6.67. The Authority noted that the overall increase in Marketing and Advertising expenses was significant. However, considering the nature of activities undertaken by BIAL for aeronautical business development, passenger facilitation and Terminal 2-related initiatives, the Authority proposed to consider the Sales and Marketing expenses submitted by BIAL, except for bad debts. Consistent with the approach adopted in past Tariff Orders, the Authority proposed not to consider bad debts as part of Operating Expenses and accordingly proposed to disallow Rs. 1.44 Crores.

3.6.68. Accordingly, the Authority proposed to allow Marketing & advertising expenses of Rs. 89.58 Crores for the Third Control Period, after excluding bad debts of Rs. 1.44 Crores from the amount of Rs. 91.02 Crores submitted by BIAL.

Collection cost

3.6.69. The Authority examined the Collection cost submitted by BIAL for true-up of the Third Control Period vis-à-vis the costs approved by the Authority in the Tariff Order for the Third Control Period. The same is set out in the table below:

Table 74: Comparison of Collection cost submitted by BIAL for true-up and as approved in the Tariff Order for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL (a)	2.87	5.62	7.25	7.94	8.49	32.17
As approved in the Third Control Period (b)	3.33	6.84	8.03	9.34	10.84	38.39
Difference (b-a)	0.46	1.22	0.78	1.4	2.35	6.22

3.6.70. The Authority noted that BIAL had submitted Collection cost of Rs. 32.17 Crores for the Third Control Period, as against Rs. 38.39 Crores approved by the Authority in the Tariff Order for the Third Control Period. This reflected a reduction of Rs. 6.22 Crores, i.e. about 16% from the approved amount.

3.6.71. The Authority verified the Collection cost based on the relevant documents submitted by BIAL, including the Chartered Accountant certificates, and found the same to be reasonable. Accordingly, the Authority proposed to allow Collection cost of Rs. 32.17 Crores as submitted by BIAL for the true-up of the Third Control Period.

General Admin Expenses:

3.6.72. General admin expenses comprised of Consultancy and legal costs, Travel costs and Office costs.

3.6.73. The Authority examined the General admin expenses submitted by BIAL for true-up of the Third Control Period vis-à-vis the costs approved by the Authority in the Tariff Order for the Third Control Period. The same is set out in the table below:

Table 75: Comparison of General Admin Expenses as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Consultancy & Legal Expenses **(A)**	13.89	21.23	21.6	31.53	26.52	**114.77**
Travel & Conveyance **(B)**	8.09	13.5	19.29	24.71	24.94	**90.53**
Office costs **(C)**	3.35	3.68	4.73	6.67	6.88	**25.31**
As submitted by BIAL **(D=A+B+C)**	25.33	38.41	45.62	62.91	58.34	**230.6**
As approved in the Third Control Period **(E)**	26.72	28.37	29.77	31.22	32.75	**148.84**
Difference **(E-D)**	1.39	(10.04)	(15.85)	(31.69)	(25.59)	**(81.76)**

3.6.74. The Authority examined the variation in General Administration Expenses under the individual sub-heads of Consultancy & Legal Expenses, Travel & Conveyance Expenses and Office Costs. The Authority's analysis in respect of each of these components is set out in the ensuing paragraphs.

Consultancy and legal costs:

3.6.75. The Authority observed that these expenses relate to consultancy and specialised services availed by BIAL from external agencies, including legal consultancy for contractual and compliance matters, ESG and sustainability advisory, customer experience and service quality assessments, wildlife hazard management consultancy, ISO audit and certification support, professional consultancy in finance, corporate affairs and aviation business, IT software and licence support, director sitting fees and remuneration, corporate communications retainership, and commercial advisory services including retail design and lounge studies.

3.6.76. The Authority examined the consultancy and legal expenses submitted by BIAL for True up with the cost approved in the Third Control Period Order as per Table below:

Table 76: Comparison of Consultancy and legal costs as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL **(A)**	13.89	21.23	21.60	31.53	26.52	114.76
As approved in the Third Control Period **(B)**	18.79	19.71	20.67	21.69	22.75	103.61
Difference **(B-A)**	4.9	(1.52)	(0.93)	(9.84)	(3.77)	(11.15)

3.6.77. The Authority noted that BIAL had submitted Consultancy and Legal costs of Rs. 114.76 Crores for the Third Control Period, as against Rs. 103.61 Crores approved by the Authority in the Third Control Period Order. This resulted in an increase of Rs. 11.15 Crores, i.e., about 10.76% over the approved amount.

3.6.78. The Authority sought clarifications from BIAL regarding the legal costs incurred and the nature of such expenses. In response, BIAL submitted the break-up of Aeronautical and Non-Aeronautical legal expenses and stated that, out of the total legal expenses of Rs. 18.90 Crores incurred during the Third Control Period, an amount of Rs. 13.01 Crores pertained to the Aeronautical segment and the balance Rs. 5.90 Crores pertained to the Non-Aeronautical segment. BIAL further submitted that the

Aeronautical legal costs pertained to ongoing litigations and legal support relating, inter alia, to concession and project documentation, financial closure and refinancing, tax and statutory matters, and cases / appeals wherein BIAL had been made a party by airlines, aircraft leasing entities, concessionaires, industry associations and passengers.

3.6.79. The Authority took note of the above submission of BIAL regarding the break-up of legal expenses between Aeronautical and Non-Aeronautical activities and, accordingly, recalculated the relevant allocation ratio. The treatment has been reflected in Table 89

3.6.80. The Authority further observed that the variation in Consultancy and Legal costs was mainly due to certain one-time and non-recurring expenses incurred by BIAL during the Third Control Period. These one-time expenses amounted to Rs. 15.59 Crores, excluding consultancy for business development of non-airport activities, and include consultancy services towards master planning as required under the Concession Agreement, cargo tendering and cargo terminal-related advisory, OLS survey and CNS building study, project expansion-related consultancy charges, HR-related studies, ICT consultancy services and in-flight catering tendering consultancy.

3.6.81. The Authority verified the Consultancy and Legal costs based on relevant documents, including CA certificates, and also considered the examination carried out through its Independent Consultant. Based on the review, the Authority found the costs, including the aforesaid one-time expenses, to be reasonable for true-up of the Third Control Period.

3.6.82. Accordingly, the Authority proposed to allow Consultancy and Legal costs of Rs. 114.76 Crores submitted by BIAL for true-up of the Third Control Period, with the Aeronautical portion considered separately in accordance with the segregation reflected in Table 89

Travel & Conveyance Costs

3.6.83. The Authority analyzed BIAL's submission regarding the actual travel expenses for the Third Control Period. Travelling and Conveyance expenses comprised expenses pertaining to Domestic and International Travel, Director's Travel, others and Employee Transportation costs.

3.6.84. The Authority examined the Travel & Conveyance expenses submitted by BIAL for True up with the cost approved in the Third Control Period Order as per Table below:

Table 77: Comparison of Travel & Conveyance costs as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL **(A)**	8.09	13.50	19.29	24.71	24.94	90.53
As approved in the Third Control Period **(B)**	6.55	6.87	7.20	7.56	7.93	36.11
Difference **(B-A)**	(1.54)	(6.63)	(12.09)	(17.15)	(17.01)	(54.42)

3.6.85. The Authority noted that BIAL had submitted Travel & Conveyance costs of Rs. 90.53 Crores for the Third Control Period, as against Rs. 36.11 Crores approved by the Authority in the Third Control Period Order. This resulted in an increase of Rs. 54.42 Crores, i.e., about 150.70% over the approved amount.

3.6.86. Upon examination of the detailed break-up of actual expenditure, the Authority observed that the increase in Travel & Conveyance costs is overwhelmingly attributable to Employee Transportation costs, and not to business travel, directors' travel or other incidental travel heads. Against the total

actual Travel & Conveyance expenditure of Rs. 92.53 Crores submitted by BIAL in the detailed break-up, Employee Transportation alone accounts for Rs. 65.33 Crores, i.e. around 70.61% of the total expenditure. The Authority therefore noted that the increase was structural in nature and primarily arose from staff transportation arrangements required for airport operations.

3.6.87. The Authority noted BIAL's submission that, unlike several other major airports, BIAL is located at an average distance of around 35 kilometers from the city centre and was not adequately supported by public transport systems suitable for employees commuting across shifts. While airport bus services were available, such services were primarily designed for passenger movement and did not adequately cover the residential catchments from which employees commuted. Further, although a railway station existed in the vicinity of the airport, train services were limited and were not aligned to all operational shift timings. In the Authority's view, given the round-the-clock nature of airport operations and the need to ensure timely availability of staff across operational, technical, security and support functions, BIAL's provision of employee shuttle services was an operational necessity rather than a discretionary employee benefit.

3.6.88. The Authority noted that the Travel costs approved in the Third Control Period Order were based on an escalation over FY 2020-21 levels and did not fully factor in the material increase in manpower and corresponding transportation requirements arising from the commencement of new facilities. The Authority further observed that the increase in Employee Transportation Costs was also linked to the expansion in airport operations and associated manpower deployment during the Third Control Period. In particular, the commissioning and operationalization of additional assets and facilities, including Terminal 2 Phase 1 and MMTH, from around December 2022 onwards, would have necessitated higher manpower deployment across multiple functions and shifts. The variance was therefore attributable not merely to price escalation, but also to a change in the underlying scale of operations.

3.6.89. The Authority noted that BIAL also explained that the number of employees availing transportation services increased from 930 in 2022 to 1,320 in 2025, indicating a substantial increase in shuttle users over the Control Period. This growth in users would naturally require higher fleet deployment, route rationalization, additional frequency and maintenance of optimal occupancy levels across routes and shifts.

3.6.90. The Authority also noted that BIAL stated that, in view of the expiry of the existing transportation contract and the need to cater to the increased staff transportation requirement, it selected a new vendor through a competitive tendering process in accordance with its procurement policy. The Authority further noted that the transportation cost would also have been impacted by the increase in fuel prices, particularly diesel prices, over the relevant period, which directly affected shuttle service charges. Accordingly, the increase in Employee Transportation Costs appeared to be driven by both volume factors (increase in manpower and users) and rate factors (higher contracted transportation rates and fuel-related cost increases).

3.6.91. The Authority also took note of BIAL's submission that employee shuttle usage was encouraged from the standpoint of operational safety, reliability and sustainability. Given the airport's distance from the city, limited public transport connectivity and the prevalence of early morning, late night and overnight shifts, provision of organized transportation facilitated timely reporting of staff, reduced dependency on fragmented transport options and supported safer commuting for employees. The Authority further noted that BIAL recovered a fixed amount from employees towards transportation cost through payroll deductions, which indicated that the expenditure was not in the nature of an unrestricted employee perquisite, but a structured operational arrangement with partial recovery.

3.6.92. As regards other travel components, the Authority noted that Domestic and International Travel expenses were incurred towards normal business requirements, including airline engagement, route development, business development initiatives and activities aimed at enhancing passenger traffic and generating incremental cargo traffic. The Authority further noted that Director's Travel and Other Travel Expenses constituted a relatively small share of the total Travel & Conveyance expenditure and were incurred in the ordinary course of business. The Authority therefore observed that the principal driver of the variation was Employee Transportation, while the remaining travel expenditure appeared to be of a routine and business-related nature.

3.6.93. The Authority verified the Travel & Conveyance costs based on relevant documents, including CA certificates and supporting submissions made by BIAL. Having regard to (i) the airport's locational disadvantage vis-à-vis public transport connectivity, (ii) the 24x7 operational requirement of airport functions, (iii) the increase in manpower and employee transportation users following commissioning of additional facilities, (iv) the requirement for higher fleet deployment based on route and occupancy considerations, (v) the award of transportation contracts through competitive tendering, and (vi) the impact of fuel price escalation, the Authority found the increase in Travel & Conveyance costs, particularly under employee transportation, to be justified and reasonable for airport operations during the Third Control Period. Accordingly, the Authority proposed to allow Travel & Conveyance costs of Rs. 90.53 Crores as submitted by BIAL for true-up of the Third Control Period.

Office Costs

3.6.94. The Authority observed that the Office costs incurred by BIAL comprised expenditure towards membership and subscriptions, business meeting expenses, printing and stationery, corporate communication expenses and other routine office-related expenses. BIAL submitted that these expenses are regular business expenditures incurred in the normal course of airport operations.

3.6.95. The Authority examined the Office costs submitted by BIAL for True up with the cost approved in the Third Control Period Order as per Table below:

Table 78: Comparison of Office costs as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL (a)	3.35	3.68	4.73	6.67	6.88	25.31
As approved in the Third Control Period (b)	1.38	1.80	1.89	1.98	2.08	9.13
Difference (b-a)	(1.97)	(1.88)	(2.84)	(4.69)	(4.8)	(16.18)

3.6.96. The Authority noted that BIAL had submitted Office costs of Rs. 25.31 Crores for the Third Control Period, as against Rs. 9.13 Crores approved by the Authority in the Third Control Period Order. This resulted in an increase of Rs. 16.18 Crores, i.e., about 177.22% over the approved amount.

3.6.97. The Authority noted BIAL's submission that the increase in Office costs was in line with the increase in airport operations and employee strength during the Third Control Period, including the impact of commissioning of Terminal 2 Phase 1. The Authority also noted that, while an adjustment factor of 30% was proposed at the consultation stage of the Third Control Period, the same was not considered in the final Order, wherein only inflation-based adjustment was allowed on the base year actuals.

3.6.98. The Authority noted that BIAL also incurred expenditure of Rs. 0.62 Crores towards donations. Consistent with the approach adopted in past Tariff Orders, the Authority did not consider donations

as part of aeronautical operating expenses. Accordingly, the Authority proposed to disallow Rs. 0.62 Crores towards donations.

3.6.99. The Authority, through its Independent Tariff Consultant, verified the Office Costs based on the relevant documents submitted by BIAL, including CA certificates. Considering the increase in operations, employee strength and business requirements during the Third Control Period, the Authority found the Office Costs, excluding donations, to be reasonable.

3.6.100. Accordingly, the Authority proposed to allow Office costs of Rs. 24.69 Crores for the Third Control Period, after excluding donations of Rs. 0.62 Crores from the amount of Rs. 25.31 Crores submitted by BIAL as per the table below:

Table 79: Office costs proposed by the Authority for True up for the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Office Costs proposed to be considered by the Authority	3.35	3.68	4.73	6.10	6.83	24.69

Rates & Taxes

3.6.101. The Authority examined the Office costs submitted by BIAL for True up with the cost approved in the Third Control Period Order as per Table below:

Table 80: Comparison of Rates & Taxes expenses as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL **(A)**	4.92	8.68	9.38	11.86	11.71	46.55
As approved in the Third Control Period **(B)**	8.70	9.12	13.22	13.87	14.55	59.45
Difference **(B-A)**	3.78	0.44	3.84	2.01	2.84	12.9

3.6.102. The Authority noted that BIAL had submitted Rates and Taxes expenses of Rs. 46.55 Crores for the Third Control Period, as against Rs. 59.45 Crores approved by the Authority in the Third Control Period Order. This reflected a reduction of Rs. 12.90 Crores, i.e., about 21.70% from the approved amount.

3.6.103. The Authority observed that Rates and Taxes primarily comprised property tax and related statutory levies. The Authority noted BIAL's submission that, while the applicable circle rates increased in FY 2022-23, they remained broadly stable thereafter during the Third Control Period, contributing to the overall expenditure being lower than the amount approved for the period.

3.6.104. The Authority verified the Rates and Taxes expenses based on relevant documents submitted by BIAL, including CA certificates, and found the same to be reasonable. Accordingly, the Authority proposed to allow Rates and Taxes expenses of Rs. 46.55 Crores submitted by BIAL for true-up of the Third Control Period.

Other Borrowing Costs

3.6.105. The Authority noted BIAL's submission that it proposed to refinance the entire outstanding PAL-1 term loan of Rs. 8,069 Crores through issuance of Non-Convertible Debentures (NCDs). BIAL

submitted that the existing debt carried an interest rate of 9.45% p.a. payable monthly, whereas the proposed NCDs would carry a fixed coupon of 8.15% p.a. payable monthly for the first 10 years of the 15-year tenor, plus applicable NCD issuance / repayment expenses.

3.6.106. The Authority further noted that the proposed coupon was linked to the FIMMDA AAA Corporate Bond 10-year rate and would be reset at the end of the tenth year, with the spread linked to BIAL's rating. The rate would vary by 25 basis points for each notch of downgrade or subsequent upgrade. BIAL submitted that the refinancing agreements were expected to be executed by September 2025, with the refinanced rate applicable from 1.10.2025.

3.6.107. BIAL submitted that the refinancing is driven by the need to reduce borrowing cost, conserve cash for the PAL-2 expansion programme, and take advantage of improved credit profile after completion of PAL-1 and extension of the concession period. BIAL stated that the refinancing would reduce the interest rate by approximately 1.30%, resulting in estimated savings of Rs. 117 Crores in the first year and Rs. 1,349 Crores over the 15-year tenor.

3.6.108. The Authority also noted BIAL's submission that, in order to carry out the aforesaid refinancing activity, it expected to incur certain transaction-related costs in the nature of arrangement and advisory fees, pre-payment charges, and costs relating to additional rating and surveillance fees. The total Other Borrowing Costs incurred by BIAL for the Third Control Period are set out in the table below:

Table 81: Total Other Borrowing costs submitted by BIAL for True up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Loan Processing, Rating, Surveillance, Renewal, Commitment charge and Other charges, Lender Engineer/ Security Trust Fee, Bank Charges **(A)**	2.90	5.95	12.75	9.29	4.86	35.75
Refinance NCD issuance related One-time charges - Arrangement Fee, Advisory Fee, Prepayment Fee, Additional Rating and Surveillance fee, Documentation and Stamp Duty charges **(B)**					59.29	59.29
Total Other Borrowing costs as submitted by BIAL (A+B)	**2.90**	**5.95**	**12.75**	**9.29**	**64.16**	**95.05**

3.6.109. The Authority noted that these costs were not claimed at the time of determination of Aeronautical Tariff for the Third Control Period. Since higher expenses were subsequently claimed in FY 2023-24, FY 2024-25 and FY 2025-26 as compared to previous years, the Authority sought clarifications from BIAL on the rationale for refinancing, basis of costs, and reasons for the increase.

3.6.110. In response, BIAL submitted that the existing PAL-1 debt was MCLR-linked and had become relatively expensive. Refinancing was therefore undertaken to lock in a lower long-term rate, defer repayments and conserve cash for the PAL-2 expansion involving estimated capex of Rs. 16,950 Crores and equity requirement of approximately Rs. 3,200 Crores. BIAL also submitted that completion of PAL-1, rating improvement and concession extension enabled access to longer-tenor and lower-cost debt.

3.6.111. BIAL further submitted that the FY 2025-26 refinancing costs comprised approximately Rs. 35 Crores towards structuring, advisory / arranger, rating, security trustee and other transaction costs, and approximately Rs. 22 Crores towards pre-closure charges payable to Canara Bank, Union Bank of India and Bank of Maharashtra. BIAL clarified that other lenders waived pre-closure charges, while these three lenders did not agree to such waiver.

3.6.112. For 2023-24, BIAL submitted that processing fees of approximately Rs. 9 Crores were paid to Axis Bank for removal of a 30-bps spread at the time of interest reset, resulting in estimated interest savings of approximately Rs. 24 Crores over the next 12 months. For FY 2024-25, BIAL submitted that additional rating fees were incurred for the proposed NCD issuance, initially for Rs. 5,000 Crores, with further rating coverage planned for the balance refinancing requirement.

3.6.113. The Authority examined BIAL's submissions and noted that the refinancing cost of Rs. 59.29 Crores was approximately 0.7% of the refinanced debt and translated to an annualized impact of about 5 basis points over the 15-year NCD tenor. This was significantly lower than the expected interest rate reduction of approximately 130 basis points. The Authority also noted that the expected savings of Rs. 1,349 Crores over the tenor substantially exceeded the one-time refinancing costs.

3.6.114. The Authority considered refinancing to be commercially prudent, as it lowered the cost of debt, improved financing efficiency and was expected to benefit airport users through lower tariff-related financing costs. The Authority also considered the associated transaction costs to be reasonable and directly linked to the refinancing exercise.

3.6.115. Based on the review carried out by the Independent Tariff Consultant, verification of supporting documents and prudence check of the costs submitted by BIAL, the Authority proposed to consider Other Borrowing Costs of Rs. 95.05 Crores for true-up as part of the Third Control Period.

Waivers and Bad debts & CSR

3.6.116. The expenses under Waivers and Bad Debts and CSR submitted by BIAL in the MYTP for the Fourth Control Period are as follows:

Table 82: Waivers Bad Debts & CSR submitted by BIAL for the True up of Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Waiver & Bad Debts	0.00	0.12	5.99	-2.35	0.11	3.87
CSR Expenses	0.00	0.00	0.00	0.00	0.21	0.21

3.6.117. The Authority took cognizance of the statutory provisions of the Companies Act, 2013 towards allowance of CSR expenses and the extract of the same has been provided below:

i. Section 135 (1) of Companies Act, 2013 states that *'Every company having net worth of rupeesfive hundred Crs. or more, or turnover of rupees one thousand Crs. or more or a net profit of rupees five Crs. or more during immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one shall be an independent director.'* Further section 135(5) states that *'The Board of every company referred in section 135(1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility'.*

3.6.118. In this regard, the Authority was of the view that CSR is a mandatory social responsibility of the Company (as per Section 135(1) of the Companies Act). As the CSR expenditure is to be incurred by companies out of their net profits, it is to be regarded as an element of appropriation of Net Profits and not as a part of their Operating Expenditure. Therefore, CSR expenses could not be construed as a pass-through expenditure of the companies, otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies.

3.6.119. Further, Section 37(1) of Income Tax Act also disallows CSR expenses, as these are not considered expenses incurred wholly and exclusively for the purpose of business of the entity.

3.6.120. The Authority proposed not considering CSR expenses as part of aeronautical operating expenses for the Third Control Period.

3.6.121. Further, consistent with the decision taken by the Authority in the past, the Authority proposed not to consider Donations and Provisions for Bad Debts as part of Aeronautical Operating Expenses for the Third Control Period.

Concession Fee:

3.6.122. As per Clause 3.3 of the concession agreement signed between BIAL and the Government of India, BIAL was required to pay a concession fee amounting to 4% of the gross annual revenue every year.

3.6.123. The Authority examined the Concession Fee submitted by BIAL for True up with the cost approved in the Third Control Period Order as per Table below:

Table 83: Comparison of Concession Fee as submitted by BIAL for True up and as approved in the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
As submitted by BIAL **(A)**	31.40	69.67	107.51	144.94	162.74	516.26
As approved in the Third Control Period **(B)**	17.61	44.26	64.47	87.78	93.95	308.07
Difference **(B-A)**	(13.79)	(25.41)	(43.04)	(57.16)	(68.79)	(208.19)

3.6.124. The Authority noted that BIAL had submitted Concession Fee of Rs. 516.26 Crores for the Third Control Period, as against Rs. 308.07 Crores approved by the Authority in the Third Control Period Order. This resulted in an increase of Rs. 208.19 Crores, i.e., about 67.58% over the approved amount

3.6.125. The Authority noted that, as per the Concession Agreement, the Aeronautical Concession Fee for BIAL was computed at 4% of Aeronautical Revenues. The Authority further noted that CGF revenues were considered as part of Aeronautical Revenues in accordance with the AERA Act, 2008, the Authority's guidelines, the Concession Agreement of BIAL and the Hon'ble TDSAT judgment dated 16.12.2020, for the purpose of computing Aeronautical Concession Fee.

3.6.126. The Aeronautical Concession Fee proposed to be considered by the Authority for true-up of the Third Control Period after including rents and land leases related to CGF and revenue from aviation concessionaries is as follows:

Table 84: Concession Fee proposed by the Authority for the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aero Revenue **(A)**	340.79	906.47	1426.61	1956.96	2104.86	6735.68
Aero Concession Revenue **(B)**	148.31	182.96	254.81	335.56	432.90	1354.53
Add: Rents and Land Leases related to CGF **(C)**	47.40	51.03	104.87	127.36	177.61	508.27
less: Collection Charges **(D)**	2.87	5.62	7.25	7.94	8.49	32.17
Total Revenue (Net off Collection Cost) **(E=A+B+C-D)**	**533.63**	**1134.84**	**1779.03**	**2411.93**	**2706.88**	**8566.33**

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Percentage % (F)	4.00%	4.00%	4.00%	4.00%	4.00%	
Concession Fee proposed to be considered by the Authority (G=E*F)	**21.35**	**45.39**	**71.16**	**96.48**	**108.28**	**342.65**

Miscellaneous expenses:

3.6.127. The Authority noted that BIAL incurred Miscellaneous Expenses of Rs. 4.08 Crores during the Third Control Period. The Authority sought clarifications from BIAL regarding the nature of these expenses. BIAL submitted that such expenses, inter alia, included net loss on sale/disposal of assets, which was not discretionary or avoidable in nature, but arose in the normal course of airport operations due to end-of-life retirement of assets, technological obsolescence, operational requirements, regulatory compliance and safety considerations.

3.6.128. The Authority examined the submissions and clarifications furnished by BIAL in respect of Miscellaneous Expenses. Based on the review carried out through its Independent Consultant, the Authority found these expenses to be reasonable and necessary for airport operations. Accordingly, the Authority proposed to allow Miscellaneous Expenses of Rs. 4.08 Crores for true-up of the Third Control Period.

3.6.129. Based on the above analysis, the Authority proposed the Operating Expenses for true up of the Third Control Period as provided below:

Table 85: Total Operating Expenses as proposed by the Authority for True up of the Third Control at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	181.08	227.25	308.07	358.18	372.17	**1446.76**
O&M	153.42	210.06	294.29	383.13	457.32	**1498.22**
Lease Rent	15.11	21.26	22.93	17.55	22.82	**99.67**
Utilities	15.81	22.84	47.74	33.97	10.94	**131.30**
Insurance	6.43	7.63	9.95	10.85	10.62	**45.48**
Rates & Taxes	4.92	8.68	9.38	11.86	11.71	**46.55**
Marketing & Advertising	9.48	21.50	8.67	26.35	23.58	**89.58**
Collection cost	2.87	5.62	7.25	7.94	8.49	**32.17**
General Admin Cost	25.33	38.41	45.62	62.34	58.29	**229.98**
Other Borrowing Costs	2.90	5.95	12.75	9.29	64.16	**95.05**
Concession Fee	21.35	45.39	71.16	96.48	108.28	**342.65**
Miscellaneous expenses	(0.44)	0.54	(5.65)	4.07	5.56	**4.08**
Total	**438.26**	**615.13**	**832.16**	**1022.01**	**1153.94**	**4061.49**

Aeronautical Allocation of Operating Expenses proposed by the Authority

3.6.130. The Authority, as part of the examination of MYTP for the Fourth Control Period, through the independent consultant bifurcated operations and maintenance costs into aeronautical, non-aeronautical and common costs based on the provisions of the AERA Act, 2008 and the guidelines issued from time to time.

3.6.131. The bifurcation methodology of the personnel cost, operation and maintenance cost, general administration cost, marketing and advertising cost (except collection charges which were considered as aeronautical expense) is undertaken as per below:

a. The operating expenses were sub-divided into sub-cost centers.

b. Each sub-cost center was categorized as aeronautical, non-aeronautical, or common, and the expenses within each such sub-cost center have also been classified accordingly.

c. The common costs, except marketing and advertisement expenses, were further bifurcated into aeronautical and non-aeronautical costs based on the expense allocation ratio derived from directly attributable expenses within the respective major cost head.

3.6.132. The segregation logic proposed by the Authority is detailed below:

Table 86: Segregation Logic proposed by the Authority for allocation of Operating and Maintenance

S.No.	Details of Expense	Allocation as per the Authority
1.	Personnel Costs	• The personnel costs were bifurcated into aeronautical, non-aeronautical and common costs based on the allocation of sub-cost center wise expenses. These common costs were then further bifurcated into aeronautical and non-aeronautical costs based on the expense allocation ratio (based on directly attributable expenses). • The sub-cost centers which were reclassified from aeronautical to common include Corporate Communications, Corporate Affairs, Head Operations and E&M, Customer Engagement and Service Quality, Terminal Operations, Ops Planning & Project Co-ordination, Innovation Lab, Environment & Utilities and Landscaping.
2.	Operation & Maintenance expenses	• The O&M costs were bifurcated using the same methodology used for personnel costs. • Certain expenses pertaining to the Guest Lite Contract for guest management and the provision of support and assistance at VVIP reserved lounges, including porter services for delegates and dignitaries, booked under Terminal Operations; as well as the AMC for landscaping, spares and consumables for landscaping, and the Parking Management Contract, booked under Landside Operations, were classified as Non-Aeronautical expenses.
3.	Utilities	• The utilities cost were adjusted for the utility's recoveries from aeronautical concessionaires as per the Authority's Third Control Period order for BIAL. The net amount has been considered 100% aeronautical expenses.
4.	Insurance	• Insurance expenses were bifurcated based on the aero gross block ratio.
6.	General Admin Expenses	• The Consulting expenses under General Admin Expenses were bifurcated into aeronautical, non-aeronautical and common costs based on the allocation of sub-cost center. These common costs have then further bifurcated into aeronautical and non-aeronautical costs based on the expense allocation ratio (based on directly attributable expenses) • Legal expenses were further bifurcated into Aero and Non-Aero based on the efficiency tests and necessity of incurrence of the same after seeking clarifications from BIAL regarding the actual nature and justification for such expenses • Office Rent and Travelling & Conveyance expenses were segregated into aeronautical and non-aeronautical based on the employee head count ratio.
7.	Lease Rent	• Lease Rent expenses were segregated into aeronautical and non-aeronautical based on the leased area ratio.
8.	Rates & Taxes	• Rates and Taxes were segregated into aeronautical and non-aeronautical based on the leased area ratio.

S.No.	Details of Expense	Allocation as per the Authority
9.	Other Borrowing Costs	• Other Borrowing costs were segregated into aeronautical and non-aeronautical based on the aero gross block ratio.
10.	Miscellaneous Expenses	• Miscellaneous expenses were segregated into aeronautical and non-aeronautical based on the aero gross block ratio.

Allocation of Marketing and Advertising Expense

3.6.133. The Authority observed that Marketing and Advertising Expenses incurred by BIAL comprised different categories of activities, some of which were directly attributable to Aeronautical services, while others supported the overall airport brand, passenger engagement, stakeholder communication and commercial ecosystem.

3.6.134. The Authority further noted that Bengaluru Airport is a mature airport operating in a large metropolitan, technology-oriented and commercially developed environment. Activities such as social media campaigns, content creation, influencer engagement, event management, terminal marketing, cultural activities, vendor meets and brand communication contributed to the overall positioning, visibility and passenger experience at the Airport. These activities supported both:

- Aeronautical objectives, such as passenger awareness, passenger facilitation, route promotion, airport service communication and enhancement of airport reputation; and
- Non-Aeronautical objectives, such as increased passenger engagement, terminal commercial visibility, retail/F&B promotion, concessionaire support, brand monetization and improvement in dwell-time experience.

3.6.135. The Authority was of the view that where the Marketing and Advertising Expense was not directly attributable to a specific Aeronautical or Non-Aeronautical activity, such expenditure should be treated as Common and allocated equally between Aeronautical and Non-Aeronautical services. Accordingly, for common Marketing and Advertising Expenses, the Authority proposed to consider an allocation of 50% to Aeronautical services and 50% to Non-Aeronautical services.

3.6.136. The Authority also observed that certain expense heads were clearly Aeronautical in nature. In particular, Aero Business Development is directly related to airline engagement, route development, traffic growth and development of aeronautical business at the Airport. DigiYatra is directly related to passenger processing, terminal entry, identity verification, queue reduction and improvement in operational efficiency. Similarly, expenses relating to PM Inauguration were associated with commissioning/public communication of airport infrastructure and were not linked to any direct commercial revenue-generating activity. Therefore, these expenses were proposed to be considered as 100% Aeronautical.

3.6.137. In respect of BLR Pulse, the Authority noted that the platform provides both Aeronautical passenger facilitation services and Non-Aeronautical commercial services. Therefore, BLR Pulse was not treated as a general common marketing expense. Instead, the Authority considered a separate Multi-Criteria Decision Analysis approach based on the nature of services available on the platform, their usefulness to passengers and their revenue-generating capability.

3.6.138. The Authority observed that BLR Pulse is a passenger-facing digital platform which provides a combination of airport facilitation services and commercial services. The application provides flight information, flight tracking, queue information, terminal maps, Wi-Fi information, special assistance

information and other passenger facilitation services. It also provides access to commercial services such as F&B ordering, cab booking, hotel booking, lounge booking, duty-free shopping and flight booking.

3.6.139. The Authority was of the view that the cost relating to BLR Pulse should be allocated based on the utility and nature of services provided through the platform rather than applying a simple common cost allocation. Accordingly, a Multi-Criteria Decision Analysis approach was considered for BLR Pulse, using the following parameters:

a) Necessity – Whether the service is necessary for an airport passenger;

b) Channel Usefulness – Whether the app provides a useful, airport-specific or convenient channel for the passenger; and

c) Revenue Generating Capability – Whether the service is capable of directly generating revenue, commission, fee, margin or other commercial income.

3.6.140. Each parameter was assigned a variable score between 0 and 5, where 5 represents the highest relevance and 0 represents no relevance. Services which do not generate direct revenue were assigned a revenue-generating capability score of 0.

3.6.141. The Aeronautical services and the Non-Aeronautical services offered were classified into different categories based on the kind/variety of services they offer and ranked for each of the variable mentioned above:.

Table 87: BLR Pulse Cost Allocation – Multi Criteria Decision Analysis Approach – Score card based on functionalities available in BLR Pulse Application

Particulars	Necessity	Channel Usefulness	Revenue Generating Capability	Total Score
Aeronautical Services				
Flight information, flight tracking alerts, web check-in and boarding pass related services	5	2	0	7
Queue management, check-in time information, terminal maps and wayfinding	5	5	0	10
Wi-Fi information, special assistance, PRM information, airport facilities, lost & found, luggage storage, international passenger information, transfers and self-baggage drop information	5	4	0	9
Airport engagement information, CSR and sustainability information, local art and culture, garden and landscape information, NPS/feedback and Kannada language support	3	4	0	7
Total Aeronautical Score (A)				**33**
Non-Aeronautical Services				
F&B online ordering, concessionaire services and duty-free shopping	5	5	5	15
Airport cabs and other transport booking/aggregation services	4	3	5	12
Flight booking services through aggregator/partner platform	2	2	5	9
Transit hotel booking services	4	3	5	12

Airport lounge booking and paid lounge access services	3	3	5	11
Total Non-Aeronautical Score (B)				**59**
Total Score (C = A + B)				**92**

3.6.142. The Authority used the rationale, as set out in the table below for the judgmental scoring done in the above table:

Table 88: BLR Pulse Allocation – Reasoning for the Scores provided under the Multi Criteria Decision Analysis Approach

Service Category	Necessity	Channel Usefulness	Revenue Generating Capability
Aeronautical Services			
Flight information, flight tracking, check-in and boarding pass related services	These services are necessary for passengers and support the travel journey. Hence, a high necessity score of 5 is assigned.	Such information is also available through airlines, airport display systems and other travel platforms. Hence, channel usefulness is considered moderate at 2.	These services do not directly generate revenue for the airport app. Hence, score is 0.
Queue management, check-in time, terminal maps and wayfinding	These are important for passenger movement, terminal navigation and queue management. Hence, necessity score is 5.	The app provides airport-specific and useful information to passengers within the terminal journey. Hence, channel usefulness score is 5.	These services are facilitation services and do not directly generate revenue. Hence, score is 0.
Wi-Fi, special assistance, PRM services, facilities, lost & found, luggage storage, international passenger information and transfer information	These services support passenger convenience, accessibility and airport facilitation. Hence, necessity score is 5.	The app provides a consolidated airport-authorised channel, though some information may also be available through other sources. Hence, channel usefulness score is 4.	These services do not directly generate revenue through the app. Hence, score is 0.
Airport engagement, CSR, sustainability, art and culture, garden information, feedback and Kannada language support	These services improve engagement and inclusivity but are not critical passenger processing services. Hence, necessity score is 3.	The app is a useful channel for airport-specific engagement and communication. Hence, channel usefulness score is 4.	These services do not directly generate revenue. Hence, score is 0.
Non-Aeronautical Services			
F&B, concessionaire services and duty-free shopping	These services are important for passenger convenience and commercial services. Hence, necessity score is 5.	The app enables browsing, pre-ordering, take-away/delivery and commercial discovery. Hence, channel usefulness score is 5.	These services have direct revenue/commission/revenue-share potential. Hence, score is 5.
Airport cabs and transport booking	Ground connectivity is important for passengers. Hence, necessity score is 4.	The app is useful, though similar services are available through other platforms. Hence, channel usefulness score is 3.	Transport bookings can generate commission or partner revenue. Hence, score is 5.
Flight booking	Flight booking is useful in limited cases such as missed flights or last-minute bookings, but it is not airport specific. Hence, necessity score is 2.	Airlines and OTAs already provide this service; therefore, app channel usefulness is limited at 2.	Flight booking can generate commission/referral income. Hence, score is 5.

Service Category	Necessity	Channel Usefulness	Revenue Generating Capability
Transit hotel booking	Useful for transit, delayed and short-stay passengers. Hence, necessity score is 4.	The app provides convenience, but alternative booking channels also exist. Hence, channel usefulness score is 3.	Hotel booking can generate commission or partner revenue. Hence, score is 5.
Airport lounge booking	Useful for passengers who wish to purchase lounge access but not essential for passenger processing. Hence, necessity score is 3.	The app provides an additional booking channel, though walk-in/card-based access also exists. Hence, channel usefulness score is 3.	Paid lounge booking has direct revenue-generating capability. Hence, score is 5.

3.6.143. Based on the above, the Authority proposed the following allocation principles for Marketing and Advertising expenses:

i. DigiYatra, Aero Business Development activities expenses shall be treated as 100% Aeronautical.

ii. BLR Pulse expenses shall be allocated separately based on the MCDA approach, with 35.87% to Aeronautical and 64.13% to Non-Aeronautical.

iii. All other common Marketing and Advertising expenses, including social media, events management, cultural activities, terminal marketing, Pinnacle, vendor partner meets and Aero Business Development, shall be allocated 50% to Aeronautical and 50% to Non-Aeronautical.

3.6.144. Based on the result of the above segregation, the allocation ratio for operating expenses considered by the authority for true-up is given below:

Table 89: Aeronautical allocation of Operating Expenses as proposed by the Authority for the Third Control Period

Particulars (FY ending March 31)	2022	2023	2024	2025	2026
Personal Cost	93.23%	92.60%	93.19%	92.66%	92.24%
Operations & Maintenance Cost	86.16%	90.04%	84.21%	81.25%	83.21%
Land Lease Rent	99.82%	99.65%	99.65%	99.14%	98.77%
Utilities Cost	100.00%	100.00%	100.00%	100.00%	100.00%
Insurance Cost	92.10%	90.51%	88.85%	90.07%	90.75%
Rates & Taxes	99.82%	99.65%	99.65%	99.14%	98.77%
Marketing & Advertisement Expenses	61.86%	77.08%	67.78%	61.17%	56.29%
Collection Charges	100.00%	100.00%	100.00%	100.00%	100.00%
General Administration Cost (Legal)	39.25%	84.56%	61.07%	85.68%	50.34%
General Administration Cost (Consultancy)	71.93%	72.75%	52.48%	47.28%	71.14%
General Administration Cost (Travel & Office Costs)	93.23%	92.60%	93.19%	92.66%	92.24%
Other Borrowing Costs	92.10%	90.51%	88.85%	90.07%	90.75%
Miscellaneous expenses	92.10%	90.51%	88.85%	90.07%	90.75%

3.6.145. The Authority proposed the following Aeronautical Portion of Operating Expenses for the True up of the Third Control Period based on the Aeronautical Allocation ratios detailed in the above table:

Table 90: Aeronautical Operating Expenses proposed to be considered by the Authority for the True up of the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	168.83	210.45	287.08	331.91	343.29	**1,341.55**
O&M	132.18	189.15	247.82	311.30	380.54	**1,260.99**
Lease Rent	15.08	21.19	22.85	17.40	22.54	**99.06**
Utilities	15.81	22.84	47.74	33.97	10.94	**131.30**
Insurance	5.92	6.91	8.84	9.77	9.64	**41.08**
Rates & Taxes	4.91	8.65	9.35	11.76	11.57	**46.23**
Marketing & Advertising	5.86	16.57	5.88	16.12	13.27	**57.71**
Collection cost	2.87	5.62	7.25	7.94	8.49	**32.17**
General Admin Cost	20.05	31.99	33.96	45.12	47.24	**178.36**
Other Borrowing Costs	2.67	5.39	11.33	8.37	58.22	**85.98**
Concession Fee	21.35	45.39	71.16	96.48	108.28	**342.65**
Miscellaneous expenses	(0.41)	0.49	(5.02)	3.66	5.05	**3.77**
Total	**395.13**	**564.63**	**748.23**	**893.81**	**1019.06**	**3620.85**

3.6.146. In view of the above, the Authority proposed to consider Aeronautical Operating Expenses of Rs. 3,620.85 Crores as per Table above as against BIAL's submission of Rs. 4,024.12 Crores.

3.6.147. The Authority observed a substantial variation between the actual Operating Expenses incurred by the Airport Operator and the Operating Expenses approved by the Authority in the Tariff Order for the Third Control Period. Upon examination, the Authority was of the view that the Airport Operator is expected to enhance operational efficiency through optimization of overall Operating Expenses, particularly employee costs and Operations & Maintenance (O&M) expenses, including through leveraging technology and process improvements for cost rationalization.

3.6.148. The Authority further noted that any inefficient or avoidable expenditure arising from operational inefficiencies on the part of the Airport Operator ought not to be passed on to the airport users through tariffs. It is a well-recognized and consistently upheld regulatory principle that the inefficiency of one stakeholder cannot be transferred to, or borne by, another set of stakeholders. The Authority, therefore, considered it imperative that the Airport Operator undertakes appropriate measures to enhance operational efficiency and optimize such costs, so as to safeguard the interest of the passengers and prevent any avoidable financial burden being cast upon them.

Stakeholders' Comments regarding True Up of Operating Expenses for the Third Control Period

3.6.149. During Stakeholders' Consultation Process, the Authority has received comments/ views from BIAL and Fairfax in response to the proposals of the Authority in Consultation Paper No. 01/2026-27 dated 12th June 2026 with regard to the Operating Expenses, The comments of the stakeholders are presented below:

BIAL's comments regarding True Up of Operating Expenses for the Third Control Period

3.6.150. BIAL's comment with regard to the Personnel Costs is as follows:

"We request the Authority that the conclusion that employee costs are "not supported by commensurate efficiency" should be reconsidered after taking into account (i) the variance in operating model of airports and (ii) benchmarking assessment that BIAL has submitted (as reproduced below) and (iii) Bengaluru's unique labour market dynamics.

Operating Model – Standalone vs Group Entities

- *BIAL is a standalone, single-location entity, which implies that all leadership positions and support functions (HR, Finance, Legal, Compliance, ESG, ICT, taxation, corporate communication) are housed in the airport SPV. This results in 100% corporate and leadership costs being absorbed within BIAL, significantly impacting the per-employee cost*
- *In contrast, Indian airports operated by large Infrastructure conglomerates benefit from shared services and centralized leadership, thereby distributing overhead costs across multiple entities. These large infrastructure groups tend to consolidate key functions such as "corporate finance, legal, central procurement, green initiative, ESG, information technology, taxation, management assurance, internal audit, shared service for financial transactions, human resource management, Chairman office, Group CFO office, Corporate Communication and Branding" at a Central Holding company level. They adopt a methodology where the corporate cost is spread across multiple airports. This model leads to a situation wherein the personnel cost for an airport operator is split into 2 categories:*
    - *Key leadership positions (which tend to be high-cost resources) & support departments which are on the rolls of Central corporate entity o Salary costs of key operations positions continue to reside in the airport SPV*
- *Further, the way of reporting salary costs may vary across organizations. While BIAL's salary costs include staff welfare, recruitment costs, training and learning costs, the same may be reported differently for other airports.*
- *The table below provides a comparison of the extent of adjustment that may be needed when comparing per employee cost for different airports. As shown below, such adjustment can vary from 38% to 52%.*

Base Year used – FY25	DIAL	MIAL	HIAL	Remarks
Personnel cost	367.4 cr	162.49 cr	183.93 cr	Source: Audited accounts of DIAL, MIAL and HIAL
Source	[illegible]	[illegible]	[illegible]	
Other costs that are akin to personnel costs				
Corporate Cost allocation	113.54 cr	78.44 cr	61.78 cr	Source: Tariff orders for DIAL and MIAL; Consultation paper for HIAL
Recruitment costs			6.01 cr	Source: HIAL consultation paper
Professional and consultancy services	25.19 cr (Table 251 of DIAL's Consultation paper)		23.33 cr	In the case of DIAL, the 25.19 cr pertains to "Retainer consultants hired for business continuity" and "Many outsourced staff are deployed by DIAL in various functions, which include Operations, P&E, HR, P&C, F&A, legal, SPG etc".
				In the case of HIAL, the breakup is not available. However submissions in the CP suggests that professional charges include retainer fee paid to various personnel, placement fee for recruitments and training fee paid to consultants. Hence we have assumed 50% of these costs
Technical Services with Related parties/ parent Co			5.4 cr	Fee paid to GADL for general capex monitoring
Any other cost				
Sub Total of Corporate Cost allocation & Other Personnel Costs	138.73	78.44	96.52	
Adjustment Factor to be applied	37.8%	48%	52.5%	

Concept of Operator Fee: *It may be noted that in addition to the above corporate costs which are akin to personnel cost, other expenses incurred by peer airports,* ***such as airport operator fee*** *(which ultimately pertains to the cost of operational and technical expertise) should also be adjusted when making a comparison.*

For a like-to-like comparison of per employee cost, we request the Authority to make relevant adjustments. BIAL understands that any comparison with corporate cost requires some degree of

adjustment to employee numbers also. We are attaching herewith a comparison for a major airport group wherein the corporate costs are allocated across multiple airports.

- *For enabling comparison, we have added personnel costs for the Airport SPVs as well as other costs such as recruitment costs, professional charges, Corporate Cost allocation to the airport SPVs & technical services fee/ operator fee paid to related parties.*
- *Added the total employee base of all the airport SPVs and the Parent company*
- *Arrived at an average salary cost for the airport vertical as a whole*
- *It is worth highlighting that for the comparison, the corporate (parent co.) has other businesses and hence the usage of all the employees of the parent company in this methodology anyway suppresses the per employee cost for the Group of Airports (as it inflates the denominator).*

The adjusted comparison suggests that for FY 25, the personnel cost per employee for the "Group of airports" is in line with the salary cost for FY 25 for BIAL. ***Detailed assessment is provided in Annexure 6.***

Other potential adjustments & differences in Operating model

Beyond Corporate cost, how certain departments are structured may impact both revenue and employee costs.

E.g., Some major airports have outsourced ICT function as a result of which both aeronautical revenues (emanating from CUTE, CUSS and ICT services offered to aero concessionaires) is reported net of expenses. In the case of BIAL however, both the employee count and the salary cost are housed within BIAL. We request that this should be kept in perspective when comparing salary costs for BIAL with other airports.

FY26	***MIAL***	***BIAL***	***HIAL***	***Source***
Passengers handled	*55.29*	*44.47*	*30.48*	*AAI Data (March publication; Annex 3)*
CUTE revenues in Rs Cr	*11.93*	*107*	*3.89*	
Source	*Table 343; MIAL tariff order*	*FY26 audited accounts submitted*	*Table 143 ; HIAL CP*	

As can be seen above, the aeronautical CUTE revenue that BIAL generated is significantly higher and correspondingly, BIAL has incurred proportionate costs towards ICT personnel. The insourcing model BIAL has adopted is observed to be effective vis a vis the typical outsourcing models as the revenue is counted towards aeronautical revenue reducing passenger charges.

Further , a comparison of CGF revenues of FY26 would show that BIAL had reported a revenue of 415 crs from CGF and CUTE services whereas for HIAL, the revenue in the same year was 223 crs. When compared to a per pax basis, the revenue generated by BIAL was Rs 94/pax while for HIAL it was Rs 73/pax. To generate higher revenues from aero concessionaires, BIAL has had to engage industry experts as employees in each of these domains that have worked with concessionaires to develop the market and achieve an optimal commercial outcome.

Bengaluru's Labour Market is Structurally Different

BIAL operates in Bengaluru, India's foremost technology and innovation hub and one of the world's most competitive labour markets. The city hosts over 1,100 Global Capability Centres (GCCs)—the highest concentration globally—along with thousands of multinational corporations, technology companies, startups, aerospace firms and biotechnology organisations. These industries compete for the same pool of highly skilled professionals required by BIAL across engineering, digital technology, finance, procurement, commercial, sustainability, human resources and other specialised functions.

This sustained demand for talent has resulted in higher market compensation levels and increased employee expectations. Key data points that describe the competitive environment:

- *67,000 Companies including Fortune 500 Companies: The Unicorn Capital of India, home to 53 of the country's 118 unicorns. Abundant alternatives within the city itself — making airport-based roles inherently harder to fill. A meaningful salary premium is not optional; it is the market price to win talent away from established city-based tech employers.*
- *Largest Aerospace Hub: Boeing, Rolls-Royce, Safran, TASL, Collins etc*
- *Largest Biotech Hub: Biocon, AstraZeneca, Syngene etc*
- *Young Working Population (Age group of 25-45 yrs.): 25% of India's tech talent is in BLR*
- *Startup Ecosystem: 14,000+ Startup's in Bangalore*

In parallel, Bengaluru's relatively high cost of living, driven by rapid urbanisation, rising housing costs and inflationary pressures, further reinforces the need for market-aligned remuneration. These are structural characteristics of the Bengaluru labour market and are external factors over which BIAL has limited influence.

Accordingly, employee costs at BIAL should be assessed in the context of prevailing labour market conditions.

One time Impact of implementation of New Labour Codes

The Code on Social Security, 2020 has been notified and made effective from 21 November 2025, thereby replacing the erstwhile Payment of Gratuity Act, 1972. The Code on Social Security, 2020 has updated the definition of the gratuity salary to "Wages" as defined in the Code on Wages, 2019 and has changed the vesting period for fixed-term contract employees wherever applicable. This change has resulted in an increase in the liability of the Company and has resulted in a past service cost for the company. The impact of this change in law is Rs 46 Cr. approx. and the same has been considered in FY26 financials. This is a one off event brought about by the implementation of a new law.

Note 44 to IGAAP audited Financial Statements for FY 25-26 submitted to the Authority refers to the same as follows:

"On November 21, 2025, the Central Government issued four separate notifications in the Official Gazette announcing implementation of four Labour Codes, viz., the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020. These four codes replace and consolidate 29 existing labour laws. Following the implementation of the four labour codes, the Central Government has pre-published the draft rules on December 31, 2025 under the respective Labour Codes, followed by the final Central Rules under all four labour codes on May 08, 2026.

The Company has determined that these changes result in an increase in gratuity obligation of ₹ 45.96 crores. Considering the materiality and regulatory-driven, non-recurring nature of this change, the Company has presented increase in obligation as an expense under the head "Exceptional Items" in the standalone Ind AS statement of profit and loss for the year ended March 31, 2026."

Cost per Employee comparison (AERA TCP Order vs Actuals)

In TCP order (para 7.5.7), AERA has adopted FY20 cost per employee and projected FY 22 figures using 8-year CAGR of 5.80% and Rs 16.90 Lakhs has been shown as the cost per employee for FY 22. However, one critical fact has been ignored by AERA. FY2021 was the Covid 19 year and BIAL had not considered any salary increments for this year and this was stated in its 3rd CP MYTP document. This was a critical measure that had to be taken considering the prevailing situation. Once Covid 19 risk had reduced, there was a need to adjust the salary in FY 22. Unfortunately, AERA has not considered this aspect. Hence, when FY 22 number was projected by AERA, it had multiplied FY 20 cost per employee by 5.80% for 1 year only instead of 2 years (FY 21 & FY 22). This had resulted in under estimation of the starting year (FY 22) cost per employee for TCP. If the same is corrected, then then the variance is marginal.

Details	Unit	FY22	FY23	FY24	FY25	FY26
Cost / employee as decided by AERA in TCP Order (A)	Rs. Lakhs	16.90	17.87	18.91	20.01	21.17
Cost/employee as per AERA (Reworked) (B)	Rs. Lakhs	17.88	18.91	20.01	21.17	22.40
Actual Cost/employee as per BIAL (C)	Rs. Lakhs	18.80	20.08	19.97	22.03	23.06
% Variance in Cost per Employee (C-B)/B		5%	6%	0%	4%	3%

Personnel cost	Unit	FY22	FY23	FY24	FY25	FY26
Actual Manpower in TCP by BIAL	Nos	1,108	1,271	1,585	1745	1758
Actual Manpower cost incurred by BIAL	Rs Crores	208.28	255.24	316.6	384.3	405.46*
Cost/employee as per BIAL	Rs Lakhs	18.80	20.08	19.97	22.03	23.06

** After removing Rs. 46 Cr. of One time cost*

Considering the above justifications, BIAL requests the Authority to consider the actual Personnel Costs incurred by BIAL in Third Control Period and true-up the same."

3.6.151. BIAL's comment with regard to the expenses disallowed under NASFT (claimed under O&M expenses) is as follows:

"The Authority, in para 3.6.47, proposes to disallow Rs 15.74 Crs incurred towards NASFT in the O&M costs true up for TCP. The reasoning provided by the Authority to the disallowance are:

- *Expenses / Payments relating to NASFT are in the nature of a security levy / statutory security-related mechanism, which is governed separately and is not an Operating & Maintenance expense*
- *Further, such costs are generally recoverable / adjustable through the separate security fee framework and allowing the same as part of Aeronautical O&M expenses may result in double recovery.*
- *The breakup of 15.74 crores is as follows:*

FY	Amount	Remarks
2021-22	3.68	These costs were originally booked as NASFT related recoverable amounts and not in the P&L of BIAL. FY 22 Of the total value of Rs. 3.68 Cr., an amount of ₹3.31 crore pertains to the Comprehensive Maintenance Contract (CMC) charges for X-ray machines, which has been disallowed by NASFT. The remaining ₹0.36 crore pertains to ICT expenses.
2022-23	8.18	FY 23 The CMC charges for X-ray machines have been disallowed by NASFT. These disallowances were because the assets were owned by BIAL. Post the rejection by NASFT, these costs have been transferred to BIAL P&L.
2023-24	2.09	The amount of ₹1.76 crore pertains to rental charges for the Creche and Camp Office, along with the HRA claimed for GOs. The balance amount pertains to other security-related expenses.
2024-25	1.76	O&M costs related to Barracks has been disallowed under NASFT. Accordingly, the expenses have been reclassified and charged to BIAL under the respective cost heads.
Total	**15.71**	

- *Of the amount of Rs 15.74 Crs, Rs 12.86 cr pertains to O&M expenses (towards CMC of X ray machines).*
- *BIAL confirm that there is no double recovery from passengers.*
- *The Authority, in the case of MIAL's 4th control period tariff order, in para 4.9.44 read with 4.9.46 has approved the NASFT disallowed expenses as a part of R&M costs of MIAL.*
- *In light of the details submitted above, BIAL requests the Authority to include this disallowed expense in the O&M costs of BIAL for true up of 3rd control period."*

3.6.152. BIAL's comment with regard to the Utilities expenses is as follows:

"As per Para 3.9.16 of TCP Order

- *In the Second Control Period order, the Authority had decided to consider revenue from aeronautical concessionaires as recoveries and reduced the same from utility cost (operating expenditure) and consider net costs of utilities as aeronautical. Accordingly, only the utility charges recoveries from non-aeronautical concessionaires was considered as non-aeronautical revenues.*
- *The same approach was followed in TCP also. Accordingly, the Authority had decided to consider Rs 16.53 Cr. (Table 169 of TCP Order) of utility charges recoveries from non-aeronautical concessionaires as nonaeronautical revenues for the Third Control Period. The Learned TDSAT judgement dated 16th December 2020 had also upheld the above approach of the Authority.*

- *Based on the above, BIAL has entered into contracts with various concessionaires wherein the utility revenues recovery is clearly spelt out in the contract between BIAL and the concessionaire. There is a separate invoice generated for this revenue recovery. Therefore, there is a distinct characterization of this revenue head and AERA cannot ignore this revnue line item.*
- *However, in the true up of the TCP, AERA has adopted a different methodology wherein the utility charges recovered from non-aeronautical concessionaires are also 100% adjusted against the gross Utilities costs.*

In the true up stage, AERA is requested to adhere to the methodology adopted at the time of issuance of TCP order. A change at the true up stage may amount to a retrospective change. BIAL requests that AERA align to its already established principle and position as decided in Third Control period Order which was also upheld by TDSAT and adjust only revenues earlier from Aeronautical Service Providers against Utility cost.

BIAL has segregated the Utility recovery based on the nature of user and has accordingly tabulated the revenues as below. Detailed workings are enclosed as Annexure 7.

(Rs. in Crores)

Particulars	***21-22***	***22-23***	***23-24***	***24-25***	***25-26***	***Total***
Aero Utility Recovery	*6.30*	*8.50*	*11.65*	*12.85*	*13.86*	***53.16***
Non-Aero Utility Recovery	*6.30*	*9.15*	*13.23*	*19.16*	*17.03*	***64.87***
Total Utility Recovery	***12.60***	***17.65***	***24.88***	***32.00***	***30.89***	***118.02***

Hence, we request AERA to maintain the decision taken in the TCP Order and apply the same for the purposes of True up."

3.6.153.BIAL's comment with regard to the Marketing & Advertising is as follows:

"BLR Pulse

AERA has assessed the Aeronautical allocation ratio for BLR Pulse based on a Multi Criteria Decision analysis approach as detailed in Table 81 of the Consultation Paper and arrived at an Aeronautical Ratio of 35.87%. BIAL's submission relating to the same are as follows:

Review of the classification methodology (Table 81 of the Consultation Paper) suggests an inconsistency exists in the level of granularity applied to Aeronautical versus Non-Aeronautical services. Under Non-Aeronautical Services, each distinct function has been disaggregated into its own separate row e.g., retail & dining (F&B, concessionaire services and duty-free shopping), transport services (cabs and other aggregator/booking services), flight booking services, transit hotel booking services, and lounge access services have each been assigned an independent line item and corresponding score.

In contrast, under Aeronautical Services, multiple distinct and functionally unrelated services have been clubbed together within a single row — for instance, flight information, tracking, alerts, web check-in and boarding pass services are merged into one line item, while queue management, terminal wayfinding, Wi-Fi, special assistance, PRM information, baggage-related services, and even CSR/sustainability and language support features are similarly consolidated into just two or three broad categories.

This inconsistent granularity is having a direct bearing on the Total Score outcome as it suppresses the Total Aeronautical Score (A). It is therefore requested that the methodology be re-examined to ensure a consistent application across both categories.

Further, Revenue Generating capability has been identified as one of the parameters for scoring. It is imperative to note that the main objective of the BLR PULSE application is to provide information and support to the Passengers. All the basic passenger support activities such as Flight Information, Flight Tracking, Terminal Map etc. do not contribute to adding any specific revenue. In the current regulatory framework, it is not possible to generate any Aeronautical Revenues, outside of the approved tariff framework which broadly covers Landing, Parking, Housing charges from Airlines and UDF from passengers. BIAL's Concessions Agreement (Schedule 6) also reflects the same. Hence using Revenue as a parameter for scoring is incorrect and not comparable.

A reworked scoring considering Passenger Experience parameter in lieu of Revenue Generation is given below. BIAL requests AERA to consider the revised Multi Criteria Decision analysis as below and consider the Aeronautical Ratio accordingly as 60.66% as per Table below:

S. No.	Aeronautical Services	Necessity	Channel Usefulness	Passenger Experience	Total
1	Flight Information, Tracking Alerts & Check-in / Boarding Related Services	5	4	5	14
2	Wi-Fi-Services	4	3	5	12
3	Passenger Facilitation & Information	5	4	5	14
4	Transfers & Self-Baggage Drop Information	5	5	5	15
S. No.	Aeronautical Services	Necessity	Channel Usefulness	Passenger Experience	Total
5	Lounge Access via Credit Cards	5	2	3	10
6	Kannada Language Option	5	5	4	14
7	Other Aeronautical Services (Airport Engagement, CSR, Cultural Information, NPS, etc)	4	5	3	12
	Total	**33**	**28**	**30**	**91**

S. No.	Non-Aeronautical Services	Necessity	Channel Usefulness	Passenger Experience	Total
1	F&B	5	5	4	9
2	Flight Booking	4	3	2	5
3	Airport Cabs	2	2	4	10
4	Transit Hotel Booking	4	3	3	9
5	Airport Lounge Booking Services	3	3	3	7
6	Duty-Free Shopping	3	3	3	10
	Total	21	19	19	59
		Total Score			150
		Aeronautical Allocation (%)			60.66%

BIAL requests AERA to adopt the revised Aeronautical allocation ratio for BLR Pulse related marketing & advertising spend."

3.6.154.BIAL's comment with regard to the CSR Expenses is as follows:

"CSR Disallowance in Second Control Period was one of the matters appealed by BIAL in Learned TDSAT. The Learned TDSAT had ordered in favour of BIAL in this matter and the Authority had also given effect to the same at the time of issuance of Order for Third Control Period. Hence, BIAL

requests the Authority not to change this position and accordingly consider CSR Expenditure as part of O&M cost.

3.7.39 Based on the above, the aeronautical operating expenditure decided by the Authority for the true-up of Second Control Period is given below.

Table 40: Aeronautical operating expenditure decided by the Authority for true-up of Second Control Period

Operating expenses adjustments	FY 2017	FY 2018	FY 2019	FY 2020	FY2021	Total
Personnel expenses	107.37	110.43	137.41	174.29	157.35	686.84
O&M	83.03	98.97	96.93	117.09	123.78	519.80
Lease Rent	13.01	13.42	13.83	14.24	18.72	73.22
Utilities	36.45	41.92	34.86	34.22	25.20	172.66
Insurance	1.57	2.22	1.94	3.25	5.66	14.64
Rates & taxes (other than IT)	7.48	5.62	8.02	7.63	7.17	35.91
Marketing & Advertising	7.00	9.02	14.91	19.62	6.27	57.73
CSR	2.14	4.23	6.99	6.85	5.10	25.30
General admin costs	23.40	27.34	17.28	19.90	13.32	101.24
Total operating expenses - Aero	**282.35**	**313.15**	**332.18**	**397.08**	**362.57**	**1687.33**
Concession fee	39.67	44.65	38.14	32.88	13.99	169.32
Waiver and bad debts	0.00	0.00	0.00	0.00	0.00	0.00
Total operating expenditure - Aero	**322.02**	**357.80**	**370.32**	**429.96**	**376.56**	**1856.66**

"

3.6.155. BIAL's comment with regard to the Operating expenses – Allocation ratio is as follows:

"BIAL has computed the Aeronautical allocation ratio based on the approach adopted by the Authority in recent Tariff Orders and hence requests AERA to consider the same accordingly. BIAL's submission on certain key allocation ratios are as below.

Nature of Expenses	***AERA analysis***	***BIAL submission***
Operation & Maintenance Expenditure	*Certain expenses pertaining to the Guest Lite Contract for guest management and the provision of support and assistance at VVIP reserved lounges, including porter services for delegates and dignitaries, booked under Terminal Operations; as well as the AMC for landscaping, spares and consumables for landscaping, and the Parking Management Contract, booked under Landside Operations, have been classified as Non-Aeronautical expenses.*	*All the highlighted Expense contracts relate to Airport Operations. These are not separate Revenue Generating Activities. These costs are incurred towards passenger movement management, maintenance of Airport including Terminal, Ensuring availability of proper facilities in VIP Lounges as mandated in Concession Agreement.* *A detailed note on these costs are as given below Extract of applicable circulars for VVIP Lounge is enclosed as Annexure 8*
Marketing and Advertising Expenditure	*3.6.15 - For common Marketing and Advertising expenses, the Authority proposes to consider an allocation of 50% to Aeronautical services and 50% to Non-Aeronautical services.*	*Considering allocation of 50:50 for these costs for BIAL is not backed by data. Further, Social media spends is one of the key line item which has been considered at 50%. This is incorrect due to the following reasons:* *A significant portion of the expenditure was incurred towards addressing COVID-19-related passenger communication by disseminating travel advisories, government notifications, safety protocols, quarantine guidelines, operational updates and other critical travel information through digital channels. These platforms served as the primary mode of communication for*

		passengers during and immediately after the pandemic, enabling the Airport Operator to provide timely and reliable information.
Nature of Expenses	***AERA analysis***	***BIAL submission***
		Further, the expenditure has been incurred to support and promote various Government of India and airport operational initiatives intended to enhance passenger facilitation and operational efficiency, including DigiYatra, Self Baggage Drop, the Fast Track Immigration – Trusted Traveller Programme (FTI-TTP), and the seamless transition of passengers and airlines from Terminal 1 to Terminal 2. These activities are not in the nature of commercial brand promotion or the promotion of non-aeronautical businesses or revenue-generating commercial activities within the airport. Instead, they constitute operational passenger communication initiatives that facilitate the efficient use of aeronautical infrastructure, enhance passenger safety and convenience, and support the delivery of aeronautical services. Accordingly, the expenditure is intrinsically related to aeronautical operations and should be allocated entirely to the aeronautical segment. BIAL requests the Authority to reconsider its proposed allocation and classify the entire expenditure pertaining to Social Media incurred during the Third Control Period as aeronautical for the purpose of determination of the Aeronautical Operating Expenditure.
General Administration Cost		*We request AERA to apply Gross Block Ratio as applied in recent Tariff Orders/ Consultation Papers.*

Note on specific aspects relating to O&M contracts as detailed in Authority's analysis above

Landscaping

Contracts issued for landscaping relate to Landscaping on the approach roads to the passenger Terminals and in and around the Terminal area. Such landscaping helps contribute to the sustainability aspect by reducing dust, glare, and noise pollution.

Further, AERA in its Third Control Tariff order, had carried out a review of asset and expenses allocation Study as part of the Tariff determination process. In the said allocation report, Landscaping works have been clearly identified as Aeronautical. Extract is given below (Refer Pages 262 – 264 of the Consultation Paper of Third Control Period)

S. no	Asset Category*	Asset Sub-category/ Description	Type (BIAL)	Type (Revised)	Impact on reclassified assets on Area Gross Block of FY20 (INR cr.)
4	Buildings - Landscaping	Horticulture within the Terminal	A	A	-0.14
		Horticulture at boundary and central area	A	A	
		Horticulture at VVIP building	A	A	
		Horticulture at airport hotel	A	N	

Study on allocation of assets between aeronautical and non-aeronautical assets for BIAL

S. no.	Asset Category*	Asset Sub-category/ Description	Type (BIAL)	Type (Revised)	Impact on reclassified assets on Area Gross Block of FY20 (INR cr.)
		Landscaping for roads	A	A	

Hence, these costs are not to be considered as Non-Aeronautical expense, *as this is integral to core airport operations and directly as road (landside) landscaping forms part of essential infrastructure.*

Without prejudice to the above, in the Consultation Paper for GHIAL, Landscaping is considered as Common Asset (Refer Table 221). It is only therefore logical that if the asset is treated in a certain manner, the operating cost should also get the same allocation treatment

Traffic Management

The O&M contracts for Traffic Management cover Terminals, circulation roads and related areas

Scope of Work in Terminal 1 & Terminal 2

- *Traffic Management*
- *Accident / Incident Management*
- *Pedestrian crossing*
- *Tow vehicle operations*
- *VVIP and VIP movement handling*
- *Clearance of illegal parking vehicles and penalization*
- *Police co-ordination to handle Motor Vehicle Act violations*

These Contracts are for managing passenger convenience, removal blockages in and around Terminals / approach roads to Terminals due to wrong or illegal parking (using Tow Vehicles) and not relating to Car Park Revenues.

Hence, BIAL requests these expenses to be treated as aeronautical in nature.

Guest Relation contracts – Guest Lite and Porter Service Contracts

These contracts are primarily for the purpose of Guest Services at the VVIP/ Ceremonial Lounges. BIAL is mandated to provide VVIP/Ceremonial Lounges services as per AVSEC circular No 9/2021m, MoCA circular dated 5th Feb 2010 and 24th January 2023. Relevant circulars are enclosed as Annexure 8.

Guest Lite Contract and Porter Service Contract

Scope of work for the Contract is as follows:

1. Welcome greetings to guests during arrival and giving a fond farewell to guest while departing
2. Handling guest complaints and concerns in an efficient and timely manner.
3. Overseeing VIP guests, arrivals and departures

4. Provide detailed information about the flight movements, weather updates, Outlets, PTB Layout, Emergency contact numbers.
5. The employees should maintain the rules and regulations enforced by various Govt agency like DGCA, BCAS AAI

Since BIAL is mandated to provide this service, the same be treated as an aeronautical expense."

Other Stakeholders' comments regarding True Up of Operating Expenses for the Third Control Period

3.6.156. Fairfax India's comments with regards to the Personnel Costs is as follows:

*"**Observations on Personnel Cost:***

KIAB is amongst the fastest-growing airports globally and having been recognised for operational excellence, including being home to India's only 5-Star Skytrax rated terminal and earning repeated recognition amongst the world's best airports for passenger experience by Airports Council International. These achievements are made possible by a highly capable workforce that has not only delivered world-class infrastructure but continues to operate it to high standards of safety, efficiency and customer service.

As the majority shareholder, we place significant emphasis on prudent cost management and operational efficiency. However, our experience across infrastructure investments has consistently demonstrated that enduring value is created by investing in the capabilities that underpin safe, efficient and resilient operations. In our view, attracting and retaining high-quality talent is fundamental to sustaining BIAL's operational excellence and strong financial performance. The airport's ability to consistently grow both aeronautical concession and non-aeronautical revenues is intrinsically linked to the quality of its infrastructure, passenger experience and regulatory goals, as it ultimately moderates the level of aeronautical charges borne by passengers and airlines.

Fairfax also submits that personnel cost comparisons should be undertaken on a like-for-like basis. Unlike several airport operators that allocate a portion of corporate or shared service costs to the airport entity, BIAL operates without such corporate allocations, with these functions being performed directly by its own employees. Accordingly, we respectfully request the Authority to adjust for differences in operating models and undertake a like-for-like basis comparison which would demonstrate that BIAL's personnel costs are comparable with those of other leading private airports in India."

BIAL's response to Stakeholders' Comments regarding True Up of Operating Expenses for the Third Control Period

3.6.157. BIAL's response to Fairfax India's comment on Operating expenses is as follows:

"BIAL acknowledges and notes the comments made by the Fairfax India Holdings Corporation and thanks them for their views on the various proposals."

Authority's Analysis on Stakeholders' Comments regarding True Up of Operating Expenses for the Third Control Period

Personnel Costs

3.6.158. The Authority has carefully examined the comments made by BIAL regarding Personnel Costs (Refer 3.6.150) for the Third Control Period, including the explanations relating to differences in operating models across airports, benchmarking of employee costs, Bengaluru's labour market conditions, and the impact of the implementation of the new labour codes. In this regard, the Authority notes that BIAL operates as a standalone, single-location airport entity and, accordingly, bears the entire cost of

its leadership, governance, management and corporate support functions directly within the Airport SPV. Such costs are therefore largely reflected in BIAL's reported Personnel Expenses.

3.6.159. In contrast, several comparable airport operators form part of larger airport, infrastructure or diversified corporate groups. In such cases, certain leadership, governance, finance, human resources, procurement, planning, information technology, training and other corporate support functions may be maintained at the holding-company, regional or group level rather than within the airport SPV. The costs attributable to these functions are subsequently recovered from the airport entity through corporate cost allocations, shared-service charges, professionaland consultancy charges, recruitment and training expenses, operator or technical service fees, and other similar arrangements. Such costs may be recorded under expenditure heads other than Personnel Expenses. Accordingly, a direct comparison of employee costs reported at the airport-SPV level may not provide a true assessment of the overall manpower and support-function costs attributable to the respective airports. The Authority is therefore of the view that, for benchmarking purposes, the relevant costs incurred through such alternative cost-allocation mechanisms also need to be considered. After factoring in the corporate cost allocations, shared-service charges, professional and consultancy charges, recruitment and training expenses and other comparable costs incurred at the airports considered for benchmarking, the Authority observes that BIAL's Personnel Expenses, although at the higher end, are broadly comparable with those of similarly placed major airports.

3.6.160. The Authority further notes that BIAL's Personnel Expenses also include a one-time expenditure of ₹45.96 crore towards enhanced gratuity liability arising from the implementation of the new Labour Codes. The Authority considers this expenditure to be non-recurring in nature and therefore not representative of BIAL's normal recurring employee cost base. Accordingly, after examining BIAL's audited financial statements and the certifications and supporting information furnished by BIAL in this regard, and having satisfied itself regarding the nature and reasonableness of the expenditure, the Authority decides to consider BIAL's actual Personnel Expenses for the purpose of true-up of the Third Control Period.

3.6.161. The Authority, however, clarifies that this treatment is based on the specific facts, circumstances and expenditure incurred during the Third Control Period. It shall not be construed as an automatic pass-through of actual Personnel Expenses or as establishing the employee cost base for any subsequent Control Period. For the Fourth Control Period, Personnel Expenses shall be assessed independently on a forward-looking and efficiency-oriented basis. The assessment shall take into account prudent manpower requirements, reasonable and efficient employee cost levels, productivity improvements, organisational efficiency, and the benefits expected from automation, process optimisation and technology-enabled service delivery. The objective shall be to ensure recovery of prudent and efficiently incurred costs while safeguarding the interests of airport users and maintaining the long-term operational sustainability of the airport

3.6.162. Accordingly, based on the above facts the revised Personnel costs as decided by the Authority for the true-up of the Third Control Period are given in the table below:

Table 91: Total Personnel Costs decided by the Authority for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs decided by the Authority	208.28	255.24	316.60	384.35	451.46	1615.93

3.6.163. The Authority based on the comments and detailed analysis as provided in preceding paras has considered the Personnel Cost amounting to Rs 1615.93 Crore against the amount of Rs 1446.76 Crore proposed in the Consultation Paper.

O&M Expenses

3.6.164. The Authority has carefully examined BIAL's submissions regarding the expenditure of ₹15.74 crore relating to the National Aviation Security Fee Trust (NASFT) (Refer Para 3.6.151), proposed for consideration under Operating and Maintenance Expenses for the true-up of the Third Control Period.

3.6.165. The Authority notes BIAL's submission that the expenditure relates to security-related operating expenses initially claimed under the NASFT framework but subsequently disallowed and borne by BIAL. The Authority has reviewed the supporting details, including the letter issued by NASFT and the self-declaration submitted by BIAL confirming that the Comprehensive Maintenance Contract charges claimed separately have not been included under any other O&M contract.

3.6.166. The Authority is of the view that CMC charges relating to X-ray machines constitute expenditure necessary for the operation and maintenance of security screening equipment. Accordingly, based on the NASFT letter, BIAL's self-declaration and verification that the expenditure has neither been reimbursed through NASFT nor claimed under any other O&M contract, the Authority decides to allow ₹11.49 crore towards CMC charges for X-ray machines for the true-up of the Third Control Period.

3.6.167. The Authority, however, is not inclined to allow the balance expenditure of approximately Rs. 4.21 Crores, expenses being not directly attributable to Operating & Maintenance of airport assets and infrastructure and therefore decides to exclude the same from the admissible Operating Expenses for the Third Control Period.ssss

3.6.168. Accordingly, the revised Total O&M expense decided by the Authority for the true-up of the Third Control Period is as follows:

Table 92: Total O&M Expenses decided by the Authority for the Third Control Period

(Rs. in Cr.)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
O&M expenses decided by the Authority	156.21	213.21	295.35	384.52	460.47	1509.75

3.6.169. The Authority based on the comments and detailed analysis as provided in preceding paras has considered the O&M Expenses amounting to Rs 1509.95 Crore against the amount of Rs 1498.22 Crore proposed in the Consultation Paper.

Utilities Expenses

3.6.170. The Authority has carefully considered the submissions made by BIAL regarding the treatment of Utility Charges Recovery (Refer Para 3.6.152) during the true-up of the Third Control Period.

3.6.171. The Authority has examined the submissions. The Authority notes that utility charges recovered by the airport operator represent reimbursement of utility costs incurred on behalf of various airport users and concessionaires. Such recoveries are intrinsically linked to the underlying utility expenditure and do not constitute an independent revenue stream generated from airport operations. The Authority is therefore of the view that utility recoveries are in the nature of cost recoveries and should be considered in conjunction with the corresponding utility expenses.

3.6.172. The Authority further observes that the objective of tariff determination is to ensure that only the net utility cost actually borne by the airport operator forms part of the of the operating expenditure. If utility recoveries are treated as revenue while the corresponding gross utility expenditure is also allowed as an operating expense, it may not appropriately reflect the actual utility cost incurred by the airport operator for providing airport services.

3.6.173. The Authority also notes that, during the Third Control Period, utility charges recovered from both aeronautical and non-aeronautical users were directly attributable to the consumption of utilities by such users. In the Authority's view, the fundamental character of these recoveries remains that of reimbursement of utility expenditure irrespective of the classification of the underlying user as aeronautical or non-aeronautical.

3.6.174. The Authority is of the considered view that, for the purpose of true-up, the appropriate approach is to recognize the actual net utility cost borne by the airport operator after adjusting all utility charge recoveries against the corresponding utility expenditure. Such treatment ensures that airport users are not required to bear utility costs that have already been recovered from concessionaires and is consistent with the principle that tariff determination should be based on efficient and prudently incurred net expenditure.

3.6.175. The Authority also notes that the treatment proposed at the consultation stage does not alter the characterization of the underlying contractual arrangements entered into by BIAL with its concessionaires. The existence of separate contractual provisions and invoicing mechanisms merely establishes the mechanism for cost recovery and does not, by itself, change the economic substance of such recoveries from being reimbursement of utility expenses.

3.6.176. Accordingly, having considered the submissions of BIAL and the underlying regulatory principles, the Authority remains of the view that utility charge recoveries aggregating to Rs. 118.02 Crores should be adjusted against the corresponding utility expenses for the purpose of true-up of the Third Control Period. The Authority therefore is not inclined to modify its approach proposed at the consultation stage. This is the approach, the Authority has adopted uniformly across all airports.

3.6.177. The Authority, accordingly, decides to consider the net utility expenditure after adjustment of utility recoveries from both aeronautical and non-aeronautical concessionaires while determining the admissible utility expenses for the true-up of the Third Control Period.

Marketing & Advertising Expenses

3.6.178. The Authority has carefully examined the submissions made by BIAL regarding the allocation of Marketing & Advertising expenses (Refer Para 3.6.153), particularly the methodology adopted for allocation of BLR Pulse expenses between Aeronautical and Non-Aeronautical activities.

3.6.179. The Authority reiterates that BLR Pulse is a passenger-facing digital platform that simultaneously serves multiple objectives, including passenger facilitation, airport engagement, commercial promotion, concessionaire visibility and enhancement of passenger experience. The platform provides various airport-related services such as flight information, wayfinding assistance, queue information, passenger assistance services and operational information, while also serving as a channel for promoting and facilitating access to food and beverage outlets, retail services, duty-free shopping, transport services, hotel bookings and lounge services.

3.6.180. The Authority is of the view that the purpose of the MCDA framework is not merely to assess passenger utility but to determine the appropriate attribution of costs between Aeronautical and Non-Aeronautical activities having regard to the nature, functionality and economic benefits derived from

the platform. Accordingly, the parameters selected by the Authority, namely Necessity, Channel Usefulness and Revenue Generating Capability, collectively capture both passenger-facing and commercial dimensions of the services offered through the application.

3.6.181. The Authority does not agree with BIAL's contention that Revenue Generating Capability should be excluded from the assessment framework. While the Authority acknowledges that Aeronautical services are provided within the regulatory framework and do not independently generate revenues through the application itself, the Authority notes that a significant proportion of the Non-Aeronautical functionalities available on BLR Pulse are specifically intended to facilitate commercial transactions, increase concessionaire visibility, drive passenger spending and support revenue-generating activities at the airport. The commercial value and monetisation potential associated with such functionalities cannot be ignored while allocating the underlying costs of the platform.

3.6.182. The Authority further notes that the MCDA approach was specifically developed to avoid a simplistic equal allocation methodology and to instead reflect the relative nature and purpose of services offered through the platform. The Aeronautical functionalities available on BLR Pulse primarily facilitate passenger processing, information dissemination and airport service delivery. In contrast, a substantial component of the platform is dedicated towards enabling commercial transactions and promoting Non-Aeronautical services which directly support the airport's commercial ecosystem and revenue generation potential.

3.6.183. The Authority has also examined BIAL's submission regarding the level of classification adopted in the scorecard. The Authority is of the view that the categories considered in the analysis adequately represent the broad functionalities available on the platform and that minor variations in grouping or classification do not materially alter the overall assessment regarding the dual-use nature of the application. The Authority considers that the methodology adopted at the consultation stage appropriately captures the relative significance of Aeronautical and Non-Aeronautical functionalities and provides a reasonable basis for cost allocation.

3.6.184. In view of the foregoing, the Authority is of the considered view that the Multi-Criteria Decision Analysis adopted at the consultation stage represents a reasonable, transparent and balanced approach for allocation of BLR Pulse expenses. The Authority is therefore not inclined to modify the methodology or adopt the revised allocation ratio proposed by BIAL. The MCDA is also adopted uniformly across other airports for similar proposals.

3.6.185. Accordingly, the Authority decides to retain its approach adopted at the consultation stage and allocate BLR Pulse expenses based on the MCDA framework, with 35.87% allocated to Aeronautical activities and 64.13% allocated to Non-Aeronautical activities, while DigiYatra and Aero Business Development expenses shall continue to be treated as 100% Aeronautical in nature.

CSR Expenses

3.6.186. The Authority has carefully considered the submissions made by BIAL regarding the treatment of Corporate Social Responsibility ("CSR") expenditure (Refer Para 3.6.154) during the true-up of the Third Control Period.

3.6.187. The Authority notes that CSR obligations arise from the provisions of Section 135 of the Companies Act, 2013, which mandate qualifying companies to spend a prescribed percentage of their profits towards CSR activities. The Authority further notes that the obligation to incur CSR expenditure is linked to the financial performance and profitability of the company and is not directly related to the provision of aeronautical services, operation of airport infrastructure, or delivery of airport services to users.

3.6.188. The Authority is of the considered view that CSR expenditure represents a statutory social responsibility of the company and is distinct from expenditure incurred for operating, maintaining or developing airport infrastructure. Such expenditure is required to be incurred by the company in its capacity as a corporate entity and not in its capacity as an airport operator. Consequently, the Authority is of the view that CSR expenditure cannot be regarded as an operating cost incurred for provision of aeronautical services.

3.6.189. The Authority further observes that Section 135 of the Companies Act, 2013 contemplates CSR expenditure as an application of profits earned by the company. The Authority is therefore of the view that CSR expenditure is in the nature of appropriation of profits and not an expenditure that should ordinarily be passed through to airport users through aeronautical tariffs.

3.6.190. The Authority also notes that Section 37(1) of the Income-tax Act, 1961 specifically excludes CSR expenditure from being treated as expenditure incurred wholly and exclusively for the purposes of business. While the provisions of the Income-tax Act are not determinative for tariff-setting purposes, they nevertheless reinforce the principle that CSR expenditure constitutes a distinct statutory obligation and is not directly attributable to business operations or service provision.

3.6.191. The Authority has also considered BIAL's reliance on the earlier proceedings before the Hon'ble TDSAT. However, the Authority is of the view that each tariff determination and true-up exercise is required to be undertaken based on the applicable statutory framework, regulatory principles and facts and circumstances prevailing during the relevant Control Period. Having re-examined the issue, the Authority remains of the view that CSR expenditure does not satisfy the criteria of an admissible operating expense for determination of aeronautical tariffs.

3.6.192. The Authority is required to ensure that only prudent, efficient and service-related expenditure forms part of the aeronautical cost base recoverable from airport users. Since CSR expenditure is not incurred for operation, maintenance or provision of aeronautical services, allowing the same in the aeronautical cost base would result in airport users bearing an obligation that is intended to be discharged by the company from its own resources and profits.

3.6.193. In view of the foregoing, the Authority is not inclined to accept the request of BIAL. Accordingly, the Authority decides to retain its approach adopted at the Consultation Stage and not consider CSR expenditure as part of Aeronautical Operating Expenses for the purpose of true-up of the Third Control Period. This is the approach adopted by the Authority uniformly across all airports.

Allocation Ratio

3.6.194. In The Authority has examined BIAL's submissions regarding allocation of Operating and Maintenance, Marketing and Advertising, and General Administration Expenses (Refer Para 3.6.155). The Authority reiterates that expenses are to be allocated based on their primary purpose, underlying cost driver and beneficiaries, and not merely on the basis that they are incurred within the airport premises.

Operating and Maintenance Expenses

3.6.195. The Authority notes that the landscaping contracts cover the terminal boulevard, access and cargo roads, areas outside the terminals, common green areas, lagoons and nursery management. Since these activities primarily relate to the upkeep and aesthetics of landside and common areas and benefit the airport ecosystem generally, the Authority decides to retain their classification as Non-Aeronautical. The associated landscaping spares and consumables shall also be treated as Non-Aeronautical.

3.6.196. The Authority notes that the contract covers parking zones at Terminals 1 and 2, remote parking areas, arrival kerbside areas and taxi-aggregator zones. These activities are integrally connected with landside traffic and parking management, including areas supporting commercial parking and ground-transport services. Accordingly, the Authority decides to retain the classification of the Parking Management Contract as Non-Aeronautical.

3.6.197. The Authority acknowledges BIAL's obligation to provide VVIP and ceremonial lounge facilities. However, the activities under these contracts, including guest reception, protocol assistance, porter services and lounge support for delegates and dignitaries, are in the nature of hospitality and facilitation services for a specific category of users and do not constitute aeronautical services. Accordingly, the Authority decides to retain their classification as Non-Aeronautical.

Marketing & Advertising Expenses

3.6.198. The Authority has also examined BIAL's submissions regarding the allocation of Social Media activities, Events Management Costs, Cultural Activities, Terminal Marketing, Pinnacle Awards and Vendor Partner Meets.

3.6.199. The Authority acknowledges that certain campaigns undertaken during and after the Covid period included passenger advisories, operational updates, travel information and awareness relating to passenger facilitation initiatives. However, the Authority notes that the expenditure under these heads also supports broader objectives including airport branding, stakeholder engagement, airport visibility, passenger engagement, concessionaire ecosystem development and enhancement of the overall airport experience.

3.6.200. Similarly, expenditure incurred towards stakeholder events, cultural programmes, terminal branding initiatives, awards, recognition programmes and vendor engagement activities benefits the airport ecosystem as a whole. The benefits of these activities accrue to both Aeronautical and Non-Aeronautical functions and cannot be exclusively attributed to either segment.

3.6.201. Accordingly, the Authority decides to retain its approach at the Consultation Stage and allocate these expenditure heads in the ratio of 50% to Aeronautical and 50% to Non-Aeronautical activities.

3.6.202. The Authority has examined Fairfax India's submissions regarding BIAL's Personnel Costs (Refer Para 3.6.157). The Authority notes that Fairfax has supported BIAL's submissions on the need for a like-to-like comparison after accounting for differences in operating models and the manner in which corporate and shared-service functions are structured across airport operators.

3.6.203. The issues raised by Fairfax are substantially aligned with BIAL's submissions and have been duly considered by the Authority in its analysis in Para 3.6.156 above. Accordingly, no separate adjustment or further consideration is required in this regard.

3.6.204. Thus, based on the above changes, the Aeronautical Operating expenses decided by the Authority for the True-up of the Third Control Period is as shown in the table below:

Table 93: Aeronautical Operating Expenses decided by the Authority for True up of the Third Control Period

(Rs. in Cr.)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Personnel Costs	194.18	236.36	295.02	356.16	416.43	1,498.15
O&M	134.58	191.98	248.71	312.43	383.16	1270.87
Lease Rent	15.08	21.19	22.85	17.4	22.54	99.06
Utilities	15.81	22.84	47.74	33.97	10.94	131.30

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Insurance	5.92	6.92	8.86	9.78	9.57	41.05
Rates & Taxes	4.91	8.65	9.35	11.76	11.57	46.23
Marketing & Advertising	5.86	16.57	5.88	16.12	13.27	57.71
Collection cost	2.87	5.62	7.25	7.94	8.49	32.17
General Admin Cost	20.05	31.99	33.96	45.12	47.24	178.36
Other Borrowing Costs	2.67	5.39	11.36	8.38	57.84	85.64
Concession Fee	21.56	45.60	71.50	97.01	107.53	343.20
Miscellaneous expenses	(0.41)	0.49	(5.02)	3.66	5.05	3.77
Total	**423.09**	**593.60**	**757.46**	**919.74**	**1093.62**	**3,787.52**

3.6.205. In view of the above, the Aeronautical Operating Expenses of ₹3787.52 Crores, as per **Table 93**, for the true-up of the Third Control Period is decided by the Authority as against ₹3,620.85 crores proposed at the Consultation Stage. The major reasons for variance are:

i. Inclusion of actual Personnel Costs amounting to Rs. 156.60 Crore

ii. Inclusion of Rs. 9.88 crore towards Comprehensive Maintenance Contract charges for X-ray machines, which were disallowed under the NASFT framework and subsequently borne by BIAL, after applying the allocation ratio.

iii. Increase in Concession Fee by Rs. 0.55 Crore.

3.7 True Up of Working Capital Interest

BIAL's Submission for True up of Working Capital Interest

3.7.1. BIAL submitted the following Working Capital Interest for the true-up of Third Control Period

Table 94: Working Capital Interest as submitted by BIAL for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Working capital interest as submitted by BIAL	2.44	0.08	0.10	0.00	0.00	2.62

Recap of decision taken by the authority for Working Capital Interest at the time of tariff determination for the Third Control Period

3.7.2. The Authority, in the Tariff Order for the Third Control Period, had concluded as under in respect of Control Period:

i. Decision No. 10.6.1: *"To consider working capital interest / fee as detailed in Table 175 for the Third Control Period."*

ii. Decision No. 10.6.2: *"To true up the working capital interest/ fee projections based on actuals, at the end of the control period, in computation of tariff for the next control period."*

3.7.3. The Authority noted the following working capital interest considered at the time of tariff determination for the Third Control Period:

Table 95: Working Capital Interest considered by the Authority at the time of tariff determination for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Working capital interest approved by the Authority	4.56	5.43	5.44	5.43	5.43	26.30

Authority's examination and proposal for Working Capital Interest for the True up of the Third Control Period at the Consultation Stage

3.7.4. The Authority noted that the working capital interest submitted by BIAL for the Third Control Period in the financial model forming part of the MYTP for the Fourth Control Period is approximately 90% lower than the working capital interest approved by the Authority for the Third Control Period. The Authority further noted BIAL's submission that, at the time of tariff determination for the Third Control Period, owing to the uncertainty caused by the COVID-19 pandemic, working capital interest had been considered as a prudential measure / safety net in view of possible delays in receipt of payments. However, during the Third Control Period, payments were received in a timely manner, resulting in lower actual working capital requirements and, consequently, lower working capital interest. The Authority also noted that it has verified the actual cost incurred based on the books of accounts, CA certificates, and other relevant supporting documents submitted by BIAL, and accordingly found the same to be reasonable.

3.7.5. The working capital interest proposed to be considered by the Authority for the Third Control Period is provided in the table below:

Table 96: Working capital interest proposed to be considered by the Authority for the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Working capital interest proposed to be considered by the Authority	2.44	0.08	0.10	0.00	0.00	2.62

Stakeholders' Comments regarding True Up of Working Capital Interest for the Third Control Period

3.7.6. During Stakeholders' Consultation Process, the Authority has not received any comments from BIAL, or any other stakeholder in response to the proposals of the Authority in Consultation Paper No. 01/2026-27 dated 12th June 2026 with regard to Working Capital Interest.

Authority's Analysis on Stakeholders' Comments regarding True up of Working Capital Interest for the Third Control Period

3.7.7. Accordingly, the working capital interest decided by the Authority for the True-up of the Third Control Period is as shown in the table below:

Table 97: Working capital interest decided by the Authority for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Working capital interest	2.44	0.08	0.10	0.00	0.00	2.62

3.8 True up of Aeronautical Taxes for the Third Control Period

BIAL's submission regarding Aeronautical Taxes for the True up of Third Control Period

3.8.1. BIAL has submitted that taxes for the applicable years in the Third Control period had been paid, on the basis of Minimum Alternate Tax.

3.8.2. BIAL submitted that it has computed aeronautical tax considering 30% non-aero revenues as part of its aeronautical P&L. BIAL has submitted that this was done in line with the Learned TDSAT's decision dated 21.07.2023 in the Authority Appeal No.1 of 2021, in the case of DIAL Vs. the Authority & Anr. BIAL has cited the following paragraphs from the decision (paragraph 135 (c) and paragraph 137) as the basis for inclusion of the 30% subsidy in its aeronautical tax calculation –

"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 the Authority 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)."

3.8.3. The tax outflow submitted by BIAL for the Third Control Period is as follows -

Table 98: Tax reimbursement proposed by BIAL for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026
IT Reimbursement	0	0	0	21.20	49.14

Recap of decision taken by the Authority for Aeronautical Taxes at the time of tariff determination for the Third Control Period

3.8.4. Decision number 9.5.1: "*To consider tax outflow estimate as set out in Table 172 for the Third Control Period*".

3.8.5. The Authority noted the following tax was considered at the time of tariff determination for the Third Control Period vide decision number 9.5.1.

Table 99: Aeronautical Tax estimate decided by the Authority for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aeronautical PBT	(470.67)	(73.49)	(207.13)	303.08	420.03	(28.17)
Effective tax rate	0.00%	0.00%	0.00%	17.45%	17.51%	
Aero tax	0	0	0	52.88	73.55	126.44

Authority's examination and proposal for taxation for the True up of the Third Control Period at the Consultation Stage

3.8.6. The Authority noted that BIAL has considered 30% of non-aeronautical revenues to compute the aeronautical tax. The fact that a part of non-aeronautical revenues is used for cross-subsidization as per the hybrid till mechanism does not change the nature of such revenues to aeronautical. Cross subsidization as per hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize the airport operator to make effective investments in non-aeronautical revenue generating assets.

3.8.7. Therefore, the Authority has made below considerations for the purpose of computation of Aeronautical Taxes:

a. 30% of non-aeronautical income which was reduced while calculating the ARR and corresponding aeronautical revenues streams, are added back to reflect the comprehensive aeronautical revenues for the airport.

b. Aeronautical O&M expenses as determined by the Authority in **Table 90**.

c. Depreciation has been considered based on regulatory books of accounts.

d. Interest cost has been considered based on regulatory books of accounts (i.e. RAB * Avg. cost of debt * 70% gearing ratio)

3.8.8. The Authority, in line with its decision for other airports, proposed to not consider 30% of non-aeronautical revenues while computing aeronautical taxation for the true-up of the Second Control Period.

Table 100: Aeronautical Taxation proposed to be considered by the Authority for the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aero revenues	536.50	1,140.46	1,786.29	2,419.88	2,715.37	8,598.50
30% of non-aero revenues	-	-	-	-	-	-
Aero operational expense	(395.13)	(564.63)	(748.23)	(893.81)	(1,019.06)	(3,620.85)
EBITDA	141.37	575.83	1038.06	1526.07	1696.31	4977.65
Aero Depreciation	(283.98)	(418.01)	(558.22)	(566.10)	(575.30)	(2,401.60)
Interest expenses	(231.14)	(374.28)	(560.79)	(593.05)	(542.14)	(2,301.40)
PBT	(373.74)	(216.45)	(80.96)	366.93	578.87	274.65
Effective tax rate	-	5.86%	22.88%	24.80%	24.85%	
Aero tax	-	-	-	-	68.24	68.24

Stakeholders' Comments regarding Aeronautical Taxes for the Third Control Period

3.8.9. During Stakeholders' Consultation Process, the Authority has received comments/ views from BIAL, in response to the proposals of the Authority in Consultation Paper No. 01/2026-27 dated 12th June 2026 regarding Aeronautical Taxes. The comments of the stakeholders are presented below:

BIAL's comments regarding True Up of Aeronautical Taxes for the Third Control Period

3.8.10. BIAL's comment in regard to the Taxes is as follows:

"BIAL had submitted the estimated Tax reimbursement for Third Control Period based on Aeronautical Revenues, 30% Non-Aeronautical Cross subsidization and after adjusting the Aeronautical Expenses, depreciation etc.

AERA has recomputed the Tax reimbursement in Table 90 of the Consultation Paper. BIAL requests the Authority to review the following submissions with respect to computation of Aeronautical Tax for Third Control period.

1. *Inclusion of 30% Non-Aero Revenues for computing Aeronautical Profit – BIAL had, as detailed in its submission for Third Control Period and Fourth Control Period MYTP, considered 30% of the Non-Aero Revenues that are used to subsidize the Aeronautical charges, as part of revenues to consider the PBT for computing Taxes. BIAL requests the Authority to consider 30% of Non-Aero Revenues as part of Aeronautical P&L to compute Taxation.*
2. *Interest Expenses for the purpose of computing Aeronautical Profit – BIAL had computed the Interest*

Expenses for computing Aeronautical Profit based on the gearing rate applied by Authority for computing FRoR at 48%. This is aligned with the basis adopted by AERA in computing Income Tax in other airports such as MIAL and Navi Mumbai. Extract of MIAL Order for 4th Control period wherein the Interest cost has been computed as 48% of the RAB is as given below. However, AERA has adopted a D:E basis of 70% for computing Interest Cost. BIAL requests AERA to consider 48% as gearing ratio on RAB to compute the Interest cost for computing Aeronautical P&L.

Table 346: Interest Expenses as proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in crores)

Particulars	Ref	FY25	FY26	FY27	FY28	FY29	Total
Average RAB [Refer Table 239]	A	5,146.45	6,057.71	6,625.48	7,132.95	8,379.97	
D/E Ratio [Refer Table 260]	B	48.00%	48.00%	48.00%	48.00%	48.00%	
Interest Rate [Refer Table 260]	C	10.15%	10.15%	10.15%	10.15%	10.15%	
Interest Expense	**D = A*B*C**	**250.74**	**295.13**	**322.79**	**347.52**	**408.27**	**1,624.45**

Table 347: Aeronautical Taxation as proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in crores)

Particulars	Ref	FY25	FY26	FY27	FY28	FY29	Total
Aeronautical Revenue	A	1,604.31	1,363.41	1,275.32	1,354.22	1,547.55	**7,144.81**
30% of Non-Aeronautical Revenue and Other Income (Cross Subsidy)	B	-	-	-	-	-	-
Total Income for Aero Tax Computation	**C=A+B**	**1,604.31**	**1,363.41**	**1,275.32**	**1,354.22**	**1,547.55**	**7,144.81**
Aeronautical Expenses [Refer Table 317]	D	973.15	972.15	998.54	1,051.42	1,210.32	**5,205.57**
Annual Fees to AAI	E	-	-	-	-	-	-
Depreciation [Refer Table 233]	F	419.98	505.25	540.26	565.13	577.70	**2,608.31**
Interest Expenses [Refer Table 346]	G	250.74	295.13	322.79	347.52	408.27	**1,624.45**
Profit Before Tax	**H=C-D-E-F-G**	**(39.55)**	**(409.12)**	**(586.27)**	**(609.85)**	**(648.73)**	**(2,293.53)**

Extract from NMIAL Tariff Order issued in 2026-27 is as below:

10.1.2 While calculating tax, NMIAL had considered the following:

- 30% of non-aeronautical income which was reduced while calculating the ARR and corresponding aeronautical revenues streams, are added back to reflect the comprehensive aeronautical revenues for the airport.
- Aeronautical O&M expenses
- Premium (revenue share) as mentioned in clause 26.2.4 of the CA is not considered as expenditure.
- Depreciation had been considered based on regulatory books of accounts.
- Interest cost had been considered based on regulatory books of accounts (i.e. RAB * Avg. cost of debt * 48% gearing ratio)

10.2 Authority's examination regarding aeronautical taxation for the First Control Period at Consultation Stage

10.2.1 The Authority noted that NMIAL had considered 30% NAR in the estimation of aeronautical Profit Before Tax (PBT), which was then used in the computation of aeronautical taxes. The fact that a part of NAR is used for cross subsidisation as per the hybrid till mechanism does not change the nature of such revenue to aeronautical. Further, the cross subsidisation as per the hybrid till mechanism is done in order to reduce tariff pressure on passengers and to incentivize NMIAL to make effective investments in non-aeronautical income generating sources.

10.2.2 Authority also noted that for the purpose of tax calculation, NMIAL had considered interest cost in proportion of notional gearing ratio.

3. *Computation of Tax Reimbursement – BIAL understands from Table 90 of the Consultation Paper that AERA has computed Tax at MAT rate on the profit after adjusting for c/f losses. BIAL submits as follows:*

- *Income Tax is paid under Minimum Alternate Tax for the years in Third Control Period till 31st March 2026. MAT is paid on the book profits for the company as a whole.*
- *In FY 24 to FY 26, BIAL has paid MAT on the book profits without any carry forward loss adjustment for the company has a whole, without any carry forward loss adjustment. Hence, MAT has to be considered and reimbursed for Aeronautical Profits as well.*

Based on the above, Income Tax re-computed considering the change in Interest value and MAT payment made by the Company is as given below:

Taxation of Third Control period reworked for Interest expenses and MAT payment						
Particulars	***2022***	***2023***	***2024***	***2025***	***2026***	***Total***
Aero Revenues	***536.50***	***1140.46***	***1786.29***	***2419.88***	***2715.37***	***8598.50***
O&M Expenses	*-395.13*	*-564.63*	*-748.23*	*-893.81*	*-1019.06*	*-3620.86*
Aero Depreciation	*-283.98*	*-418.01*	*-558.22*	*-566.10*	*-575.3*	*-2401.61*
Aero Int. Exp	*-158.50*	*-256.65*	*-384.54*	*-406.66*	*-371.75*	*-1578.10*
Sub Total of Expenses	***-837.61***	***-1239.29***	***-1690.99***	***-1866.57***	***-1966.11***	***-7600.57***
Earnings	*-301.11*	*-98.83*	*95.30*	*553.31*	*749.26*	*997.93*
Effective Tax Rate		*5.86%*	*22.88%*	*24.80%*	*24.85%*	
Aero Tax			***21.80***	***137.22***	***186.19***	

Authority's Analysis on Stakeholders' Comments regarding True up of Taxation for the Third Control Period

3.8.11. The Authority notes BIAL's submissions regarding

i. Treatment of 30% of non-aeronautical revenues for computation of aeronautical profit,

ii. Adoption of a notional gearing ratio for computation of interest expense, and

iii. Treatment of Minimum Alternate Tax (MAT) for determination of aeronautical tax entitlement for the true-up of the Third Control Period.

Treatment of 30% of non-aeronautical revenues for computation of aeronautical profit

3.8.12. With regard to BIAL's submission that 30% of non-aeronautical revenues should also be considered while computing aeronautical profit for tax purposes, the Authority does not agree with the submission. Under the Hybrid Till framework, 30% of non-aeronautical revenues are already considered for cross-subsidisation of aeronautical services and, accordingly, reduce the Aggregate Revenue Requirement (ARR) to be recovered through aeronautical tariffs. The computation of tax entitlement should remain consistent with the regulatory treatment adopted for determination of ARR. If the same 30% of non-aeronautical revenues is considered again for determining aeronautical taxable profit, it would effectively provide an undue benefit to the Airport Operator in the form of additional tax as this would result in an overstated tax entitlement and consequently impose an additional and unwarranted burden on airport users through aeronautical tariffs.

3.8.13. The Authority further clarifies that the 30% portion of non-aeronautical revenue is considered under the Hybrid Till framework only as a mechanism for cross-subsidisation of aeronautical services, in accordance with the applicable policy framework. Such regulatory treatment does not alter the underlying character of the revenue or convert it into aeronautical revenue. Treating the said amount as part of aeronautical taxable income would artificially increase the aeronautical income attributable to the Airport Operator.and, correspondingly, reduce the benefit of cross-subsidisation intended for airport users. Such an approach would therefore be inconsistent with the underlying objective of the Hybrid Till framework and would result in an unintended financial benefit to the Airport Operator at the expense of users. The Authority, therefore, retains its approach of not separately considering 30% of non-aeronautical revenues for computation of aeronautical corporate tax.

Adoption of a notional gearing ratio for computation of interest expense

3.8.14. With regard to interest expense, the Authority notes BIAL's submission that a gearing ratio of 48% should be adopted for computation of interest cost for determining aeronautical profit and the corresponding tax entitlement. The Authority is of the view that the tax entitlement should reflect only the tax liability attributable to the aeronautical business of the Airport Operator. Accordingly, the interest expense considered for tax computation should appropriately reflect the financing structure attributable to the aeronautical business of the airport operator. BIAL is financing new capex through 70% debt and 30% equity. Accordingly, the Authority has considered interest expenses by considering 70% RAB financing through debt for computation of Aeronautical tax.

3.8.15. The Authority has also noted BIAL's reference to the tax treatment adopted in the case of MIAL. The Authority notes that the tariff determination of MIAL is governed by its State Support Agreement and the regulatory and contractual arrangements applicable to MIAL. Accordingly, the tax treatment adopted in case of MIAL cannot be directly applied to BIAL. Further, the Hon'ble Supreme Court, vide its judgment dated 11.07.2022, in a civil Appeal filed by DIAL and MIAL, has laid down the position regarding the computation of corporate tax for DIAL and MIAL. The said treatment covered under the order of the Hon'ble Supreme Court in respect of DIAL and MIAL is specific to the regulatory and contractual framework as given in their State Support Agreement/ Concession Agreement which govern these airports and does not provide a basis for adopting the same methodology in the case of BIAL.

3.8.16. The Authority has also considered BIAL's reference to the regulatory treatment adopted in the case of NMIAL, wherein normative gearing was considered for the purpose of computing the tax entitlement. The Authority, however, observes that NMIAL and BIAL are materially distinguishable in terms of their respective stages of development, nature of the asset base, and financing structures. NMIAL is a greenfield airport with a newly created asset base, whereas BIAL is a mature brownfield airport with an established operational asset base and a substantially evolved financing structure.

3.8.17. The Authority further notes that the debt component of BIAL is in excess of 100% of its Regulatory Asset Base (RAB), whereas the corresponding debt component in the case of NMIAL is approximately 63% of its RAB. In view of this significant difference, application of normative gearing to BIAL for the purpose of computing interest for regulatory-tax purposes may not appropriately reflect the historical financing structure attributable to its RAB and may result in an interest cost being considered which is materially lower than the actual incurred financing cost, thereby creating an additional tax- related pass-through. In fact, for a greenfield airport, substantially the entire initial RAB represents newly created infrastructure with no established operating or financing history and its long term capital structure is not yet stabilised. Consequently, without duly considering the material differences in the respective asset and financing profiles the regulatory treatment adopted for a greenfield airport such as NMIAL, cannot be applied mechanically to an operational brownfield airport.

3.8.18. The Authority recognises that normative gearing is an established regulatory construct for determining an efficient capital structure and the Fair Rate of Return (FRoR). However, the application of normative gearing for the specific purpose of determining interest expense for tax computation is a distinct matter and need not necessarily follow the same approach in all circumstances. This distinction assumes particular significance in the case of a mature brownfield airport, where the financing structure has substantially stabilised, historical project debt has undergone progressive amortisation, and reliable and auditable information relating to actual debt outstanding, interest expenditure and tax liability is available. Hence, normative gearing used for FRoR should not automatically be applied into the tax calculation where reliable actual long term financing and tax data exists. The methodology should actually reflect the economic reality of relevant RAB and avoid creating a pass through in excess of efficient tax burden.

3.8.19. In the light of above, it needs to be taken into account that application of a normative debt-equity ratio, such as 48:52, for a mature brownfield airport for determining interest for tax computation may actually result in a notional interest deduction which does not have a sufficient nexus with the airport's actual financing position. This could, in turn, lead to a regulatory tax allowance that does not appropriately correspond to the efficient tax burden attributable to aeronautical operations. Since tax is allowed as a pass-through component in the Aggregate Revenue Requirement (ARR), any regulatory tax allowance in excess of the efficiently incurred tax burden would ultimately form part of the revenue requirement and may be recovered through higher aeronautical charges from passengers, airlines and other airport users. Accordingly, the Authority is of the view that normative gearing, while intended to promote an efficient capital structure, should not, in the case of a mature brownfield airport, result in an additional or unintended tax-related pass-through.

3.8.20. The Authority also recognises that a newly commissioned greenfield airport stands on a materially different footing. At the commencement of operations, substantially the entire RAB represents newly created infrastructure financed contemporaneously through project debt and equity. Such an airport does not have an established operating or financing history, traffic is generally in the process of ramping up, and its long-term capital structure may not yet have stabilised. In these circumstances,

the financing position prevailing in any particular year may not necessarily constitute an appropriate or sustainable benchmark for regulatory purposes.

3.8.21. Accordingly, adoption of normative gearing during the initial regulatory period of a greenfield airport may provide an objective, transparent and predictable proxy for an efficient financing structure. Such an approach can also provide greater financing certainty and support the bankability of the project, while avoiding tariff outcomes being determined solely by financing decisions made at the inception of the project. The normative approach, therefore, has a stronger economic and regulatory nexus with a newly created greenfield RAB than with the legacy RAB of a mature brownfield airport.

3.8.22. In view of the foregoing, the Authority is of the considered view that normative gearing may appropriately be adopted for determining interest for regulatory-tax purposes during the initial regulatory phase of a greenfield airport, where the actual financing structure has not yet stabilised and reliable historical financing data may not be available. In contrast, in the case of a mature brownfield airport, the interest considered for tax computation should have a closer nexus with efficiently incurred, demonstrable and verifiable financing costs and the corresponding tax liability.

3.8.23. The Authority further observes that such differentiated treatment does not constitute discriminatory treatment. Rather, it reflects the materially different stages of the airport financing life-cycle and the differing regulatory circumstances applicable to greenfield and mature brownfield airports. The approach is consistent with the regulatory objective of ensuring the financial viability and sustainability of airport operations while safeguarding the interest of passengers, airlines and other airport users against an avoidable or excessive tariff burdens.

3.8.24. Accordingly, as elaborately illustrated above, the Authority for the purpose of determining aeronautical tax entitlement, considers it appropriate to consider for a mature brownfield airport like BIAL the interest expense corresponding to a debt component of 70% of RAB. This approach is consistent with the interest cost considered for calculating aeronautical regulatory asset base and the methodology adopted by the Authority in the Consultation Paper for ensuring that the tax entitlement is based on a reasonable and regulatory financing structure attributable to the aeronautical business of the said airport.

Treatment of Minimum Alternate Tax (MAT) for determination of aeronautical tax entitlement for the true-up of the Third Control Period

3.8.25. With regard to BIAL's submission regarding the treatment of Minimum Alternate Tax (MAT), particularly its contention that MAT should be computed without adjustment of brought-forward losses, the Authority has examined the submission with reference to the applicable provisions of the Income-Tax Act and the relevant tax provisions. Upon examination, the Authority finds merit in BIAL's submission on this issue. Accordingly, for the purpose of determining the aeronautical tax entitlement, the Authority has recomputed MAT without adjusting brought-forward losses, in accordance with the applicable provisions of the Income-Tax Act.

3.8.26. In view of the comprehensive analysis and illustration as given in the preceding paras, the Authority for the purpose of true-up of the Third Control Period decides as follows:

i. Treatment of 30% of Non-Aeronautical Revenue: The 30% portion of non-aeronautical revenues shall not be considered for computation of aeronautical corporate tax, as the same has already been taken into account under the Hybrid Till framework while determining the ARR recoverable through aeronautical tariffs. Considering the same again for tax computation would result in undue benefit to the Airport Operator and effectively reduce cross subsidy portion.

ii. Treatment of Interest Expense: For computation of aeronautical corporate tax, the interest expense shall be determined with reference to a debt component corresponding to 70% of the RAB consistent with interest cost considered for calculating aeronautical regulatory asset base.

iii. Treatment of MAT: MAT shall be computed in accordance with the applicable provisions of the Income-tax Act, including the prescribed treatment of brought-forward losses.

3.8.27. Accordingly, the aeronautical tax entitlement for the true-up of the Third Control Period has been determined by the Authority based on the above principles and regulatory approach.

Table 101: Aeronautical Taxation decided by the Authority for the Third Control Period

(Rs. in Crore)

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Aeronautical Revenue	(A)	541.94	1,145.54	1,794.81	2,433.29	2,696.64	8,612.22
Expenditure / Allowances:							
Operation and Maintenance Expenditure (Refer: **Table 248**)	(B)	423.09	593.60	757.46	919.74	1093.62	3,787.52
Aeronautical Depreciation (Refer **Table 45**)	(C)	285.62	382.78	660.87	657.57	665.21	2,652.02
Aeronautical Interest expenses	(D)	231.26	373.76	556.18	582.26	529.56	2,273.01
Sub-total (E) = (B + C + D)	(E)	939.97	1,350.14	1,974.50	2,159.57	2,288.38	8,712.57
Earnings pertaining to the Regulated Charges (F) = (A) – (E)	(F)	(398.03)	(204.60)	(179.69)	273.72	408.25	(100.35)
Accumulated Losses:							
Opening Accumulated Losses	(G)	0.00	(398.03)	(602.63)	(782.32)	(508.60)	
Current year losses	(H)	(398.03)	(204.60)	(179.69)	0.00	0.00	
Current year set-off	(I)	0.00	0.00	0.00	273.72	408.25	
Closing Accumulated Losses (K) = (G+H+I)	(J)	(398.03)	(602.63)	(782.32)	(508.60)	(100.35)	
Earning on which normal tax is calculated [Max (G-K), 0]	(K)	0.00	0.00	0.00	0.00	0.00	
Tax Rates	(L)	17.47%	17.47%	17.47%	17.47%	17.47%	
Aeronautical Tax (M) = (K) × (L)	(M)	0.00	0.00	0.00	0.00	0.00	

3.9 True up of Non-Aeronautical Revenue for the Third Control Period

BIAL's submission regarding True Up of Non-Aeronautical Revenue for the Third Control Period

3.9.1. BIAL, in its MYTP for the Fourth Control Period has submitted the following key positions for true-up of NAR for the Third Control Period:

i. **CGF Services:** Revenue from Cargo, Ground Handling and Fuel Farm has been classified as Non-Aeronautical Revenue;

ii. **Real Estate and Interest Income:** Income from real estate and interest income has been excluded from the computation of NAR;

iii. **Rent and Land Lease:** Income from Rent and land lease have been fully considered to be of non-aeronautical nature.

iv. **Revenue from Utility Charges**: Revenue earned from Utility Charges paid by the concessionaires are fully considered to be of non-aeronautical nature;

v. **Non-Airport Activities**: Income from Non-Airport Activities has been excluded from the computation of NAR; and

vi. **Notional Lease Rentals (BAHL and AAI):** The matter pertaining to notional lease rentals on space provided to AAI (and its retrospective application from the Second Control Period along with notional lease rentals from Airport Opening Date for space provided to BAHL) was not included in the NAR submission for true-up of the Third Control Period or for the Fourth Control Period.

3.9.2. BIAL has submitted the Non-Aeronautical Revenue for the Third Control Period as per the table below:

Table 102: Non-Aeronautical Revenue submitted by BIAL for the True up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Concessionaires Rental Income						
Car Park Revenue	38.48	74.54	98.96	132.30	142.04	**486.32**
Retail Revenue	61.96	160.28	233.24	295.05	380.65	**1,131.18**
F&B Revenue	31.34	84.34	108.76	124.67	137.96	**487.07**
Lounge Revenue	20.35	93.06	126.73	162.22	200.51	**602.87**
Advertising & promotion	36.05	69.69	96.59	116.00	128.26	**446.59**
Flight catering	4.96	16.11	15.92	33.91	35.35	**106.25**
Other Non-Aeronautical Revenue						
Rent and land lease	64.96	69.46	129.37	173.88	185.87	**623.54**
Utility charges	12.60	17.65	24.88	32.00	30.89	**118.02**
Miscellaneous non-aeronautical	7.60	14.77	18.32	24.54	33.86	**99.09**
Other income	6.66	10.45	17.64	6.32	22.06	**63.13**
CGF, ICT Revenues						
Cargo Revenue	59.36	50.39	87.52	126.78	168.55	**492.60**
Ground Handling Revenue	29.46	51.96	66.75	80.40	92.49	**321.06**
Fuel	4.39	5.86	8.06	8.87	38.70	**65.88**
ICT & CUTE CUSS	55.10	74.75	92.48	119.51	133.16	**475.00**
Total NAR	**433.27**	**793.31**	**1,125.22**	**1,436.45**	**1,730.35**	**5,518.60**

Recap of decisions taken by the Authority as part of Tariff Determination for the Third Control Period

3.9.3. The Authority, in the Tariff Order for the Third Control Period, had concluded as under:

i. Decision No. 8.6.2: "*To treat real estate revenue as non-aeronautical revenues.*"

ii. Decision No. 8.6.3: "*To treat interest income as non-aeronautical revenues.*"

iii. Decision No. 8.6.4: "*To true up non-aeronautical revenues for the current control period, at the time of determination of tariff for the next control period.*"

3.9.4. The Non-Aeronautical Revenue forecasted during the tariff determination of the Third Control Period is as follows:

Table 103: Non-Aeronautical Revenue decided by the Authority in the Third Control Period Tariff Order

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Car Park Revenue	37.40	80.63	110.04	134.44	163.97	**526.48**
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	**61.91**
Total NAR	**236.21**	**474.15**	**588.89**	**723.84**	**892.75**	**2,915.84**

Authority's examination of the matters regarding the True up of Non-Aeronautical Revenue for the Third Control Period at the Consultation Stage

3.9.5. The Authority, through its Independent Tariff Consultant had examined the gross Non-Aeronautical Revenue ("NAR") submitted by BIAL for the Third Control Period as follows:

i. Agreed the gross NAR submitted by BIAL with the audited financial statements for FY 2022 to FY 2025 and the unaudited actuals for FY 2026.;

ii. Obtained and reviewed few contracts, concessionaire agreements and other relevant documents and records supporting the NAR submitted by BIAL.; and

iii. Reviewed the variance between the NAR approved by the Authority in the Third Control Period Tariff Order with the actual NAR submitted by BIAL, along with the underlying reasons thereof.

3.9.6. The Authority noted that BIAL had classified the various revenue streams under five broad categories, linked to the underlying growth drivers as given in the table below:

Table 104: Basis of Projections of NAR as submitted by BIAL

S. No	Particulars	Growth Drivers
1	In Flight Catering, Ground Handling, Fuel Farm	ATM Growth, inflation
2	Car Parking, Retail- Domestic and others, Food and Beverage, Lounge Services- Domestic and Hotel, Advertisement and promotions	Total Passenger growth, inflation
3	Retail- International including duty free, Lounge Services- International	International passenger growth, inflation
4	Revenue Share from Cargo	Cargo throughput growth
5	Rental Income, Other Miscellaneous Income	Others

3.9.7. The comparison of Non-Aeronautical Revenues ("NAR") for True up of Third Control Period between BIAL's submission and the Authority's decision in the Third Control Period order is given in below tables:

Table 105: Comparison of Concessionaire Rental Income for True-Up of the Third Control Period

S. No	Particulars	3rd CP Order (A)	BIAL's Submission (B)	Variance (C = B−A)	Reason for Variation
1	Car Park Revenue	526.48	486.32	(40.16)	**Basis of Forecast:** Total Passenger growth and Inflation. **Reason for Variance:** Marginally lower revenue on account of lower parking penetration due to cheaper alternative parking options available near Begur South parallel road, outside the airport. Hence, car parking revenue was observed to be lower by 7.63%
2	Retail Revenue	671.69	1,131.18	459.49	**Basis of Forecast:** Respective Passenger growth and Inflation. **Reason for Variance:** Significant outperformance driven by stronger-than-projected international passenger growth, higher per-pax spending at Duty-Free and Retail concessions, and increase in commercial areas for newly developed T2. Hence, retail revenue was observed to be higher by 68.41%.
3	F&B Revenue	346.47	487.07	140.60	**Basis of Forecast:** Passenger growth and Inflation. **Reason for Variance:** Higher revenue on account of expanded F&B footprint at T2, premium positioning of outlets and higher per-pax spend. Hence, F&B revenue was observed to be higher by 40.58%.
4	Lounge Revenue	187.08	602.87	415.79	**Basis of Forecast:** Total Passenger growth and Inflation. **Reason for Variance:** Substantial growth driven by expanded lounge capacity at T2 and higher international transfer traffic. Lounge Revenues was observed to be higher by 222.25%.
5	Advertising & Promotion	509.23	446.59	(62.64)	**Basis of Forecast:** Extended concession period, recovery in passenger traffic, stronger global brand interest, digital media growth, and inflation. **Reason for Variance:** Lower revenue on account of muted advertising rates during the post-COVID recovery period, partially offset by recovery in the latter years of the CP. Revenues from advertising and promotion was observed to be lower by 12.30%.
6	Flight Catering	55.75	106.25	50.50	**Basis of Forecast:** ATM growth and Inflation. **Reason for Variance:** Higher revenue on account of increase in meal cost charged by concessionaires to airlines, expanded catering operations and

S. No	Particulars	3rd CP Order (A)	BIAL's Submission (B)	Variance (C = B−A)	Reason for Variation
					renegotiation of concessionaire contracts. Catering revenues was observed to be higher by 90.58%.
	Total	**2,296.70**	**3,260.28**	**963.58**	

Table 106: Comparison of Other Non-Aeronautical Revenue for True-Up of the Third Control Period

(Rs. in Crore)

S. No	Particulars	3rd CP Order (A)	BIAL's Submission (B)	Variance (C = B−A)	Reason for Variations
1	Rent and Land Lease	263.37	623.54	360.17	**Basis of Forecast:** Contract-linked escalation. **Reason for Variance:** Higher revenue on account of new lease arrangements, area additions and rate revisions during the Third Control Period. The Authority noted that Rent and land lease revenue of rs. 623.54 Cr submitted by BIAL comprises both aeronautical and non-aeronautical components. The Authority proposes to consider only the non-aeronautical portion of Rs.115.27 cr for the purpose of true up, with the balance attributable to aeronautical operations being excluded from NAR. Hence, revenue from lease rentals was observed to be higher by 136.75%.
2	Utility Charges	16.76	118.02	101.26	**Basis of Forecast:** Inflation-linked. **Reason for Variance:** The Authority noted that the Utility Charges Revenue of Rs. 118.02 Crores submitted by BIAL comprises both aeronautical and non-aeronautical components. The Authority proposes to consider adjusting the revenue from Utility Charges against Operating Expenses (Opex), instead of classifying it separately under non-aeronautical or aeronautical revenue, as proposed by BIAL. Revenue earned from utility charges was observed to be higher by 604.18%.
3	Miscellaneous Non-Aeronautical	139.08	99.09	(39.99)	**Basis of Forecast:** Passenger Traffic and Inflation. **Reason for Variance:** Lower revenue on account of reclassification of certain miscellaneous heads to other categories during the CP. Miscellaneous NAR revenue was observed to be lower by 28.75%
4	Real Estate	138.03	(excluded by BIAL)	(138.03)	BIAL has excluded Real Estate Revenue from NAR in line with the TDSAT Order dated 14.02.2024. The Authority, however, proposes to retain the same as NAR (refer para 2.13.9.10 below).

S. No	Particulars	3rd CP Order (A)	BIAL's Submission (B)	Variance (C = B−A)	Reason for Variations
5	Interest Income	61.90	(excluded by BIAL)	(61.90)	BIAL has excluded Interest Income in line with the TDSAT Order dated 14.02.2024. The Authority, however, proposes to retain the same as NAR (refer para 2.13.9.10 below).
6	Other Income	-	63.13	63.13	There was no Other Income projection by the Authority
	Total	**619.14**	**903.78**	**284.64**	

Table 107: Revenue from CGF, ICT for True-Up of the Third Control Period

(Rs. in Crore)

S. No	Particulars	BIAL's Submission (B)	Reason for Variations
1	Cargo Revenue	492.60	BIAL has classified Cargo Revenue as NAR in line with the TDSAT Order dated 14.02.2024. The Authority, however, proposes to reclassify the same as Aeronautical Revenue (refer para 3.9.10 below).
2	Ground Handling Revenue	321.06	Same as above — proposed to be reclassified as Aeronautical Revenue.
3	Fuel	65.88	Same as above — proposed to be reclassified as Aeronautical Revenue, in line with the Hon'ble Supreme Court Order dated 11.07.2022 (Civil Appeal No. 8378 of 2018).
4	ICT & CUTE/CUSS	475.00	Proposed to be reclassified as Aeronautical Revenue, consistent with the treatment adopted in the Third Control Period Tariff Order.
	Total	**1,354.54**	

3.9.8. The Authority observed that the actual NAR for the Third Control Period had, on an aggregate basis, surpassed the projections considered in the Third Control Period Tariff Order. The line-item variance analysis above demonstrated that the variance was primarily attributable to:

(i) higher per-passenger realization across Concessionaire Rental Income streams driven by premium concession arrangements at T2,

(ii) renegotiation of Minimum Annual Guarantees and rates with BIAL's Concessionaires,

(iii) area additions and new lease arrangements under Rent and Land Lease, and

(iv) reclassification of certain revenue streams.

Treatment of Revenue Streams

3.9.9. The Authority noted that BIAL had, in its submission, reclassified CGF Services as Non-Aeronautical and excluded Real Estate, Interest Income and Other Income from NAR.

3.9.10. In view of the Authority's analysis provided, the Authority was of the view that it needed to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period and accordingly considered the actual revenue accrued from each head as mentioned below:

i. **CGF Services (Cargo, Ground Handling and Fuel Farm):** The Authority proposed to treat revenue from Cargo, Ground Handling and Fuel Farm aggregating Rs. 879.54 Crores as Aeronautical Revenue.

ii. **ICT (including CUTE/CUSS):** The Authority proposed to treat ICT, including CUTE/CUSS revenue aggregating Rs. 475.00 Crores, as Aeronautical Revenue, consistent with the treatment adopted in the Third Control Period Tariff Order.

iii. **Real Estate Revenue:** The Authority proposed to retain Real Estate Revenue as Non-Aeronautical Revenue, consistent with Decision No. 8.6.2 of the Third Control Period Tariff Order.

iv. **Interest Income:** The Authority proposed to retain Interest Income as Non-Aeronautical Revenue, consistent with Decision No. 8.6.3 of the Third Control Period Tariff Order.

v. **Lease Rentals from Aeronautical Service Providers:** The Authority proposed to retain lease rentals received from aeronautical service providers of Rs. 508.27 Crores as Aeronautical Revenue. Accordingly, only the Non-Aeronautical Revenue portion of Rs. 115.27 Crores was considered as Non-Aeronautical Revenue, consistent with the treatment adopted in earlier control periods.

vi. **Notional Lease Rentals from AAI and BAHL:** The Authority noted that BIAL had not included notional lease rentals for space provided to AAI in its NAR submission. The Authority, consistent with the principle that such space was being utilised on a notional rental basis, proposed to include Rs. 80.14 Crores of notional lease rentals from AAI as Non-Aeronautical Revenue for the purpose of true-up of the Third Control Period.

vii. **Utility Charges Revenue:** The Authority noted that Utility Charges of Rs. 118.02 Crores submitted by BIAL included both aeronautical and non-aeronautical components. The Authority was of the view that the Utility Charges recoveries did not constitute revenue for the Airport Operator. Accordingly, consistent with the approach adopted in the Tariff Determination process across all airports, the Authority adjusted these revenues against Operating Expenses (Opex), rather than classifying them separately as Non-Aeronautical Revenue, for the purpose of true-up of the Third Control Period.

3.9.11. The Non-Aeronautical Revenue proposed to be considered by the Authority for True-up of the Third Control Period, based on the above treatment, is set out below:

Table 108: Non-Aeronautical Revenue as proposed by the Authority for the True up of the Third Control Period at the Consultation Stage:

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Concessionaires Rental Income						
Car Park Revenue	38.48	74.54	98.96	132.30	142.04	**486.32**
Retail Revenue	61.96	160.28	233.24	295.05	380.65	**1,131.18**
F&B Revenue	31.34	84.34	108.76	124.67	137.96	**487.07**
Lounge Revenue	20.35	93.06	126.73	162.22	200.51	**602.87**
Advertising & Promotion	36.05	69.69	96.59	116.00	128.26	**446.59**
Flight Catering	4.96	16.11	15.92	33.91	35.35	**106.25**
Sub Total (A)	**193.14**	**498.02**	**680.20**	**864.15**	**1024.77**	**3,260.28**
Other Non-Aeronautical Revenue						
Rent and Land Lease	17.56	18.43	24.50	46.52	8.26	**115.27**

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Notional Lease Rental from AAI	14.50	15.23	15.99	16.79	17.63	**80.14**
Miscellaneous non-aeronautical	7.60	14.77	18.32	24.54	33.86	**99.09**
Real Estate	3.27	4.29	5.91	7.34	8.00	**28.81**
Interest Income	10.44	45.41	150.03	226.14	244.07	**676.09**
Other Income	6.66	6.79	8.11	8.65	13.77	**43.98**
Sub Total (B)	**68.31**	**117.77**	**241.67**	**355.71**	**349.30**	**1,043.38**
Total NAR (C= A+B)	**253.17**	**602.94**	**903.06**	**1,194.14**	**1,350.36**	**4,303.66**

(Rs. in Crore)

3.9.12. In view of the above, the Authority proposed to consider Non-Aeronautical Revenue of Rs. 4,303.66 Crores and the derived cross-subsidy of Rs. 1,291.10 Crores as per **Table 108** for the True-Up of the Third Control Period, as against BIAL's submission of NAR of Rs. 5,518.60 Crores.

Stakeholders' Comments regarding True Up of Non-Aeronautical Revenue for the Third Control Period

3.9.13. Subsequent to the stakeholder consultation process, the Authority has received comments/ views from stakeholders in response to the proposals of the Authority in the Consultation paper No. 01/2026-27 with respect to true-up of the non-aeronautical revenues for the Third Control Period. The comments by stakeholders are presented below:

BIAL's Comments regarding True Up of Non-Aeronautical Revenue

3.9.14. BIAL's comments with regards to consideration of AAI Notional Lease Rentals is as follows:

"Prior to the enactment of AERA Act, CNS/ATM agreement dated 06.04.2005 was executed between BIAL and AAI wherein under space was leased to AAI to provide CNS/ATM services which was and continues to be provided by AAI at KIAB. Clause 7.4 of the CNS/ATM agreement dated 06.04.2005 states "AAI shall pay a rental fee to BIAL in consideration for providing the facility and office space and the rental rate shall be calculated on cost recovery basis ...". As the cost recovery has been completed, there are no further lease rentals payable by AAI to BIAL.

The lease rent received by BIAL under the agreement has been factored as aeronautical revenues for ARR calculation thereby reducing tariffs and benefitting passengers for 1st and 2nd control period. Therefore, while the entirety of the benefits has already been passed on to the airport users, BIAL will recover original capital expenditure and associated returns over a longer period of 30 years. In such circumstances, to impose hypothetical/notional revenues from this facility is wholly unjustified.

With respect to additional space provided to AAI, AERA has failed to consider that Greenfield Airports Policy, 2008 issued by MoCA provides as follows:

"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."

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. AERA has to exercise or regulate within the framework by Central Government. AERA is bound by the aforesaid policy decisions under Section 42(2) of the AERA Act.

Hence, we request the Authority not to consider notional lease rentals from AAI as a part of true up for TCP."

3.9.15. BIAL's comments with regard to consideration of CGF/ICT Revenues is as follows:

"BIAL submits that CGF services should be treated as Non-Aeronautical in line with the decisions of the Learned Tribunal in HIAL, DIAL, and MIAL. Admittedly, BIAL and HIAL are similarly placed airports and in fact, the contractual provisions i.e., the Concession Agreement, a sovereign contract entered into by His Excellency the President of India with BIAL (entered on 05.07.2004) and HIAL (entered on 20.12.2004), are identical in all material respects.

Therefore, the terms of the Concession Agreement must be honored while determining tariff. In BIAL's case, CGF services are not regulated services under the BIAL's Concession Agreement and BIAL is free without any restriction to determine charges for CGF services. Therefore, this tariff structure in the concession agreement ought to be honored by AERA and AERA ought not to consider revenues from CGF, CUTE, CUSS, BRS, ICT, and CIC services as aeronautical services."

3.9.16. BIAL's comments with regard to consideration of Interest Income is as follows:

"Once revenue from an activity, whether aeronautical or non-aeronautical, is already 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, as this would amount to double dipping, which should not be allowed.

The Learned Tribunal has, in its following judgments, held that interest income cannot be considered by AERA for the purpose of tariff determination and therefore the said proposal of AERA should not be applied for BIAL.

- *MIAL Judgment-II [Para nos. 210 to 211]*
- *DIAL TDSAT Judgement-II [Para nos. 88 to 90]*
- *HIAL Judgment [Para nos. 346 – 350, Para 358-359]*

Interest Income earned by BIAL is not relatable to and generated from provision of any services and therefore is beyond the regulatory ambit of AERA."

3.9.17. BIAL's comments with regard to consideration of Real Estate Income is as follows:

"Income from commercial land development, i.e. real estate development, is actually income from non-airport activities (as detailed out in Schedule 3 Part 2 of the Concession agreement) and the same should not be treated as aeronautical revenue or non-aeronautical revenue.

Non-airport activities undertaken by BIAL at the site are unrelated to the operations of the airport. These nonairport activities provided beyond the precincts of the Airport are not aeronautical nor non-aeronautical services and are beyond the jurisdiction of AERA.

We request AERA to exclude the revenues earned commercial land development activities from the nonaeronautical revenues."

3.9.18. BIAL's comments with regard to consideration of Income from Rent and Land Lease is as follows:

"In AERA's analysis of Non-Aeronautical Revenues for Third Control Period, AERA had considered Lease Rentals from Aeronautical Service Providers as Aeronautical.

BIAL had, in response to query during MYTP evaluation had submitted the category wise details of Lease rentals on 7th May 2026. Further, BIAL has once again reviewed the Lease Rentals based on the nature of the user and tabulated the same. Detailed working is enclosed in Annexure 9.

Summary of Lease rentals classified as Aero and Non-Aero based on AERA's principles are detailed below:

(Rs. In Crores)

Particulars (FY ending March 31)	***21-22***	***22-23***	***23-24***	***24-25***	***25-26***	***Total***
Aero Rental	*41.82*	*41.42*	*101.42*	*121.62*	*127.99*	*437.27*
Non- Aero Rental	*23.14*	*25.04*	*27.95*	*52.26*	*66.29*	***194.68***
Total Rental	***64.96***	***69.46***	***129.37***	***173.88***	***194.28***	***631.95***

In BIAL's previous submission, the rentals from cargo village had been erroneously included in cargo revenues instead of under Rent and Land Lease (Rs. 8.59 crores for FY26). The table above (submitted as response to the CP) includes the revenue from Cargo village as part of Non aero Rentals.

Revenue from Cargo village is part of Non-Aeronautical Revenues (as per earlier AERA Orders). We request the Authority to consider our revised submission as captured in table above wherein non aero rentals for 3rd CP is estimated as 194.68 crores.

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Particular	Reference in Order	AERA's Decisions	Reference in Hon'ble TDSAT Order	Hon'ble TDSAT 's Order
Cargo Village	8.19 (FCP Order)	Revenue from cargo village assets to be treated as non-aeronautical revenues.		

3.9.5 Additionally, AERA had decided in the Second Control Period order to review and true-up the non-aeronautical revenues on actuals, at the time of determination of tariff for the next control period.

"

3.9.19. BIAL's comments with regard to Other Income is as follows:

"AERA has excluded a portion of the amount reported under Interest on Others from the "Other Income" head and reclassified under Interest Income. However the Authority has excluded only ₹19.15 crore, from "Other Income" resulting in the balance amount of ₹9.85 crore continuing to remain under the "Other Income" head and being double counted.

BIAL submits that the same income should not be recognised under two different revenue heads and accordingly, the Authority is requested to remove this duplication to ensure no double counting."

Other Stakeholders' Comments on True Up of Non-Aeronautical Revenue for the Third Control Period

3.9.20. No specific comments have been received from other stakeholders on true up of Non-Aeronautical Revenue for the Third Control Period.

Authority's Analysis on Stakeholders' Comments regarding True Up of Non-Aeronautical Revenue for the Third Control Period

AAI Notional Lease Rentals

3.9.21. The Authority notes BIAL's submission regarding the treatment of notional lease rentals for space provided to AAI (para 3.9.14) under the CNS/ATM agreement dated 06.04.2005. BIAL has submitted that lease rentals received under this agreement were factored as aeronautical revenues during the First and Second Control Periods, cost recovery has been completed, and no further lease rentals are payable by AAI. BIAL has further submitted that the Greenfield Airports Policy, 2008 stipulates that required infrastructure for Air Traffic Services should be provided to AAI free of cost on a cost recovery basis, and that the Authority is bound by such policy decisions under Section 42(2) of the AERA Act, thereby precluding the levying of notional lease rentals.

3.9.22. Having reconsidered the submissions and the applicable regulatory framework, the Authority is of the view that the principle of notional revenue recognition for space utilised by AAI constitutes an appropriate methodology for ensuring that the Regulatory Asset Base and the cost base for tariff determination appropriately reflect the economic reality of the facility being utilised. The Authority is of the considered view that such treatment ensures that airport users are not required to bear the full burden of capital costs for infrastructure that generates value to AAI and the broader aviation system.

3.9.23. While the Authority acknowledges the policy framework referenced by BIAL, the Authority is of the view that the determination of appropriate cost recovery mechanisms and the treatment of notional revenues for regulatory purposes fall within the Authority's mandate under the AERA Act and are not inconsistent with the underlying policy objectives relating to cost recovery basis.

3.9.24. Accordingly, the Authority does not find merit in BIAL's request for exclusion of notional lease rentals from Non-Aeronautical Revenue. The Authority retains its approach and continues to include notional lease rentals amounting to Rs. 80.14 Crores from AAI as Non-Aeronautical Revenue for the purpose of true-up of the Third Control Period.

CGF/ICT Revenues

3.9.25. The Authority notes BIAL's submission that Cargo, Ground Handling and Fuel Farm ("CGF") services (para 3.9.15) should be treated as Non-Aeronautical Revenue in line with decisions of the Hon'ble TDSAT in matters relating to HIAL, DIAL and MIAL, and that BIAL and HIAL are similarly placed airports with identical Concession Agreements. The Authority further notes BIAL's contention that CGF services are not regulated services under the Concession Agreement and BIAL is free to determine charges for such services.

3.9.26. However, the Authority is of the considered view that the characterization of revenues for tariff determination purposes must be based on the nature, functionality and regulatory purpose of services provided, rather than primarily by reference to contractual designation or pricing flexibility. Further,

Section 2(a) of the AERA Act, 2008 specifically defines aeronautical services to include cargo, ground handling, and fuel services as integral components of aircraft operations. The Authority observes that services intrinsically linked to aircraft operations, ground handling and fuel management constitute essential services that support aeronautical activities at the airport.

3.9.27. Further, in view of the Authority's analysis provided in paragraphs 1.6.2, 1.6.3, 1.7.1 to 1.7.5 of the tariff order, the Authority is of the view that in the public interest, it presently needs to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period, as the issues are subjudice before the Learned TDSAT and Hon'ble Supreme Court. It is also pertinent to mention that for Bangalore Airport there is no specific judgement. Based on the basis of the TDSAT orders on CGF in other airport cases, BIAL has gone to TDSAT and the matter is subjudice. Further, the TDSAT order on CGF in respect of other airports has already been challenged by AERA in the Supreme Court and the matter is subjudice there. The Authority, therefore, is of the considered view that each tariff determination must be undertaken on the basis of the applicable statutory framework and the specific facts and circumstances of the airport operator concerned. Accordingly, the Authority maintains that CGF services and ICT services, which are utilized for facilitating passenger and aircraft processing, constitute integral components of aeronautical service delivery.

3.9.28. Accordingly, the Authority does not find merit in BIAL's request for reclassification of CGF at this stage. The Authority therefore decides to retain its approach adopted at the Consultation Stage and continue to treat revenue from Cargo, Ground Handling and Fuel Farm as Aeronautical Revenue for the purpose of true-up of the Third Control Period.

Interest Income

3.9.29. The Authority notes BIAL's submission that Interest Income (para 3.9.16) is not relatable to and is not generated from the provision of any services and therefore falls beyond the regulatory ambit of AERA. The Authority further notes BIAL's contention that considering Interest Income for tariff determination purposes would constitute double dipping, as revenue from aeronautical and non-aeronautical activities has already been considered in the tariff determination exercise.

3.9.30. In view of the Authority's analysis provided in paragraphs 1.6.2, 1.6.3, 1.7.1 to 1.7.5 of the tariff order, the Authority is of the view that in the public interest, it presently needs to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period, as the issues are sub-judice before the Learned TDSAT and Hon'ble Supreme Court. While the Authority acknowledges BIAL's reliance on tribunal decisions relating to other airport operators, it remains of the view that Interest Income, being a financial return generated from surplus funds available with the airport operator, constitutes a legitimate component of the overall revenue profile of the entity and should be appropriately factored into the regulatory framework to ensure that airport users are not required to bear tariff burdens that could otherwise be mitigated through recognition of available financial returns.

3.9.31. The Authority further observes that the treatment of Interest Income as Non-Aeronautical Revenue is consistent with the approach adopted in Decision No. 8.6.3 of the Third Control Period Tariff Order and reflects the principle that all revenues available to the airport operator should be considered in the cost base to ensure cost-reflective and efficient tariff determination.

3.9.32. Accordingly, the Authority does not find merit in BIAL's request for exclusion of Interest Income. The Authority therefore decides to retain its approach adopted at the Consultation Stage and continue

to treat Interest Income as Non-Aeronautical Revenue for the purpose of true-up of the Third Control Period.

Real Estate Income

3.9.33. The Authority notes BIAL's submission that income from commercial land development (para 3.9.17) constitutes income from non-airport activities as detailed in Schedule 3 Part 2 of the Concession Agreement and should not be treated as aeronautical or non-aeronautical revenue. BIAL has further submitted that such non-airport activities undertaken beyond the precincts of the airport are unrelated to airport operations and fall beyond the regulatory jurisdiction of AERA.

3.9.34. However, the Authority is of the considered view that Real Estate Revenue generated by the airport operator, notwithstanding the characterization of the underlying activity as falling outside the core airport operations, represents a financial return accruing to the airport entity and should appropriately be recognized within the regulatory framework. The Authority observes that revenues generated from airport-related assets and facilities, including land holdings, constitute part of the overall financial profile of the airport operator and should be factored into the cost base to ensure that airport users are not required to bear tariff burdens that could be offset through recognition of available revenues. The Authority further notes that the treatment of Real Estate Revenue as Non-Aeronautical Revenue is consistent with the approach adopted in Decision No. 8.6.2 of the Third Control Period Tariff Order and reflects the principle that all revenues available to the airport operator should be recognized for purposes of cost-reflective tariff determination.

3.9.35. Accordingly, the Authority does not find merit in BIAL's request for exclusion of Real Estate Income from Non-Aeronautical Revenue. The Authority therefore decides to retain its approach adopted at the Consultation Stage and continue to treat Real Estate Revenue as Non-Aeronautical Revenue for the purpose of true-up of the Third Control Period.

Rent and Land Lease

3.9.36. The Authority notes BIAL's submission regarding the classification and treatment of Rent and land Lease Income (para 3.9.18) received from aeronautical and non-aeronautical service providers during the Third Control Period. BIAL has provided a detailed category-wise breakdown distinguishing between Aeronautical Lease Rentals aggregating to Rs. 437.27 Crores and Non-Aeronautical Lease Rentals. BIAL has further submitted that revenue from Cargo Village, which was erroneously classified under cargo revenues in the previous submission, should be reclassified as Non-Aeronautical Revenue consistent with the treatment adopted in earlier AERA Orders.

3.9.37. The Authority notes BIAL's clarification on the revised submissions. The Authority notes that the rectification aligns with the regulatory principle that lease revenues should be classified based on the functional nature of the underlying user and the character of services provided.

3.9.38. The Authority has examined the revised classification, the supporting documentation and the category-wise breakdown furnished by BIAL. The Authority observes that the revised submission aims to distinguish between revenues generated from aeronautical infrastructure and facilities and those derived from non-aeronautical commercial activities, thereby ensuring that the treatment reflects the underlying operational and regulatory characteristics of each user category. The Cargo Village comprises commercial warehousing and logistics facilities leased to cargo handlers and logistics providers. While these facilities support cargo operations linked to aircraft movements, they also serve as commercial real estate leased on market terms. The Cargo Village exhibits a dual nature: it facilitates the aeronautical function of cargo handling essential to airport operations, while simultaneously functioning as commercial real estate development. Accordingly, consistent with

AERA's regulatory principles recognizing functional linkage to airport operations, the Authority treats 50% of Cargo Village rental revenue as Aeronautical and 50% as Non-Aeronautical.

3.9.39. The Authority has examined the revised submission of BIAL regarding Lease Rentals and Land Lease Revenue for the True-up of the Third Control Period. Based on its analysis and after carrying out the requisite prudence check and due diligence, the Authority has continued to treat Maintenance, Repair and Overhaul (MRO) Rentals as Aeronautical Revenue, in line with its regulatory treatment and reasoning as discussed in detail in Paragraphs 9.5.48 to 9.5.54 of this Tariff Order. Further, the Authority has considered 50% of Cargo Village Rental Revenue as Aeronautical Revenue and the remaining 50% as Non-Aeronautical Revenue.

3.9.40. Accordingly, the Authority determines the total Non-Aeronautical Lease Rentals and Land Lease Revenue for the purpose of True-up of the Third Control Period at ₹109.95 Crores. The detailed break-up as decided by the Authority is presented in the table below:

Table 109: Total Rent & Land Lease income decided by the Authority for the True-Up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Non-Aero Rentals (as submitted by BIAL)	23.14	25.04	27.95	52.26	66.29	**194.68**
Less: MRO Rentals	10.38	10.90	11.52	17.14	26.59	**76.53**
Less: 50% of Cargo Village Rentals	0.64	0.79	0.46	2.01	4.30	**8.20**
Total Rent and Land Lease Income (Non-Aeronautical)	**12.12**	**13.35**	**15.98**	**33.11**	**35.40**	**109.95**

3.9.41. The Authority based on the comments and detailed analysis as provided in preceding paras has considered the Rent and Land lease Revenue amounting to Rs. 109.95 Crores against the amount of Rs. 115.27 proposed at the Consultation Stage.

Other Income

3.9.42. The Authority notes BIAL's submission (para 3.9.19) that a portion of the amount reported under Interest on Others has been reclassified under Interest Income, but that the Authority has excluded only Rs. 19.15 Crores, resulting in a balance of Rs. 9.85 Crores continuing to remain under the "Other Income" head. BIAL has expressed concern that such treatment may result in double counting of the same income under two different revenue heads and has requested removal of such duplication.

3.9.43. The Authority has examined the submissions and undertaken a detailed reconciliation of the Interest Income and Other Income components for the entire Third Control Period. The Authority notes that Interest Income, comprising interest from banks aggregating Rs. 647.09 Crores and interest from other sources aggregating Rs. 29.00 Crores, and Other Income, comprising net exchange gain of Rs. 3.14 Crores, tender fees of Rs. 6.80 Crores and miscellaneous income of Rs. 34.05 Crores, together aggregate to Rs. 720.07 Crores for the entire Third Control Period.

3.9.44. The Authority has verified that the sum total of Interest Income and Other Income proposed by the Authority in the Consultation Paper matches with the actuals submitted by BIAL. Accordingly, the Authority is satisfied that no double counting of revenue has occurred and that the classification and treatment adopted appropriately reflects the underlying components of income without duplication.

3.9.45. In view of the foregoing, the Authority finds that no adjustment is necessary and that the approach and proposal adopted at the Consultation Stage accurately reflects the actual revenues available to BIAL. The Authority therefore decides to retain its approach adopted at the Consultation Stage for the purpose of true-up of the Third Control Period.

3.9.46. Accordingly, the Non-Aeronautical Revenue decided by the Authority for the true-up of the Third Control Period is as per the following table:

Table 110: Non-Aeronautical Revenue decided by the Authority for the True-Up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Concessionaires Rental Income						
Car Park Revenue	38.48	74.54	98.96	132.30	142.04	**486.32**
Retail Revenue	61.96	160.28	233.24	295.05	380.65	**1,131.18**
F&B Revenue	31.34	84.34	108.76	124.67	137.96	**487.07**
Lounge Revenue	20.35	93.06	126.73	162.22	200.51	**602.87**
Advertising & Promotion	36.05	69.69	96.59	116.00	128.26	**446.59**
Flight Catering	4.96	16.11	15.92	33.91	35.35	**106.25**
Sub Total (A)	**193.14**	**498.02**	**680.20**	**864.15**	**1024.77**	**3,260.28**
Other Non-Aeronautical Revenue						
Rent and Land Lease	12.12	13.35	15.98	33.11	35.40	**109.95**
Notional Lease Rental from AAI	14.50	15.23	15.99	16.79	17.63	**80.14**
Miscellaneous non-aeronautical	7.60	14.77	18.32	24.54	33.86	**99.09**
Real Estate	3.27	4.29	5.91	7.34	8.00	**28.81**
Interest Income	10.44	45.41	150.03	226.14	244.07	**676.09**
Other Income	6.66	6.79	8.11	8.65	13.77	**43.98**
Sub Total (B)	**54.59**	**99.84**	**214.34**	**316.57**	**352.73**	**1038.07**
Total NAR (C= A+B)	**247.73**	**597.86**	**894.54**	**1,180.72**	**1,377.50**	**4,298.35**
30% Cross Subsidy (30% x C)	**(74.32)**	**(179.36)**	**(268.36)**	**(354.22)**	**(413.25)**	**(1,289.51)**

3.9.47. In view of the above, the Non-Aeronautical Revenue for the True up of the Third Control Period is Rs. 4,298.35 Crores as per Table 110 as decided by the Authority as against the NAR of Rs. 4,303.66 Crores proposed in the Consultation Stage. The major reasons for the variance are:

(i) Rental Income from Cargo Village being reclassified as 50% Aeronautical and 50% Non-Aeronautical in nature, impacting Rs.8.20 Crores.

(ii) Reclassification of Rent and Land Lease items into Aeronautical and Non-Aeronautical streams, as submitted by BIAL in its revised filings.

3.10 <u>True up of Aeronautical Revenues for the Third Control Period</u>

BIAL's submission regarding True up of Aeronautical Revenues for the Third Control Period as per MYTP for the Fourth Control Period

3.10.1 BIAL as part of True Up for the Third Control Period has submitted the Actual Aeronautical Revenues generated during the Third Control Period as per the table below:

Table 111: Actual Aeronautical Revenues submitted by BIAL towards True up for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
User Development Fee	153.13	607.80	935.64	1,237.98	1,314.89	**4,249.44**
Parking Charges (including Housing Charges)	17.88	17.41	46.11	78.72	83.86	243.98
Landing Charges	169.78	281.26	444.86	640.26	706.11	**2,242.26**
Total	**340.79**	**906.47**	**1,426.61**	**1,956.96**	**2,104.86**	**6,735.68**

Recap of decisions taken by the Authority regarding the Aeronautical Revenues in the Third Control Period

3.10.2 The Authority, in the Tariff Order for the Third Control Period, decided the Aeronautical revenue as per the table below:

Table 112: Aeronautical Revenue considered by the Authority for the Third Control Period in the Tariff Order

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
User Development Fee (A)	151.28	615.61	905.51	1230.49	1308.19	4211.09
Landing Charges (B)	135.68	281.23	463.29	666.89	696.27	2243.37
Parking Charges (C)	6.07	13.6	21.33	34.78	50.44	126.22
Sub-total of revenues (D = A+B+C)	**293.03**	**910.45**	**1390.13**	**1932.16**	**2054.91**	**6580.68**
Cargo (E1)	46.94	51.76	57.09	63.47	71.4	290.66
Fuel Farm/ITP (E2)	4.07	7.44	8.54	9.78	10.96	40.78
Ground Handling (E3)	21.09	45.57	53.73	59.7	65.22	245.32
ICT (E4)	16.65	17.18	17.73	18.29	18.88	88.73
Common Infrastructure Charge (E5)	34.25	51.85	62.03	88.35	104.67	341.15
Lease rentals from aero services/CGF (E6)	27.54	29.06	30.51	32.11	33.63	152.85
Total Aviation Concessions (F = E1+E2+E3+E4+E5+E6)	**150.54**	**202.85**	**229.63**	**271.71**	**304.77**	**1159.49**
Total Aeronautical Revenues (G = D+F)	**443.57**	**1113.29**	**1619.76**	**2203.87**	**2359.68**	**7740.17**

Authority's examination regarding True up of Aeronautical Revenues for the Third Control Period at the Consultation Stage

3.10.3 The Authority through its independent consultant verified the actual aeronautical revenue as submitted by BIAL towards True up for the Third Control Period based on audited financial statements (for FY22-FY25) and unaudited actual figures of FY26.

3.10.4 The Authority has been firm in its stance and vide decision no. 3.10.2 of the Third Control Period order has decided to consider revenues from Cargo, Ground Handling, Fuel Farm services, Ground Power Unit, ICT services (CUTE, CUSS, BRS & IT) as aeronautical in nature.

3.10.5 The Authority noted that the revenue from Cargo, Ground Handling, Fuel farm, Ground Power Unit, ICT services (CUTE, CUSS, BRS &IT), amounts to Rs. 1,354.53 Cr during the Third Control Period and proposed to reclassify the same as Aeronautical Revenue as part of True-up for the Third Control Period.

3.10.6 The Authority noted that BIAL, vide its letter no. BIAL/the Authority/2025-2612131 dated 14.08.2025, requested the Authority to maintain the aeronautical tariff for the 4th Quarter of FY 2025-26 (January-March 2026) at the same level as applicable till December 2025, citing high Capital Expenditure (Capex) Requirements in the Fourth Control Period, Carry Forward Shortfall (to address the accumulated Under-recovery in the 3rd Control Period due to higher transfer passenger traffic) as justification.

3.10.7 The Authority analyzed the operator's request through the Independent Consultant and noted that, on the basis of the information available in MYTP and subsequent clarifications thereon, even if the aeronautical tariff for the 4th Quarter of FY 2025-26 (January-March2026) is maintained at the same level as applicable till December,2025 there would be no likelihood of over recovery as there would actually be under recovery.

3.10.8 In view of the above, the Authority decided to maintain the Landing, Parking and UDF charges as applicable from 01.04.2025 to 31.12.2025 (as per Annexure I) even for the last quarter of FY 2025-26 i.e. 01.01.2026 to 31.03.2026 vide order dated 14.11.2025.

3.10.9 The Authority noted that the additional revenue generated from levying the existing tariff in the last quarter of FY26 amounts to Rs.1,340.38 Cr proposes to include as Aeronautical Revenue as part of True-up for the Third Control Period.

3.10.10 The Authority noted that additional Lease Rental Revenue of Rs. 508.27 Crores has been generated from the CGF Concessionaires. The Authority proposes to consider the same as part of Aeronautical Revenue for true-up of the Third Control Period.

3.10.11 The revised Aeronautical Revenues proposed to be considered by the Authority for true up for the Third Control Period at the Consultation Stage is as shown in the table below:

Table 113: Revised Aeronautical Revenues proposed to be considered by the Authority towards True Up for the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aeronautical Revenues based on Actuals **(A)**	340.79	906.47	1,426.61	1,956.96	2,104.86	6,735.68
Add: CGF, ICT and CUTE CUSS Revenue **(B)**	148.31	182.96	254.81	335.56	432.90	1,354.53
Add: Rents and land lease from Aviation CGF **(C)**	47.40	51.0	104.9	127.4	177.6	508.27
Revised Aeronautical Revenue proposed to be considered by the Authority for True Up (D = A+B+C)	**536.50**	**1140.46**	**1786.28**	**2419.87**	**2715.37**	**8,598.50**

Stakeholders' Comments on True Up of Aeronautical Revenue for the Third Control Period

3.10.12 Subsequent to the stakeholder consultation meeting, the Authority has received comments/ views from stakeholders in response to the proposals of the Authority in the Consultation paper No. 01/2026-27 with respect to true-up of the aeronautical revenues for the Third Control Period. The comments by stakeholders are presented below:

BIAL's Comments regarding True Up of Aeronautical Revenue

3.10.13 BIAL's comments with regards to consideration of Rent and Land Lease Revenue is as follows:

> *"In BIAL's previous submission, the rentals from cargo village had been erroneously included in cargo revenues instead of under Rent and Land Lease (Rs. 8.59 crores for FY26). Accordingly, BIAL requests AERA to reduce the same from Cargo Revenue, the same has been added to the Lease rental details submitted above, in Para 3.6.5(in BIAL's response to Consultation paper document)."*

Other stakeholders' comments

3.10.14 No specific comments have been received from other stakeholders on true up of Aeronautical Revenue for the Third Control Period.

Authority's Analysis on Stakeholders' Comments on True up of Aeronautical Revenues for the Third Control Period

3.10.15 The Authority notes BIAL's submission that rentals from the Cargo Village amounting to Rs. 8.59 Crore for FY 2025-26 were inadvertently included under Cargo Revenue in its earlier submission and have subsequently been included under Rent and Land Lease Revenue.

3.10.16 The Authority has considered the submission and agrees that the said amount should be appropriately reclassified from Cargo Revenue to Rent and Land Lease Revenue to ensure consistency and avoid any duplication or omission in the revenue classification.

3.10.17 However, the Authority clarifies that such reclassification is only an accounting/classification correction and does not alter the regulatory treatment of Cargo Village rentals. As stated above, based on the functional linkage of the Cargo Village facilities with core aeronautical operations, the Authority has determined that 50% of the Cargo Village rental revenue shall be considered as Aeronautical Revenue and the remaining 50% as Non-Aeronautical Revenue for the purpose of true-up of the Third Control Period.

3.10.18 Accordingly, the Authority shall consider the revised classification of Rs. 8.59 crore under Rent and Land Lease Revenue, while applying the aforesaid 50:50 regulatory treatment to the Cargo Village rental revenue. BIAL's submission is considered only for correcting the classification of the revenue. The regulatory treatment of the revenue shall remain as decided by the Authority.

3.10.19 In the view of the above, the revised Aeronautical Revenue decided by the Authority for the True up of the Third Control Period is as follows:

Table 114: Aeronautical Revenues decided by the Authority for True Up of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aeronautical Revenues based on Actuals (A)	340.79	906.47	1,426.61	1,956.96	2,104.86	6,735.68
Add: CGF, ICT and CUTE CUSS Revenue (B)	148.31	182.96	254.81	335.56	432.90	1,354.54
Add: Rents and land lease from Aviation CGF and MRO (C)	52.84	56.11	113.39	140.77	158.88	522.00
Total Aeronautical Revenue (D = A+B+C)	**541.94**	**1,145.54**	**1,794.81**	**2,433.29**	**2,696.64**	**8,612.22**

3.10.20 In view of the above, the Aeronautical Revenue for the True up of the Third Control Period is Rs. 8,612.22 Crores as per Table 114 as decided by the Authority as against the Aeronautical

Revenues of Rs. 8,598.50 Crores that was proposed in the Consultation Stage. The reason for the variance is:

(i) Rental Income from Cargo Village being reclassified as 50% Aeronautical and 50% Non-Aeronautical in nature, impacting Rs.8.20 Crores.

(ii) Reclassification of Rent and Land Lease items into Aeronautical and Non-Aeronautical streams.

3.11 True up of Aggregate Revenue Requirement for the Third Control Period

BIAL'S submission regarding Aggregated Revenue Requirement (ARR) for True up of the Third Control Period

3.11.1. The Aggregate Revenue Requirement and True Up submitted by BIAL for the Third Control Period as per MYTP for the Fourth Control Period is as shown in the table below:

Table 115: True up submitted by BIAL for the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Average RAB (A)	4,369.38	6,993.71	9,724.97	9,633.24	9,035.40	
WACC (B)	11.77%	11.77%	11.77%	11.77%	11.77%	
Return on RAB (C = A * B)	514.4	823.36	1,144.90	1,134.10	1,063.72	4,680.48
Aero Depreciation (D)	378.2	513.37	902.93	901.44	907.14	3,603.08
Aero O&M Expense (E)	447.42	620.35	812.21	990.38	1,153.76	4,024.12
Aero Taxes (F)	-	-	-	21.2	49.14	70.34
Gross Target Revenue (G = C+D+E+F)	1,342.46	1,957.16	2,860.14	3,047.12	3,173.76	12,380.64
Less: 30% of NAR (H)	-129.98	-237.99	-337.57	-430.94	-519.11	-1,655.59
Net Target Revenue before prior true-up	1,472.44	2,195.15	3,197.71	3,478.06	3,692.87	14,036.23
True up for the Second Control Period (L)	4,914.47	-	-	-	-	4,914.47
ARR	**6,126.95**	**1,719.16**	**2,522.57**	**2,616.18**	**2,654.66**	**15639.52**
Actual Aero Revenue (J)	340.79	906.47	1,426.61	1,956.96	2,104.86	6,735.69
Under recovery/(Over recovery)	5,786.16	812.69	1,095.96	659.22	549.8	8,903.83
Future Value Factor (M)	1.74	1.56	1.4	1.25	1.12	
Under recovery/(Over recovery) as on 1st April 2027	10,094.19	1,268.44	1,530.39	823.58	614.53	**14,331.12**
True Up for the Third Control Period to be carried forward to the Fourth Control Period						**14,331.12**

Recap of decision regarding Aggregate Revenue Requirement as per the Third Control Period Tariff Order

3.11.2. Decision 13.6.1: "To consider Aggregate Revenue Requirement (ARR) as detailed in Table 182 above as the eligible."

3.11.3. Decision 13.6.3: "To carry forward the shortfall of INR 940.63 cr. as on 31 March 2022 to the next control period."

3.11.4. The Authority estimated the Aggregate Revenue Requirement and true up for the Third Control Period at the time of tariff determination for the Third Control Period which can be seen in the table below:

Table 116: Aggregate Revenue Requirement considered by the Authority in the Tariff Order of the Third Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Average RAB (A) {Table 42}	4,768.61	7,849.73	10,833.66	10,006.68	9,694.08	
FRoR (B)	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)	288.61	432.29	573.15	565.07	568.44	2,427.57
Operating Expenditure (E)	393.63	460.31	550.53	611.58	653.83	2,669.89
Working Capital Interest (F)	4.56	5.43	5.44	5.43	5.43	26.3
Tax (G)	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**
Less: Non-Aero Revenue (I)	(70.86)	(142.25)	(176.67)	(217.15)	(267.82)	(874.75)
Add: Concession Fee (J)	17.61	44.26	64.47	87.78	93.95	308.07
Add: Under recovery of pre-control period as on 31 March 2022 (K)	179.76					179.76
Less: Over recovery of Second Control Period as on 31 March 2022 (L)	(974.14)					(974.14)
ARR (M = H-I+J+K-L)	**392.04**	**1,710.15**	**2,220.81**	**2,265.77**	**2,251.32**	**8,840.09**
PV factor (N)	1	0.9	0.8	0.72	0.64	
PV of ARR as on 31 March 2022 (O = M*N)	**392.04**	**1,532.48**	**1,783.32**	**1,630.40**	**1,451.69**	**6,789.92**
Projected aeronautical revenues (P)	443.57	1,113.29	1,619.76	2,203.87	2,359.68	7,740.17
PV of aero revenues as on 31 March 2022 (Q = P*N)	443.57	997.63	1,300.68	1,585.85	1,521.56	5,849.29
Shortfall (-) / Over-recovery (+) as on 31 March 2022 (R = Q-O)	**51.53**	**-534.85**	**-482.64**	**-44.54**	**69.87**	**-940.63**

Authority' examination and proposal regarding ARR for True up of the Third Control Period at the Consultation Stage

3.11.5. The Authority, based on the examination of various building blocks based on actuals till FY'25 and unaudited financial for FY'26, has determined the ARR for the Third Control Period:

Table 117: Aggregate Revenue Requirement proposed to be considered by the Authority for True up of the Third Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Average RAB (A) {Refer Table 42 }	4,504.71	6,908.05	9,436.19	9,540.67	9,195.76	
WACC (B) {Refer Table 51}	11.77%	11.77%	11.77%	11.77%	11.77%	
Return on RAB (C = A * B)	530.20	813.08	1,110.64	1,122.94	1,082.34	4,659.20
Aero Depreciation (D) {Refer Table 40}	283.98	418.01	558.22	566.10	575.30	2,401.60

Particulars (FY ending March 31)	2022	2023	2024	2025	2026	Total
Aero Operating Expenses (E) {Refer Table 90}	395.13	564.63	748.23	893.81	1,019.06	3,620.85
Aero Working Capital Interest (F) {Refer Table 96}	2.44	0.08	0.10	-	-	2.62
Aero Taxes (G) {Refer Table 100}	-	-	-	-	68.24	68.24
Gross ARR (H = C+D+E+F+G)	1,211.75	1,795.79	2,417.19	2,582.84	2,744.93	10,752.51
Non-Aeronautical Revenue (I) {Refer Table 108}	253.17	602.94	903.06	1,194.14	1,350.36	4;303.66
Less: 30% of NAR (J = 30% * I)	(75.95)	(180.88)	(270.92)	(358.24)	(405.11)	(1,291.10)
Add: Under recovery of pre-control period as on 31 March 2022 (K) (Refer Table 182 of TCP Order)	179.76					
Less: Over recovery of Second Control Period as on 31 March 2022 (L)	(974.14)					
Net ARR (M=H+J+K+L)	341.42	1,614.91	2,146.27	2,224.60	2,339.83	8667.03
PV factor (N)	1.74	1.56	1.40	1.25	1.12	
PV of ARR as on 31 March 2027 (O = M*N)	**595.54**	**2,520.28**	**2,996.82**	**2,779.09**	**2,615.22**	**11,506.96**
Actual Aeronautical Revenues (P) {Refer Table 113}	**536.50**	**1140.46**	**1786.29**	**2419.88**	**2715.37**	**8598.50**
PV of aero revenues as on 31 March 2027 (Q = P*N)	935.83	1,779.84	2,494.18	3,023.04	3,034.97	11,267.86
Shortfall / (Over-recovery) on 31 March 2027 (R = Q-O)	**(340.29)**	**740.44**	**502.64**	**(243.95)**	**(419.74)**	**239.10**

3.11.6. The Authority had considered unaudited actual figures for FY 2026, (as the audited financial statements for said fiscal year were unavailable at the time of the issuance of this Consultation Paper) for various building blocks necessary for the true-up of the Third Control Period. The Airport Operator was advised to submit the actual audited financial statement for FY 26 during the Stakeholder Consultation Process so that the Authority shall consider the audited financial statements of FY 2026 for the computation of Tariff in the final Tariff Order.

Stakeholders' comments regarding ARR for True up of the Third Control Period at the Consultation Stage

3.11.7. During the Stakeholder Consultation Process, the Authority has received comments/views from BIAL in response to the proposals of the Authority in the Consultation Paper No. 01/2026-27 dated 12th June 2026 regarding ARR for True Up for the Third Control Period. The comments by BIAL are provided below:

BIAL's comment regarding ARR for True up of the Third Control Period at the Consultation Stage

3.11.8. BIAL's comment with regard to the ARR for True up for the Third Control Period is as follows:

"Authority's Proposal

- *The Authority has considered unaudited actual figures for FY 2026, (as the audited financial statements for said fiscal year were unavailable at the time of the issuance of this Consultation Paper) for various building blocks necessary for the true-up of the Third Control Period. The Airport Operator is advised to submit the actual audited financial statement for FY 26 during the Stakeholder Consultation Process so that the Authority shall consider the audited financials.*

BIAL's Submission

Audited Financials for FY 26 is submitted by BIAL as Annexure 10."

Other stakeholders' comments

3.11.9. No specific comments have been received from other stakeholders on true up of True up of Aggregate Revenue Requirement for the Third Control Period.

Authority's Analysis on Stakeholders' Comments on True up of Aggregate Revenue Requirement for the Third Control Period

3.11.10. The Authority notes BIAL's submission of Audited Financial Statements for FY'26.

3.11.11. Based on the decisions taken by the Authority across the afore-discussed building blocks, the Authority decides the following Aggregate Revenue Requirement for True Up for the Third Control Period.

Table 118: Aggregate Revenue Requirement decided by the Authority for True up of the Third Control Period

(Rs. in Crore)

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total / Average
Average RAB (A) {Refer Table 46}	4,507.11	6,898.43	9,358.51	9,367.07	8,982.32	
WACC (B) {Refer Table 52}	11.77%	11.77%	11.77%	11.77%	11.77%	
Return on RAB (C = A × B)	530.49	811.94	1,101.50	1,102.50	1,057.22	4,603.65
Aero Depreciation (D) {Refer Table 45}	285.62	382.78	660.87	657.57	665.21	2,652.05
Aero Operating Expenses (E) {Refer Table 93}	423.09	593.60	757.46	919.74	1,093.62	3,787.52
Aero Working Capital Interest (F) {Refer Table 97}	2.44	0.08	0.10	-	-	2.62
Aero Taxes (G) {Refer Table 101}	-	-	-	-	-	-
Gross ARR (H = C+D+E+F+G)	**1,241.64**	**1,788.41**	**2,519.92**	**2,679.82**	**2,816.05**	**11,045.83**
Non-Aeronautical Revenue (I) {Refer Table 110}	247.73	597.87	894.53	1,180.73	1,377.50	4,298.36
Less: 30% of NAR (J = 30% × I)	**-74.32**	**-179.36**	**-268.36**	**-354.22**	**-413.25**	**-1,289.51**
Less: Over recovery of Second Control Period as on 31 March 2022 (L)	-794.38					-794.38
Net ARR (M = H+J+K+L)	**372.94**	**1,609.05**	**2,251.56**	**2,325.60**	**2,402.80**	**8,961.95**
PV factor (N)	1.74	1.56	1.40	1.25	1.12	
PV of ARR as on 31 March 2027 (O = M × N)	650.53	2,511.14	3,143.83	2,905.26	2,685.60	11,896.37
Actual Aeronautical Revenues (P) {Refer Table 114}	**541.94**	**1,145.54**	**1,794.81**	**2,433.29**	**2,696.64**	**8,612.22**
PV of aero revenues as on 31 March 2027 (Q = P × N)	945.32	1,787.77	2,506.08	3,039.79	3,014.03	11,292.99

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total / Average
Shortfall / (Over-recovery) on 31 March 2027 (R = O – Q)	**-294.79**	**723.37**	**637.76**	**-134.53**	**-328.43**	**603.38**

3.11.12. Based on the above an under-recovery of **Rs. 603.38 Crs.** as determined by the Authority is decided to be considered for true-up in the subsequent Control Periods as part of the tariff determination process for the Fourth Control Period as against an under-recovery of Rs. 239.1 Crs considered at the Consultation Stage.

3.12 Authority's Decisions regarding True up for the Third Control Period

Based on the material before it and based on its examination, the Authority decides the following regarding True up for the Third Control Period as part of tariff determination for the Fourth Control Period.

3.12.1 To consider Traffic for True up of the Third Control Period based on Actuals as per **Table 10.**

3.12.2 To consider the Aeronautical Capital Expenditure, Depreciation and RAB for True up of the Third Control Period as per **Table 43, Table 45 and Table 46** respectively.

3.12.3 To consider the WACC for True up of the Third Control Period as per **Table 52**.

3.12.4 To consider Aeronautical Operating Expenses for True up of the Third Control Period as per **Table 93**

3.12.5 To consider the Working Capital interest for True up of the Third Control Period as per **Table 97**.

3.12.6 To consider Aeronautical Taxes for True up of the Third Control Period as per **Table 101**.

3.12.7 To consider Non-Aeronautical Revenue for True up of the Third Control Period as per **Table 110**.

3.12.8 To consider Aeronautical Revenues for True up of the Third Control Period as per **Table 114**.

3.12.9 To consider under recovery of Rs 603.38 Crores (as per **Table 118**) till the Third Control Period for the tariff determination for the Fourth Control Period.

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Examination of MYTP for the Fourth Control Period

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4. TRAFFIC FOR THE FOURTH CONTROL PERIOD

4.1 BIAL's submission regarding traffic projections for the Fourth Control Period

4.1.1. BIAL, in its MYTP for the Fourth Control Period, submitted traffic projections in respect of passenger traffic, Air Traffic Movements (ATM) and cargo for Kempegowda International Airport, Bangalore ("KIAB") for the period FY 2026–27 to FY 2030–31. The said projections were originally developed by NACO (Netherlands Airport Consultants) vide its traffic study dated 08.04.2025, which had projected total passenger traffic of 308.26 Mn, ATMs of 1,957.96 thousand and cargo of 3,311.31 thousand MT over the Fourth Control Period.

4.1.2. Subsequently, pursuant to observations raised by the Authority's Independent Consultant regarding the potential optimism in the NACO traffic projections (Passenger and ATM), BIAL engaged CAPA Advisory to undertake an independent peer review of the NACO study. The CAPA Advisory report dated 08.12.2025 has revised the total passenger traffic projection to 301 Mn and ATMs to 1,793.28 thousand for the Fourth Control Period.

Traffic Study by NACO for the period FY 2025-26 to FY 2035-36

Passenger and ATM

4.1.3. NACO forecasted the passenger traffic and aircraft movements for domestic and international flights at KIAB using a multi-faceted approach as set out hereunder:

i. Top-down Econometric Models (FY2031-FY2036): NACO related future traffic at BLR to economic indicators such as Gross Domestic Product (GDP), GDP per capita, oil prices, exchange rate, & population.

ii. Bottom-up Analysis (FY2025-FY2030):

a. Based on feedback received during interviews with domestic and international carriers

b. Consultations with the BIAL team

c. Industry intelligence on airline network development and an analysis of fleet expansion plans and aircraft acquisitions

d. O&D (Origin and Destination) demand analysis (unserved/underserved markets)

e. Published airline schedules for the upcoming year

iii. Evaluated the impact on the traffic growth due to the capacity addition programs being undertaken by BIAL during the assessment period

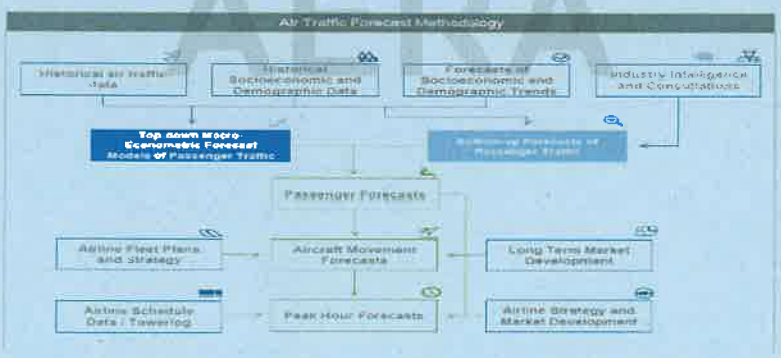

Figure 1: Air Traffic Forecast Methodology used by NACO

4.1.4. Further, with regard to transfer traffic at KIAB, the NACO study estimated the total transfer traffic to nearly double from approximately 22 million during the Third Control Period (FY 2022–FY 2026) to 40.8 million during the Fourth Control Period (FY 2027–FY 2031).

4.1.5. BIAL, in its MYTP for the Fourth Control Period, submitted that although NACO is aware of ongoing discussions regarding the development of a second greenfield airport for Bengaluru, the potential impact of such development on KIAB's passenger and cargo traffic has not been factored into the FY 2026–2036 forecast, owing to the lack of clarity on its operationalization timeline.

Cargo

4.1.6. For the purpose of forecasting cargo traffic at KIAB over the Fourth Control Period, NACO adopted the same regression-based econometric model used for passenger forecasting, duly supplemented with qualitative adjustments to account for the unique structural characteristics of cargo movements at KIAB. The key factors and assumptions underlying the cargo forecast are set out hereunder:

a. Socio-Economic Drivers – such as GDP elasticity;

b. International Transshipment – enabling regulations assumed to be applicable from FY 2028 onwards, with transshipment share progressively reaching 10% of international cargo over the next ten years;

c. Domestic Belly-hold Cargo – share assumed to remain at 80%, supported by sustained growth in the commercial ATM segment; and

d. Belly-hold vs. Full Freighter (FF) Mix – the share of Full Freighter operations is expected to gradually align with the industry benchmark of 55% of total cargo volumes.

General Aviation ATM Forecast

4.1.7. For the purpose of forecasting General Aviation (GA) ATMs at KIAB over the Fourth Control Period, NACO assumed the GA ATM forecast to develop as a proportion of Commercial ATMs. The key segments considered for the forecast comprise passenger charter, military and VIP flights. Additional factors factored into the forecast include the anticipated migration of HAL traffic to KIAB and the surplus capacity being created through the commissioning of the dedicated GA terminal.

4.1.8. Based on the above methodology, NACO provided traffic forecasts for the Fourth Control Period. The growth rates considered for each traffic category, namely Passenger Traffic, ATM, and Cargo Traffic, are presented in the table below:

Table 119: Growth Rates considered by NACO towards Traffic Projections for KIAB for the Fourth Control Period

Particulars (FY ending March 31)	2027	2028	2029	2030	2031
Passenger Traffic					
Domestic	11.44%	7.15%	6.75%	6.85%	7.74%
International	13.24%	12.31%	7.53%	6.80%	22.37%
ATM					
Domestic	15.09%	6.87%	6.41%	6.48%	4.23%
International	32.30%	12.87%	7.74%	3.44%	18.78%
Cargo					
Domestic	2.73%	5.75%	5.89%	6.01%	6.14%
International	9.18%	8.07%	7.88%	7.70%	7.52%

4.1.9. Accordingly, BIAL, in its MYTP, submitted the traffic projections for the Fourth Control Period adopting the growth rates derived from the NACO study, as detailed in the table below:

Table 120: Traffic Projections Submitted by BIAL for the Fourth Control Period (NACO Study)

Particulars (FY ending March 31)	2027	2028	2029	2030	2031	Total
Passenger Traffic (Mn)						
Domestic	44.91	48.12	51.37	54.89	59.14	258.43
Domestic YoY Growth	*11.44%*	*7.15%*	*6.75%*	*6.85%*	*7.74%*	
International	8.04	9.03	9.71	10.37	12.69	49.83
International YoY Growth	*13.24%*	*12.31%*	*7.53%*	*6.80%*	*22.37%*	
Total	**52.95**	**57.15**	**61.08**	**65.26**	**71.83**	**308.26**
Air Traffic Movements (000's Nos)						
Domestic	291.64	311.68	331.67	353.17	368.11	**1656.27**
Domestic YoY Growth	*15.09%*	*6.87%*	*6.41%*	*6.48%*	*4.23%*	
International	49.48	55.85	60.17	62.24	73.93	**301.67**
International YoY Growth	*32.30%*	*12.87%*	*7.74%*	*3.44%*	*18.78%*	
Total	**341**	**368**	**392**	**415**	**442**	**1,958**
Cargo Projection (000's MT)						
Domestic	202.83	214.50	227.13	240.79	255.58	**1140.83**
Domestic YoY Growth	*2.73%*	*5.75%*	*5.89%*	*6.01%*	*6.14%*	
International	370.88	400.8	432.4	465.69	500.7	**2170.47**
International YoY Growth	*9.18%*	*8.07%*	*7.88%*	*7.70%*	*7.52%*	
Total	**573.71**	**615.30**	**659.53**	**706.48**	**756.28**	**3311.3**

CAPA Study: Independent peer review of 5-year traffic forecast by NACO

4.1.10. Pursuant to observations raised by the Independent Consultant regarding the potential optimism in the traffic projections submitted by NACO, BIAL engaged CAPA Advisory to undertake an independent peer review of the said study. The scope of the peer review was limited to evaluating the robustness and appropriateness of the forecasting methodology, the reasonableness of the underlying assumptions, and the internal consistency of the forecast outputs. The CAPA Advisory report dated 8.12.2025 was subsequently shared by BIAL with the Authority.

4.1.11. CAPA Advisory reviewed the NACO forecast using a multi-faceted approach, the key elements of which are set out hereunder:

i. Supply-side driven approach adopted, on the premise that airline capacity (rather than demand-side variables) will be the dominant determinant of traffic outcomes during FY 2027–FY 2031.

ii. Departure from traditional demand-only econometric models, which, in CAPA's experience, tend to systematically understate traffic growth in emerging aviation markets such as India.

iii. Reliance on robust aircraft order books of Indian carriers, which are amongst the largest globally, supporting the assumption of a stepped-up induction of capacity from FY 2028 onwards.

iv. Historical evidence considered, indicating that capacity expansion typically leads to fare stimulation and traffic generation, rather than persistent under-utilisation

v. Adoption of Multi-layered methodology, integrating supply-side modelling as the foundation of the forecasts, rather than pure econometric approaches.

vi. Alignment with global best practice for near-term aviation forecasting, particularly in emerging markets.

4.1.12. The transfer traffic projections in respect of Kempegowda International Airport, Bangalore for the Fourth Control Period were developed separately for domestic and international transfers, and the said projections were thereafter aggregated to determine the total transfer passenger movements at the airport. The said exercise was preceded by an examination of the historical distribution of transfer passengers across three principal segments, namely, Domestic-to-Domestic ("D-D"), Domestic-to-International / International-to-Domestic ("D-I/I-D"), and International-to-International ("I-I").

4.1.13. Based on the above methodology, CAPA provided traffic forecasts for the Fourth Control Period. The growth rates considered for each traffic category, namely Passenger Traffic and ATM, are presented in the table below:

Table 121: Growth Rates considered by CAPA towards Traffic Projections for KIAB for the Fourth Control Period

Particulars (FY ending March 31)	2027	2028	2029	2030	2031
Passenger Traffic					
Domestic	6.97%	13.28%	10.84%	8.58%	9.19%
International	9.59%	15.00%	10.87%	13.73%	12.07%
ATM					
Domestic	5.40%	12.76%	10.17%	7.13%	8.98%
International	11.12%	13.69%	10.32%	14.63%	9.94%

4.1.14. Accordingly, KIAB, in its revised submission, adopted the growth rates derived from the CAPA study, and submitted the traffic projections for the Fourth Control Period, as detailed in the table below:

Table 122: Traffic Projections Submitted by KIAB for the Fourth Control Period (CAPA Study)

Particulars (FY ending March 31)	2027	2028	2029	2030	2031	Total
Passenger Traffic (Mn)						
Domestic	39.9	45.2	50.1	54.4	59.4	249.1
Domestic YoY Growth	*6.97%*	*13.28%*	*10.84%*	*8.58%*	*9.19%*	
International	8.00	9.20	10.20	11.60	13.00	52.10
International YoY Growth	*9.59%*	*15.00%*	*10.87%*	*13.73%*	*12.07%*	
Total	**47.90**	**54.40**	**60.30**	**66.00**	**72.40**	**301.0**
Air Traffic Movements ('000)						
Domestic	246.87	278.36	306.66	328.53	358.04	**1518.46**
Domestic YoY Growth	*5%*	*12.76%*	*10.17%*	*7.13%*	*8.98%*	
International	42.87	48.74	53.77	61.64	67.77	**274.816**
International YoY Growth	*11.12%*	*13.69%*	*10.32%*	*14.63%*	*9.94%*	
Total	**289.74**	**327.10**	**360.43**	**390.17**	**425.81**	**1793.28**

4.2 Authority's examination regarding Traffic projections for the Fourth Control Period at the Consultation Stage

4.2.1. The Authority had carefully examined the traffic projections submitted by BIAL in respect of Kempegowda International Airport, Bangalore ("KIAB") for the Fourth Control Period (i.e., FY 2026–27 to FY 2030–31), as developed by its independent traffic consultant, NACO and then reviewed independently by CAPA and carried out a comparative review of the traffic forecasts submitted by

BIAL, namely the NACO study of April 2025 and the subsequent peer review and updated forecast prepared by CAPA Advisory in December 2025, and noted the following:

i. **Recency and base-year alignment:** The CAPA Advisory report, being more recent (December 2025), had the forecast base more aligned with the latest available actuals for FY 2026. A comparison of the FY 2026 base passenger traffic across the two reports vis-à-vis the actual traffic recorded at KIAB is set out hereunder:

Table 123: Comparison of FY 2026 Passenger Traffic Projections at KIAB across NACO and CAPA Advisory Reports vis-à-vis Actual Traffic

Segment (Mn Pax)	NACO Study (08.04.2025)	CAPA Advisory Report (08.12.2025)	Actual FY 2026 Traffic	Variance – NACO vs Actual	Variance – CAPA vs Actual
Domestic	40.3	37.3	37.24	3.06	0.06
International	7.1	7.3	7.23	-0.13	0.07
Total	**47.5**	**44.6**	**44.47**	**3.03**	**0.13**

As is evident from the table above, the NACO study overstated the FY 2026 base traffic by approximately 3 mn passengers, predominantly on the domestic segment, whereas the CAPA Advisory forecast is closely aligned with actual FY 2026 traffic across all segments.

ii. **Forecast moderation reflective of recent market developments:** CAPA Advisory incorporated recent market events that were not captured in the NACO study, including supply-side constraints, the impact of the Air India accident, the Pahalgam attacks and broader demand-supply dynamics that muted FY 2026 traffic at the national level and at KIAB.

iii. **More granular segmental treatment:** The CAPA Advisory report provided a more nuanced treatment of the international segment, factoring in airline-specific capacity deployment plans (including Air India's hub strategy and IndiGo's international expansion), hub incentive arrangements between BIAL and Air India, alliance and codeshare partnerships, and Bengaluru's superior yield characteristics on long-haul routes. These granular considerations were not explicitly visible in the NACO regression-driven approach.

iv. **Critical evaluation of NACO's projections:** CAPA Advisory critically evaluated the optimism flagged by the Authority's Independent Consultant in respect of the NACO forecast and based the projections to a more realistic FY 2026 starting point, while retaining a robust growth trajectory aligned with airline capacity rollouts from FY 2028 onwards.

4.2.2. In view of the above, the Authority is of the view that the CAPA Advisory report (December 2025) represents a more recent, granular and base-aligned projection vis-à-vis the NACO study (April 2025). Accordingly, the Authority based on its analysis with regards to Pax and ATM traffic on the CAPA Advisory report, undertook a detailed examination of the methodology adopted therein.

Passenger Traffic and ATM

4.2.3. The Authority examined the demand-side and supply side passenger forecasting methodology adopted by CAPA Advisory for Kempegowda International Airport, Bangalore ("KIAB") for the Fourth Control Period, as submitted by BIAL.

4.2.4. The Authority noted that CAPA Advisory adopted a multi-layered, supply-side oriented forecasting methodology, with airline capacity drivers including aircraft order books, fleet induction schedules and capacity rollout from FY 2028 onwards, forming the foundation of the forecast, duly supplemented by demand-side and market-specific considerations. The Authority is of the view that the said methodology adequately reflects the structural realities of the Indian aviation market, is consistent with international best practices for near-term forecasting, and provides an appropriate basis for the traffic projections at KIAB over the Fourth Control Period.

4.2.5. The Authority noted that CAPA Advisory adopted a segment-wise approach for projecting transfer traffic at KIAB, with separate treatment for the Domestic-to-Domestic ("D-D"), Domestic-to-International / International-to-Domestic ("D-I/I-D"), and International-to-International ("I-I") segments, duly supplemented by qualitative considerations including airline network expansion, introduction of new non-stop city pairs, alliance and codeshare partnerships (such as Star Alliance for Air India and IndiGo's codeshare arrangements), and the transfer experience offered at Terminal 2. The Authority is of the view that the said segment-wise approach is broadly appropriate, having regard to the fact that each transfer segment is influenced by distinct demand drivers, network considerations and competitive dynamics, and a uniform forecasting approach across all segments would not have adequately captured the heterogeneity of transfer traffic at KIAB.

4.2.6. The Authority noted that the ATM forecasting methodology adopted by CAPA Advisory comprised of segment-wise structured approach, with separate treatment for Passenger ATMs, Freighter ATMs and General Aviation ATMs, and a sequential computation framework involving fleet seat density modelling, passenger load factor assumptions and derivation of passengers-per-ATM ratios for the passenger segment, supplemented by qualitative considerations relating to belly-hold capacity, widebody deployment and GA sector dynamics for the freighter and general aviation segments. The Authority is of the view that the said methodology is appropriate and consistent with established forecasting practices, as it adequately captures the distinct fleet dynamics, capacity drivers and operational characteristics relevant to each ATM segment.

Cargo Demand

4.2.7. The Authority carefully examined the cargo forecasting methodology adopted by NACO for KIAB, comprising a regression-based econometric framework supplemented by qualitative adjustments capturing the unique structural characteristics of cargo movements at the airport, as submitted by BIAL.

4.2.8. The Authority noted that NACO had duly recognised the structural distinctiveness of cargo flows at KIAB including the predominance of international cargo, the strong correlation with macroeconomic and industry-specific drivers such as GDP, trade volumes, pharmaceutical and electronics production, and the recent shifts arising from geopolitical disruptions in sea trade, and has supplemented its regression-based forecasts with qualitative adjustments covering socio-economic drivers (gradual moderation in GDP elasticity), transshipment dynamics (with enabling regulations assumed from FY 2028), and belly-hold versus full freighter operational mix for both domestic and international segments. The forecasts have additionally been benchmarked against established global references including Airbus GMF and ACI WATR. The Authority is of the view that the said approach is methodologically sound and represents a more granular treatment than a purely regression-based forecast, which would not adequately capture the commodity-driven and capacity-driven dynamics specific to KIAB.

4.2.9. The Authority also took cognizance of the International Air Transport Association (IATA) report on the Air Passenger Market Analysis for the month of March 2026.

The key highlights of the IATA report are as follows:

2.1 The industry's total Revenue Passenger-Kilometer (RPK) increased by 2.1% YoY in March, continuing to exceed historical records. Available Seat-Kilometer (ASK) fell by 1.7% YoY lagging demand growth.

2.2 The Passenger Load Factor (PLF) improved by 3.1 percentage points compared to the previous year, reaching 83.6%, an all-time high for March.

2.3 Domestic traffic overall grew by 6.5% YoY. China led the main markets this month with a 13.7% rise in RPK. All monitored markets showed stable demand growth, although seat capacity in some areas plateaued.

2.4 International passenger traffic for the industry declined marginally by 0.6% YoY in March. Capacity on international routes fell by 6.2% YoY. With capacity contracting more than demand, the international PLF rose by 4.7 percentage points to 84.1%, marking the highest March PLF on record for the international segment.

4.2.10. The Authority further reviewed the historical traffic performance at Kempegowda International Airport, Bangalore ("KIAB"), including the traffic growth rates witnessed over the preceding five financial years. The Authority observed that passenger traffic at KIAB has registered a substantial recovery in the post-COVID-19 period, returning close to pre-pandemic levels by FY 23. The said growth trajectory has been sustained thereafter, with passenger traffic having increased by 17.58% in FY 24 and 11.6% in FY 25 on a year-on-year basis, thereby reflecting a sustained momentum in air travel demand at the airport.

4.2.11. The Authority examined the year-on-year growth rates considered by KIAB for the purposes of its traffic projections, and noted that the actual passenger traffic at KIAB for FY 26 (i.e. approximately 44.5 Mn) is almost aligned to the corresponding projection for FY 26 (i.e. approximately 44.6 Mn), submitted by BIAL.

4.2.12. Based on the foregoing, the projected Passenger Traffic, ATM and Cargo Traffic proposed to be considered by the Authority for the Fourth Control Period at the consultation stage is presented in the table below:

Table 124: Traffic proposed by the Authority for the Fourth Control Period at the Consultation Stage

Particulars (FY ending March 31)	2027	2028	2029	2030	2031	Total
Passenger Traffic (Mn)						
Domestic Pax submitted by Operator	39.9	45.2	50.1	54.4	59.4	249.1
Domestic Pax Proposed by Authority	39.9	45.2	50.1	54.4	59.4	249.1
Domestic YoY Growth submitted by Operator	*6.97%*	*13.28%*	*10.84%*	*8.58%*	*9.19%*	
Domestic YoY Growth Proposed by Authority	*6.97%*	*13.28%*	*10.84%*	*8.58%*	*9.19 %*	
International Pax submitted by Operator	8.0	9.2	10.2	11.6	13.0	52.1
International Pax proposed by Authority	8.0	9.2	10.2	11.6	13.0	52.1
International YoY Growth submitted by Operator	*9.59%*	*15.00%*	*10.87%*	*13.73%*	*12.07%*	
International YoY Growth proposed by Authority	*9.59%*	*15.00%*	*10.87%*	*13.73%*	*12.07%*	
Total Pax submitted by Operator	**47.9**	**54.4**	**60.3**	**66**	**72.4**	**301.0**
Total Pax proposed by Authority	**47.9**	**54.4**	**60.3**	**66**	**72.4**	**301.0**
Total Pax YoY Growth submitted by Operator	*7.16%*	*13.57%*	*10.85%*	*9.45%*	*9.70%*	
Total Pax YoY Growth proposed by Authority	*7.16%*	*13.57%*	*10.85%*	*9.45%*	*9.70%*	

Particulars (FY ending March 31)	2027	2028	2029	2030	2031	Total
Air Traffic Movements (000' Nos)	**2027**	**2028**	**2029**	**2030**	**2031**	**Total**
Domestic ATM submitted by Operator	247	278	307	329	358	1518.47
Domestic ATM Proposed by Authority	247	278	307	329	358	1518.47
Domestic ATM YoY Growth submitted by Operator	*5.00%*	*12.76%*	*10.17%*	*7.13%*	*8.98%*	
Domestic ATM YoY Growth Proposed by Authority	*5.00%*	*12.76%*	*10.17%*	*7.13%*	*8.98%*	
International ATM submitted by Operator	42.88	48.75	53.78	61.65	67.77	274.82
International ATM proposed by Authority	42.88	48.75	53.78	61.65	67.77	274.82
International ATM YoY Growth submitted by Operator	*11.12%*	*13.69%*	*10.32%*	*14.63%*	*9.94%*	
International ATM YoY Growth proposed by Authority	*11.12%*	*13.69%*	*10.32%*	*14.63%*	*9.94%*	
Total ATM submitted by Operator	289.75	327.11	360.44	390.18	425.81	1793.28
Total ATM proposed by Authority	289.75	327.11	360.44	390.18	425.81	1793.28
Total ATM YoY Growth submitted by Operator	*3.49%*	*12.89%*	*10.19%*	*8.25%*	*9.13%*	
Total ATM YoY Growth proposed by Authority	*3.49%*	*12.89%*	*10.19%*	*8.25%*	*9.13%*	
Cargo Projection (000's MT)	**2027**	**2028**	**2029**	**2030**	**2031**	**Total**
Domestic Cargo submitted by Operator	202.83	214.5	227.13	240.79	255.58	1140.83
Domestic Cargo Proposed by Authority	202.83	214.5	227.13	240.79	255.58	1140.83
Domestic Cargo YoY Growth submitted by Operator	*2.73%*	*5.75%*	*5.89%*	*6.01%*	*6.14%*	
Domestic Cargo YoY Growth Proposed by Authority	*2.73%*	*5.75%*	*5.89%*	*6.01%*	*6.14%*	
International Cargo submitted by Operator	370.88	400.8	432.4	465.69	500.7	2170.47
International Cargo proposed by Authority	370.88	400.8	432.4	465.69	500.7	2170.47
International Cargo YoY Growth submitted by Operator	*9.18%*	*8.07%*	*7.88%*	*7.70%*	*7.52%*	
International Cargo YoY Growth proposed by Authority	*9.18%*	*8.07%*	*7.88%*	*7.70%*	*7.52%*	
Total Cargo submitted by Operator	**573.71**	**615.3**	**659.53**	**706.48**	**756.28**	**3311.3**
Total Cargo proposed by Authority	**573.71**	**615.3**	**659.53**	**706.48**	**756.28**	**3311.3**
Total Cargo YoY Growth submitted by Operator	*7.84%*	*7.25%*	*7.19%*	*7.12%*	*7.05%*	
Total Cargo YoY Growth proposed by Authority	*7.84%*	*7.25%*	*7.19%*	*7.12%*	*7.05%*	

4.3 Stakeholders' Comments regarding Traffic for the Fourth Control Period

4.3.1. During the Stakeholder Consultation Process, the Authority has received comments/views from BIAL and IATA in response to the proposals of the Authority in the Consultation Paper No. 01/2026-27 dated 12th June 2026 regarding traffic for the Fourth Control Period. The Comments of the Stakeholders are presented below:

BIAL's comment regarding Traffic for the Fourth Control Period

4.3.2. BIAL's comment with regards to the Traffic is as follows:

"BIAL appreciates the rigour adopted by the Authority while reviewing and accepting the traffic projections as part of the 4th control period submission.

Post our submission in December 2025, the aviation industry has experienced an unforeseen development arising from the geopolitical conflict in the Middle East. The conflict has resulted in

airspace restrictions and route diversions, higher aviation turbine fuel (ATF) prices, increased airline operating costs and flight cancellations across domestic and international sectors. These developments have materially impacted traffic growth during the initial months of FY27 (in Q1 performance, BIAL passenger traffic has been flat i.e., 0% growth while aircraft movements have been down 2%).

In response to these operating conditions, Indian carriers have announced temporary reductions in network capacity - Air India and Air India Express have announced reductions of approximately 15% in their domestic operations from June through August 2026, while IndiGo announced a reduction of approximately 7% over the same period. (Ref: Air India, IndiGo to cut domestic flight operations as ATF prices, low demand hurt: Report - The Economic Times)

The impact at KIAB is evident from the reduction in scheduled flight movements between 27 February 2026 (prior to the onset of the geopolitical conflict) and 30 June 2026, as summarized below:

Daily Flights (Arr & Dep)	As of 27th Feb 2026 (prior to start of the war)	As of 30th June 2026	Variance
Domestic flights	644	588	-9%
Air India & Air India Express	211	166	-21%
Indigo	346	333	-4%
International Flights	119	106	-11%

With reduction in operations expected to continue through till August 26, we believe that the growth for FY27 may be lower than earlier planned and will trend closer to 46.5 million passengers as against our submission of 47.9 million passengers (implying a year on year growth rate of 4.5%).

Given the unique exogenous conditions, we remain hopeful that the traffic impact will be limited to FY27 and traffic growth from FY28 will continue as per our previous submitted growth rates. This is aligned with the feedback we have received from carriers as well. Accordingly, adopting the annual passenger growth rates as previously submitted, the overall reduction in passenger traffic through the control period is expected to be around ~ 2.9%. The reduction is not expected to have any impact on the projects proposed in the capital program as by FY31 as the existing terminals (T1 and T2 Phase 1) will continue to operate at ~ 90% of installed capacity.

Previous Filing by BIAL	FY 26 A	FY27	FY28	FY29	FY30	FY31	Total for 4th CP
Pax traffic	44.45	47.9	54.4	60.3	66	72.4	301
Growth		7.8%	13.6%	10.8%	9.5%	9.7%	
5 year CAGR	**10.2%**						

Updated traffic projection	FY 26 A	FY27	FY28	FY29	FY30	FY31	Total for 4th CP
Total	44.45	46.5	52.8	58.5	64.1	70.3	292.2
Growth			13.6%	10.8%	9.5%	9.7%	
5 year CAGR	**9.60%**						

We request the Authority to consider the updated submissions while finalizing the tariff order.

Updated Submission of Traffic estimates

FY ending	UoM	2027	2028	2029	2030	2031
Total Passengers	**Mn**	**46.52**	**52.82**	**58.55**	**64.07**	**70.28**
Domestic	Mn	38.96	44.13	48.91	53.11	57.99
International	Mn	7.56	8.69	9.64	10.96	12.28
ATM	**Nos.**	**2,90,707**	**3,27,543**	**3,60,487**	**3,89,835**	**4,25,071**
Domestic	Nos.	2,45,953	2,76,992	3,04,904	3,26,518	3,55,640
International	Nos.	44,754	50,552	55,583	63,317	69,432
Cargo	**MT**	**5,64,494**	**6,06,489**	**6,52,462**	**7,02,151**	**7,56,176**
Domestic	MT	2,07,363	2,19,400	2,31,922	2,44,932	2,58,432
International	MT	3,57,131	3,87,089	4,20,540	4,57,219	4,97,744

BIAL requests AERA to consider the above as the Traffic estimate for the Fourth Control Period. Further Aeronautical and Non-Aeronautical Revenues need to be estimated considering the above traffic submission."

Other Stakeholders' comment regarding Traffic for the Fourth Control Period

4.3.3. IATA's comment with regards to Traffic are as follows:

"Fourth Control Period: Traffic Forecast and Demand Assumptions

IATA welcomes the reassessment of the traffic forecast by CAPA for the Fourth Control Period, with traffic projections revised downwards from the previous forecast prepared by NACO. However, the revised forecast does not appear to fully take into consideration recent developments affecting the aviation sector, including disruptions arising from the Middle East regional conflict, ongoing aircraft supply chain constraints and the resulting cost pressures on airlines and passengers. These developments may affect both the timing and scale of traffic recovery, particularly during FY2027 and FY2028, and warrant further consideration in the final determination.

This is especially relevant for international traffic, given Bangalore Airport's significant connectivity through Middle East hubs. The growth projections for both domestic and international traffic in FY2028 appear relatively strong and could be impacted by current market conditions, both in terms of the quantum of traffic ultimately materialising and the timing of that growth. In this regard, IATA would encourage the Authority to consider the use of a scenario-based forecasting approach (Baseline, Upper and Lower scenarios), which is widely regarded as industry best practice for accounting for macroeconomic uncertainty, supply-side constraints and external shock events.

In relation to transfer traffic, IATA welcomes the Government's designation of Bangalore as one of India's transfer airports and supports efforts to strengthen hub connectivity. However, airport infrastructure alone is unlikely to be sufficient to deliver the transfer traffic growth assumed in the forecast. Efficient transfer operations are also dependent on supporting facilitation measures,

including streamlined security processes, immigration arrangements and transfer passenger handling procedures. The pace at which these enabling measures are implemented should therefore be reflected in the transfer traffic assumptions adopted for the Fourth Control Period.

IATA also notes that some of the projected traffic growth appears difficult to reconcile with the infrastructure being delivered during the period. For example, while 13 additional Code C stands are expected to be delivered in 2028, these are understood to replace 12 existing stands that will be removed to facilitate taxiway development. This results in a net gain of only one stand during that period. Unless significant growth occurs outside peak periods, or stand utilisation improves materially, this may constrain the airport's ability to accommodate the level of traffic growth currently forecast.

Accordingly, IATA encourages the Authority to continue testing the forecast against evolving market conditions, infrastructure delivery timelines and operational constraints to ensure that the traffic assumptions adopted for the Fourth Control Period remain prudent, realistic and aligned with likely demand outcomes."

4.4 BIAL's response to Stakeholders' Comments regarding Traffic for the Fourth Control Period

4.4.1. BIAL's response to IATA's comment regarding Traffic is as follows:

"BIAL's first submission for traffic was developed by NACO and included Low, base and high scenarios. The same were updated in December 2025 in light of the development through CY2025.

The geopolitical situation in the Middle East is an unforeseen situation. We have therefore further refined our projected passenger and ATM forecast taking into consideration the latest situation in Middle East and have submitted these to AERA as part of response to CP for consideration

BIAL appreciates the views expressed by IATA that growth of transfer passenger traffic requires streamlined security processes, immigration arrangements and transfer passenger handling procedures. While APAO is already working on this, BIAL looks forward to collaborating with IATA in the form of policy representations and other steps.

Specific to development of aircraft stands, BIAL welcomes suggestions of IATA and airlines (which are not limited to tariff consultation but as an ongoing process) to phase the increase in stands so that user requirements are better served."

4.5 Authority's Analysis on Stakeholders' Comments regarding Traffic for the Fourth Control Period

4.5.1. The Authority notes the submissions made by Bangalore International Airport Limited (BIAL) and the International Air Transport Association (IATA) regarding traffic projections for the Fourth Control Period. BIAL has submitted revised traffic projections reflecting impacts arising from recent geopolitical developments in the Middle East region, including airspace restrictions, route diversions, elevated aviation turbine fuel (ATF) prices, and airline capacity reductions announced for the initial months of FY2027. IATA has supported reassessment of BIAL's traffic forecast through an independent review undertaken by CAPA, raising concerns regarding (i) the impact of geopolitical disruptions and aircraft supply chain constraints on near-term traffic growth, (ii) transfer traffic assumptions and associated facilitation measures, (iii) the relationship between forecast traffic growth and infrastructure/stand availability, and (iv) the adoption of scenario-based (Baseline, Upper, Lower) forecasting approaches. Given the overlapping nature of the concerns raised by BIAL and IATA regarding near-term geopolitical disruptions and their impact on traffic projections, the Authority has considered these submissions together and sets out below its consolidated view.

4.5.2. The Authority acknowledges the submissions that recent geopolitical developments have materially impacted traffic growth during the initial months of FY27 and that Indian carriers have announced temporary capacity reductions during the June–August 2026 period. The Authority further notes BIAL's estimate that overall reduction in passenger traffic during FY27 may be around ~2.9% as a result of these exogenous developments, and IATA's related concerns regarding the pace of traffic growth, particularly during the initial years of the Fourth Control Period.

4.5.3. At the outset, the Authority observes that the traffic projections considered in the Consultation Paper for the Fourth Control Period were derived using a robust methodology, including an independent review undertaken by CAPA, analysis of historical trends, econometric assessment, consideration of airport-specific factors, and inputs provided by BIAL. As discussed in Chapter 4 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the traffic assessment considered historical traffic trends, macroeconomic indicators, airline fleet induction plans, airport infrastructure capacity, market dynamics, industry outlook, and other relevant factors before arriving at the revised traffic projections. These projections reflect a balanced and evidence-based assessment of expected air traffic growth during the Fourth Control Period and remain valid for the medium-term outlook.

4.5.4. With respect to the submissions regarding impacts arising from recent geopolitical developments in the initial months of FY27, the Authority notes that such disruptions and external shocks are inherent in the aviation sector. However, the Authority is of the opinion that such shocks are generally intermittent in nature and get covered up in the short to medium term owing to pent-up demand, as evidenced in the past.

4.5.5. Critically, data released by the Airports Authority of India (AAI) indicates that traffic has increased by 1.1% in the first two months of FY27 in comparison to the previous fiscal year, notwithstanding the concurrent geopolitical disruptions. This modest but positive growth trajectory, despite significant headwinds, presents important indicators that validate the fundamental assumptions underlying the traffic projections:

- **Resilience of Underlying Demand:** The maintenance of positive growth during a period of acknowledged constraints including airspace restrictions, elevated ATF prices, and announced capacity reductions demonstrates that underlying passenger demand fundamentals remain robust at BIAL. This empirical evidence validates the long-term traffic projections for FY28–FY31 adopted in the Consultation Paper.
- **Pent-up Demand Dynamics:** The positive growth in the initial FY27 period, coupled with BIAL's expectation that disruptions will be limited to the first quarter/half of FY27, suggests a strong reservoir of pent-up demand likely to manifest once supply-side constraints ease and geopolitical conditions normalize. This dynamic supports retention of the Consultation Paper projections for the latter years of the Fourth Control Period.
- **Recovery Trajectory:** As airspace restrictions are lifted, ATF prices moderate, and airlines restore capacity from September 2026 onwards, the Authority anticipates accelerated traffic recovery driven by accumulated passenger demand that has been temporarily constrained. This expected recovery pattern aligns with the traffic growth assumptions reflected in the Consultation Paper projections for FY28–FY31.

4.5.6. Having regard to the separation between near-term sectoral disruptions and long-term demand sustainability, the Authority adopts a stratified methodology:

For FY27 (Exceptional Year): The Authority acknowledges the initial months' geopolitical shocks in FY27. However, the Authority notes that BIAL's revised traffic projections for FY27 represent an estimated 0.46% reduction in the total projected traffic during the consultation stage. Having regard to the modest nature of this projected variance, the temporary character of the underlying geopolitical disruptions as acknowledged by BIAL, and the presence of robust true-up mechanisms within the regulatory framework, the Authority is of the view that maintaining the traffic projections as determined at the Consultation Paper stage is appropriate.

For FY28–FY31 (Structural Period): The Authority is of the considered view that traffic during this period shall remain at a level similar to the projections determined in the Consultation Paper, as they: (i) reflect comprehensive analysis of historical trends, econometric assessment and airport-specific factors undertaken through an independent CAPA review; (ii) capture the expected normalized operational environment post-resolution of current geopolitical tensions; (iii) account for the anticipated release of pent-up demand accumulated during FY27; and (iv) align with the assessment that underlying long-term demand fundamentals remain intact, as validated by the +1.1% positive traffic growth in early FY27 despite concurrent constraints.

Transfer Traffic Assumptions

4.5.7. The Authority notes IATA's observations regarding transfer traffic assumptions and the importance of facilitation measures such as security processing, immigration arrangements, and passenger transfer procedures. The Authority recognises that the development of a transfer hub depends not only on physical infrastructure but also on operational, airline, and policy-related factors. The Authority notes, however, that the traffic forecast adopted by CAPA was developed after considering BIAL's evolving role as a transfer airport, airline network plans, market growth opportunities, and broader industry developments.

4.5.8. The Authority is of the view that the transfer traffic assumptions incorporated in the traffic forecasts represent a reasonable basis for projection, particularly given the Government's designation of Bangalore as a transfer airport and the ongoing efforts by airlines to develop hub operations at KIAB. The Authority considers that the forecast appropriately reflects available information regarding the likely growth trajectory of transfer traffic during the Fourth Control Period. Further, IATA's concerns regarding geopolitical disruptions to Middle East connectivity are partially addressed by the positive traffic growth observed in early FY27 despite such disruptions, which suggests that hub connectivity and transfer operations retain resilience even during periods of regional constraint.

Infrastructure Development and Stand Constraints

4.5.9. The Authority notes IATA's concerns regarding the relationship between forecast traffic growth and the timing of infrastructure development. The Authority notes that the traffic forecast and capital expenditure assessment have been examined concurrently during the consultation process, and it was observed that the Terminal 2 Phase 2 project was justifiable precisely to accommodate the expected increase in passenger traffic at KIAB over the Fourth Control Period.

4.5.10. The Authority also notes IATA's observations regarding the relationship between projected traffic growth and stand availability. In this regard, as discussed in paragraphs 5.3.62 to 5.3.67 of the Consultation Paper, the Authority has proposed to consider the T2 Phase 2 Apron project comprising 40 stands (subsequently revised to 46 Code C equivalent stands) to support Terminal 2 Phase 2 and future traffic growth, with recovery linked to commissioning and utilisation in accordance with the User Pays Principle. Further, as discussed in paragraphs 5.3.86 to 5.3.92, the Authority has proposed to consider the Cargo West Apron comprising 12 additional stands to support cargo operations and

night parking demand. Peak-hour stand utilization can further be improved through enhanced operational practices, remote stand utilization, and improved ground handling efficiency. The Authority is of the view that such operational improvements, combined with the phased infrastructure development proposed for the Fourth Control Period, provide adequate capacity to support the traffic projections without material constraints.

Scenario-Based Forecasting

4.5.11. The Authority notes IATA's suggestion regarding adoption of scenario-based (Baseline, Upper, Lower) forecasting approaches. The Authority observes that CAPA's assessment included a comprehensive evaluation of the underlying assumptions, demand drivers, risks, and constraints relevant to Bengaluru Airport and formed an independent view regarding achievable traffic levels over the Fourth Control Period. The Authority considers that the purpose of the tariff determination process is to establish a reasonable forecast for regulatory purposes based on the most likely outcome supported by available evidence.

4.5.12. At the same time, the Authority notes that actual traffic performance will continue to be examined through the established true-up mechanism under the regulatory framework, thereby ensuring that any material divergence between forecast and actual traffic is appropriately addressed in subsequent tariff determinations. This mechanism provides flexibility to accommodate scenarios where traffic performance differs from projections, without requiring embedded scenario-based approaches within the tariff determination process.

4.5.13. Having regard to: (i) the modest nature of the projected variance based on early FY27 trends to total projected traffic at the consultation stage (~0.46%); (ii) the temporary character of the underlying geopolitical disruptions, as acknowledged by BIAL and external evidence; (iii) the presence of robust true-up mechanisms within the regulatory framework; and (iv) the empirical evidence of demand resilience demonstrated by the +1.1% growth recorded in early FY27 despite acknowledged headwinds, the Authority is of the view that maintaining the traffic projections as determined at the Consultation Paper stage represents an appropriate regulatory approach, as they:

- Reflect comprehensive analysis of historical trends, econometric assessment, and airport-specific factors undertaken through an independent CAPA review;
- Capture the expected normalized operational environment post-resolution of current geopolitical tensions;
- Account for the anticipated release of pent-up demand accumulated during periods of external disruption;
- Align with empirical evidence of underlying long-term demand fundamentals remaining intact, as validated by the +1.1% positive traffic growth in early FY27 despite concurrent constraints;
- Support infrastructure justification by establishing reasonable traffic assumptions that validate the proposed Terminal 2 Phase 2 and associated apron development projects.

4.5.14. Accordingly, the Authority decides to retain the traffic projections as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026 for FY27–FY31. The Authority recognises that the concerns raised by BIAL and IATA regarding geopolitical disruptions, transfer traffic facilitation, infrastructure constraints, and scenario-based forecasting are legitimate regulatory considerations; however, the empirical evidence of demand resilience, together with the presence of comprehensive true-up

mechanisms, supports retention of the Consultation Paper projections. The Authority will undertake a comprehensive true-up of actual traffic volumes (passengers, ATM and cargo) based on audited actuals achieved during the Fourth Control Period at the time of tariff determination for the Fifth Control Period, in accordance with the applicable regulatory framework. This approach ensures that any material deviations between projected and actual traffic performance are appropriately corrected based on actual outcomes, while maintaining regulatory stability and predictability during the current control period.

4.5.15. The Authority therefore decides to retain the traffic projections for the Fourth Control Period as per **Table 124**

4.6 Authority's Decisions regarding Traffic projections for the Fourth Control Period

Based on the material before it and its analysis detailed above, the Authority decides the following regarding the Traffic projections for the Fourth Control Period:

4.6.1. To consider Traffic projections as per **Table 124** for the Fourth Control Period.

4.6.2. To True up the traffic volume (Passenger, ATM and cargo) on the basis of actual Traffic achieved in the Fourth Control Period while determining tariff for the Fifth Control Period.

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5. CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

5.1. Background

5.1.1. Regulatory Asset Base ("RAB") is one of the essential elements in the process of tariff determination. The return to be provided on the RAB constitutes a considerable portion of the Aggregate Revenue Requirement for an Airport Operator. To encourage private sector participation in airport development and operations, investors must be fairly compensated for the capital investment made. At the same time, to safeguard the interests of airport users, it must be ensured that the aeronautical capital additions are necessary, reasonable and justified.

5.1.2. Bangalore International Airport Limited ("BIAL") submitted its Multi Year Tariff Proposal ("MYTP") for the Fourth Control Period in respect of Kempegowda International Airport, Bengaluru ("KIAB"). As part of the MYTP, BIAL submitted its capital expenditure plan for the Fourth Control Period along with details of project-wise capital expenditure, proposed capitalisation, asset allocation between aeronautical and non-aeronautical activities, depreciation and Regulatory Asset Base.

5.1.3. The Authority observed that the assessment of airport development and its phasing is a technical matter, which requires analysis by a domain expert. Accordingly, the Authority undertook an independent CAPEX study through an expert agency, MECON Limited, hereinafter referred to as the Independent Consultant. MECON analyzed the tendering procedures adopted by BIAL and the relevant contract agreements related to the CAPEX submitted by BIAL for the Fourth Control Period. The Authority, through its Independent Consultant, carried out an analysis of the submissions made by BIAL regarding capital additions and RAB, and performed the following:

i. Examined the proposal of BIAL in terms of the projected traffic, designated capacity and project scope with reference to passenger growth, aircraft movements, cargo volumes, stand requirements and operational needs, and assessed the necessity and cost effectiveness of the proposal;

ii. Examined the proposed building standards, terminal sizing, airside layouts, pavement works and associated infrastructure, including the cost thereon submitted by BIAL, with reference to applicable IMG / IATA / ICAO / AAI / DGCA / BCAS norms and planning standards;

iii. Analyzed the reasonableness of the proposed cost with reference to the details of rates and quantities submitted by BIAL, applicable CPWD / KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates, market benchmarks, awarded contract values and other Government / industry approved norms;

iv. Sought documentary evidence and verified the process of approval of CAPEX projects, including the bidding process for award of various work orders / contracts, procurement methodology, bidder participation and the reasonableness of the implementation schedule and completion timelines submitted by BIAL;

v. Sought and verified various technical reports, traffic studies, Master Plan Update 2024, drawings and plans, BOQs, cost estimates and break-up, detailed justifications and explanations, and copies of LoI / LoA / purchase orders / work orders / contracts / change orders and other supporting documents, as applicable, submitted by BIAL; and

vi. Reviewed the submissions presented as part of the independent technical and cost assessment undertaken by MECON Limited, including its review of the tendering procedures adopted by BIAL and the relevant contract agreements related to the capital expenditure submitted by BIAL.

5.1.4. The capital expenditure plan submitted by BIAL for the Fourth Control Period broadly comprised the capital expenditure proposed under Planning Activity Level 2 ("PAL-2") and Non-PAL-2 projects. The PAL-2 capital expenditure included airside infrastructure, passenger terminal development, landside access and parking infrastructure, utilities and other associated works. The Non-PAL-2 capital expenditure included ICT capital expenditure, sustaining capital expenditure, mandatory projects and other capital works.

5.1.5. The Authority noted that KIAB had witnessed significant traffic growth over the previous control periods and had emerged as one of the major airports in India. BIAL submitted that KIAB was expected to handle 44.47 million passengers in FY 2025-26, making it one of the busiest airports in the country. BIAL further submitted that the traffic growth at KIAB was expected to continue during the Fourth Control Period, requiring timely augmentation of terminal, airside, landside and support infrastructure.

5.1.6. BIAL submitted that India is projected to become the world's third largest economy by 2030 and is already the world's third largest aviation market. As per BIAL's submission, India's domestic air transport demand is expected to grow significantly and international traffic to and from India is also expected to increase as India becomes increasingly integrated with the global economy.

5.1.7. BIAL submitted that, despite the size and growth potential of the Indian aviation market, Indian carriers currently have a relatively weak position in international traffic to and from India and are almost absent from international-to-international transfer traffic. BIAL further submitted that the Ministry of Civil Aviation ("MoCA") has formulated an International Aviation Hub Strategy to develop aviation hubs in India and to position India as an aviation hub of choice for Indian passengers by 2030 and for passengers from across the world by 2047.

5.1.8. BIAL submitted that the development of KIAB as an international aviation hub is aligned with the vision set out by MoCA. BIAL stated that, although KIAB is among the busiest airports in India, its share of international traffic in total passenger traffic has historically been lower than that of Delhi and Mumbai airports. As per BIAL, in FY 2023-24, international traffic constituted around 12.4% of KIAB's total traffic, as compared to around 26.8% for Delhi and 27.1% for Mumbai.

5.1.9. BIAL submitted that a substantial portion of long-haul international traffic from Bengaluru currently travels through hub airports in the Middle East and Southeast Asia. BIAL further submitted that only around 21% of KIAB's international traffic is carried by Indian carriers and nearly 60% of its long-haul traffic is one-stop traffic through foreign hubs. BIAL stated that, in order to increase the international passenger share at KIAB to around 20% to 25%, there is a need to establish Bengaluru as a hub with specific focus on long-haul and ultra-long-haul routes.

5.1.10. BIAL also submitted that it had entered into strategic partnership initiatives with airlines, including Air India, to enhance international connectivity, operational efficiency and passenger experience at KIAB. BIAL further submitted that the Tata Group's proposed MRO and aerospace facilities within the airport campus, along with Air India's intention to develop wide-body hangars, support the development of KIAB as a hub for long-haul routes. BIAL stated that similar strategic partnership discussions with IndiGo were also underway.

5.1.11. The Authority noted that BIAL had undertaken a Master Plan Update in 2024 to assess the infrastructure requirements of KIAB for the period up to 2044. BIAL submitted that the Master Plan Update was undertaken through Netherlands Airport Consultants B.V. ("NACO"), a global airport planning consultant. BIAL further submitted that Clause 7.1 of its Concession Agreement requires BIAL to carry out master plan updates every five years.

5.1.12. As per BIAL's submission, the previous Master Plan Update undertaken in 2018-19 had assessed the saturation capacity of KIAB at around 92 million passengers per annum ("MPPA") and airside capacity of over 600,000 air transport movements ("ATMs") per annum. BIAL submitted that, based on the 2024 Master Plan Update, infrastructure requirements had been assessed for various Planning Activity Levels, namely 2024, 2029, 2035 and 2044.

5.1.13. BIAL submitted that, as per the 2024 Master Plan Update, the passenger terminal capacity at KIAB is proposed to increase from 51.5 MPPA in 2024 to 80 MPPA by 2029, 100 MPPA by 2035 and 115 MPPA by 2044. The proposed increase to 80 MPPA by 2029 includes enhancement of Terminal 1 capacity to 35 MPPA and expansion of Terminal 2 to 45 MPPA through development of Terminal 2 Phase 2.

5.1.14. BIAL further submitted that the existing Terminal 1, originally commissioned in May 2008, had undergone expansion in earlier periods and currently had a design capacity of around 26.5 MPPA. Post commissioning of Terminal 2 Phase 1, Terminal 1 is catering to domestic operations. BIAL proposed upgradation of Terminal 1 to enhance its capacity to 35 MPPA and to comply with applicable BCAS guidelines and level of service requirements.

5.1.15. With respect to Terminal 2, BIAL submitted that Terminal 2 Phase 1 has a capacity of 25 MPPA and currently handles both domestic and international operations. Based on the traffic forecast, BIAL submitted that passenger traffic during the Fourth Control Period was expected to exceed the available terminal capacity of 60 MPPA, after the proposed Terminal 1 upgrade, in FY 2028-29. Accordingly, BIAL proposed development of Terminal 2 Phase 2 to add 20 MPPA capacity, thereby increasing the total terminal capacity of KIAB to 80 MPPA.

5.1.16. The Authority noted that BIAL had proposed various airside projects under the PAL-2 programme, including the Western Crossfield Taxiway, associated airfield works, apron development for Terminal 2, Terminal 2 Phase 2 and Terminal 2 West, Cargo West Apron, taxiway works, airside perimeter wall and perimeter road. BIAL submitted that these works are required to increase airfield capacity, improve airside circulation, reduce taxiing time and meet the projected stand requirement.

5.1.17. BIAL submitted that the Western Crossfield Taxiway project is intended to provide enhanced connectivity between the north and south airfields and to reduce taxiing time, particularly for aircraft operating from Terminal 1 and using the South Runway. BIAL further submitted that the proposed dual Crossfield taxiway connectivity would support efficient air traffic flow, reduce fuel consumption and improve operational efficiency and sustainability.

5.1.18. The Authority also noted that BIAL had proposed landside access and connectivity projects, including the Eastern Connectivity Tunnel, Airport Terminal Metro Station, KIA West Metro Station, T1 to T2 and Metro Connector, road expansions, terminal recirculation works, MAR recirculation link and interchange upgrades. BIAL submitted that such works are required to improve surface access, decongest existing access routes, support passenger and cargo movement and provide connectivity to the airport from the eastern and south-eastern parts of Bengaluru.

5.1.19. BIAL submitted that the Eastern Connectivity Tunnel is proposed to provide an alternate access to KIAB from the eastern side and to reduce dependence on the existing connectivity through NH-44 and the Trumpet interchange. BIAL stated that the project is based on recommendations and directions from the Government of Karnataka and is expected to reduce congestion and improve access for passengers and cargo traffic originating from East Bengaluru.

5.1.20. BIAL further submitted that the Bangalore Metro Rail Corporation Limited ("BMRCL") is developing metro connectivity to KIAB and that BIAL had agreed to develop two metro stations within the airport boundary, namely the Airport Terminal Metro Station and the KIA West Metro Station. BIAL submitted that the Airport Terminal Metro Station would serve passengers, meeters and greeters and terminal employees, while the KIA West Metro Station would serve employees and users of cargo, ground handling, airline, fuel farm, statutory agencies, MRO, utility and other airport support facilities.

5.1.21. The Authority noted that BIAL had also proposed capital expenditure towards a new Air Traffic Control Tower ("ATCT"). BIAL submitted that the existing ATC tower was designed for a lower ultimate capacity and has space and operational constraints. BIAL further submitted that the Airports Authority of India had requested BIAL to construct a new ATC tower to support higher movement handling capacity at KIAB.

5.1.22. In addition to PAL-2 projects, BIAL submitted Non-PAL-2 capital expenditure comprising operational sustaining capex, ICT general capex and other projects. BIAL submitted that the sustaining capex is primarily towards replacement and refurbishment of ageing assets, systems and equipment based on end of life and end of support considerations, including electrical and mechanical systems, safety and security systems, terminal operations assets, utilities and environmental infrastructure.

5.1.23. BIAL also submitted ICT capital expenditure for the Fourth Control Period as part of its long-term digital and smart airport initiatives. The proposed ICT capex includes initiatives relating to IoT-based asset tracking, digital airport asset management, Total Airport Management, AI enablement, system refresh, cybersecurity upgrades, campus-wide network refresh, data centre network modernisation, AODB replacement and other innovation and digital projects.

5.1.24. BIAL further submitted certain mandatory capital expenditure requirements based on directions from BCAS, including full body scanners, CT X-ray machines and radiation detection equipment. BIAL stated that these costs had not presently been included as part of RAB for the Fourth Control Period pending final confirmation from BCAS and requested that the same be considered by the Authority if clarity was available before issuance of the tariff order, or be approved on incurrence basis and trued up subsequently.

5.1.25. BIAL submitted that the overall capital expenditure proposed for the Fourth Control Period is required to cater to projected growth in passenger traffic, aircraft movements and cargo volumes, to support the hub strategy for KIAB, to increase terminal and airside capacity, to improve landside access and connectivity, and to maintain operational efficiency, safety, security and service quality standards.

5.1.26. With this background, the Authority examined the capital expenditure proposed by BIAL for the Fourth Control Period, considering the historical traffic trends, future traffic estimates, Master Plan requirements and capacity augmentation needs, so that only essential, reasonable and efficient capex is considered as part of the RAB for the Fourth Control Period. The Authority undertook this examination with a view to encourage necessary investment in airport infrastructure while maintaining a balanced approach between sustainable airport operations of BIAL and the interests of airport users..

5.1.27. Further, along with the necessity of the proposed capex, the Authority also assessed the feasibility of implementing the proposed projects within the Fourth Control Period. It is imperative that BIAL completes the proposed capex within the envisaged timelines, as otherwise airport users may bear the burden of capex funding requirements in the form of higher tariff without having access to the corresponding facilities and service benefits.

5.1.28. Towards this objective, the Authority, through its Independent Consultant, MECON Limited, examined in detail the capital expenditure, aeronautical allocation, depreciation and Regulatory Asset Base submitted by BIAL for the Fourth Control Period.

5.1.29. Based on the above examination, the Authority rationalised the capital expenditure for certain projects proposed by BIAL based on verification of item rates, review of project scope, assessment of quantities, optimization of the proposed capacity augmentation and evaluation of the necessity and timing of the respective works. Accordingly, the Authority has considered capital additions for the Fourth Control Period as detailed in the subsequent paragraphs. However, in respect of projects mandated by regulatory or statutory requirements, or projects incurred for improving operational efficiency, safety, security and service quality, the Authority will true up the costs, subject to evaluation of reasonableness, efficiency, actual capitalization, asset allocation and put-to-use status at the time of determination of tariff for the next Control Period.

5.2. Capital Expenditure (CAPEX) for the Fourth Control Period

BIAL's submission regarding Capital Expenditure (CAPEX) for the Fourth Control Period

5.2.1. BIAL, in its MYTP for the Fourth Control Period, has submitted the Capital Expenditure, Depreciation and Regulatory Asset Base for the period FY 2026-27 to FY 2030-31. BIAL submitted that the capital expenditure proposed for the Fourth Control Period is required to cater to the projected growth in passenger traffic, air traffic movements and cargo at KIAB, to support the hub development strategy for Bengaluru, and to augment the airport infrastructure in line with the Master Plan Update 2024.

5.2.2. BIAL submitted that the capital expenditure proposed for the Fourth Control Period comprises the following broad categories:

- PAL-2 Capital Expenditure;
- Non-PAL-2 projects, comprising:
  - i ICT capital expenditure.
  - ii Sustaining capital expenditure
  - iii Mandatory projects; and
  - iv Other projects

5.2.3. BIAL submitted that the PAL-2 capital expenditure programme is based on the Master Plan Update 2024 and includes capital works relating to airside infrastructure, passenger terminal capacity augmentation, landside access and parking infrastructure, utilities and other associated airport facilities. BIAL further submitted that the non-PAL-2 capital expenditure is required for sustaining airport operations, replacement of ageing assets, ICT and digital initiatives, regulatory compliance, safety, security and service quality requirements.

Master Plan Update

5.2.4. BIAL submitted that efficient airports are an essential part of the transportation network for successful economies and that a comprehensive Master Plan should adopt a balanced approach considering economic, environmental and cultural resources, while meeting present needs without compromising future requirements.

5.2.5. BIAL submitted that the previous Master Plan Update ("MPU") was undertaken in 2018-19. The key highlights of the 2018-19 MPU submitted by BIAL are as follows:

- The saturation capacity of KIAB was assessed at approximately 92 MPPA and airside capacity of over 600,000 ATMs per annum;
- BIAL, which handled 33.3 million passengers in FY 2018-19, was projected to reach 65 MPPA by FY 2029-30, with ATMs expected to grow to over 450,000 per annum;
- BIAL had undertaken a significant investment programme to meet traffic demand of around 55-60 MPPA; and
- In order to handle the expanded traffic demand, the Planning Activity Level 2 ("PAL-2") projects included development of Terminal 2 Phase 2, airside infrastructure including the Elevated Western Cross Taxiway and taxiway extensions, increase in aircraft stands, landside infrastructure including metro stations and Eastern Connectivity Tunnel, and expansion of utility infrastructure.

5.2.6. BIAL submitted that Clause 7.1 of its Concession Agreement requires BIAL to carry out master plan updates every five years. Accordingly, to accommodate the growth of traffic for the next 20 years up to 2044, BIAL appointed Netherlands Airport Consultants B.V. ("NACO") for the Master Plan Update 2024.

5.2.7. BIAL submitted that the Master Plan Update contains an updated airport layout in which primary facilities are sized and configured to provide sufficient capacity and operational flexibility for KIAB to meet growing air traffic demand. BIAL stated that the Master Plan includes extensions and developments of passenger terminals, supporting airside and landside infrastructure, cargo and fuel facilities, ground support equipment handling, utilities and other airport support facilities.

5.2.8. BIAL submitted that facility sizing under the Master Plan Update aims to determine the functional requirements for future development of airport infrastructure and to avoid both oversizing and disinvestment, while ensuring sufficient capacity for future growth. BIAL submitted that the Planning Activity Levels considered in the Master Plan are 2024, 2029, 2035 and 2044.

5.2.9. The facility requirements as per the Master Plan Update 2024 submitted by BIAL are shown below:

Table 125: Airside Infrastructure Requirements as per Master Plan Update 2024

Particulars (FY ending March 31)	2024	PAL-2 2025-2029	PAL-3 2030-2035	PAL-4 2036-2044
Runways	2	2	2	2
Runway 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 runway	2	2	2	2

Particulars (FY ending March 31)	2024	PAL-2 2025-2029	PAL-3 2030-2035	PAL-4 2036-2044
Crossfield Taxiways	2	4	4	4
Instrument Approach Capability	South RWY: CAT III; North RWY: CAT I	CAT III	CAT III	CAT III

Table 126: Road Infrastructure Requirements as per Master Plan Update 2024

Road Infrastructure (FY ending March 31)	2024	2029	2035	2044
Terminal Boulevard	3 lanes	5 lanes	4 lanes	5 lanes
Airport City Avenue	1 lane	5 lanes	4 lanes	5 lanes
Cargo Avenue	2 lanes	3 lanes	2 lanes	2 lanes
North Access	1 lane	2 lanes	2 lanes	2 lanes
West Access	3 lanes	6 lanes	5 lanes	6 lanes
South Access	2 lanes	4 lanes	4 lanes	4 lanes

Table 127: Parking Infrastructure Requirements as per Master Plan Update 2024

Parking Infrastructure	2024 Existing	2029	2035	2044
T1 and T2 Passenger Parking	1,650	4,870	4,550	5,380
T3 Parking	-	-	2,120	2,530
Taxi Parking	1,400	1,520	1,420 bays west and 660 bays east	1,680 bays west and 790 bays east
Bus Parking	50	61	57 bays west and 27 bays east	67 bays west and 32 bays east
Employee Car Parking	520	1,810	1,510 bays west and 670 bays east	1,370 bays west and 610 bays east
Employee Two-wheeler Parking	1,625	1,010	970 bays west and 430 bays east	1,140 bays west and 510 bays east

Table 128: Cargo and Support Facility Requirements as per Master Plan Update 2024

Cargo and Support Facilities	2024	2029	2035	2044
Cargo Terminal Area Plot – First Line	58,100 sqm	88,400 sqm	1,22,000 sqm	1,23,200 sqm
Express Cargo Terminal Area Plot	41,100 sqm	62,400 sqm	86,100 sqm	1,15,200 sqm
Cargo Area Plot – Second Line, Freight Forwarders	54,600 sqm	82,800 sqm	1,14,000 sqm	1,53,000 sqm
Truck Management Plot	12,300 sqm	18,700 sqm	25,800 sqm	34,500 sqm
GSE Staging	35,100 sqm	54,400 sqm	61,800 sqm	70,900 sqm
GSE Maintenance Plot	24,900 sqm	37,700 sqm	44,600 sqm	48,300 sqm

5.2.10. BIAL submitted that, based on the Master Plan Update 2024, various projects are proposed to be taken up for implementation during the period FY 2024-25 to FY 2030-31 under the PAL-2 programme.

PAL-2 Projects proposed for the Fourth Control Period

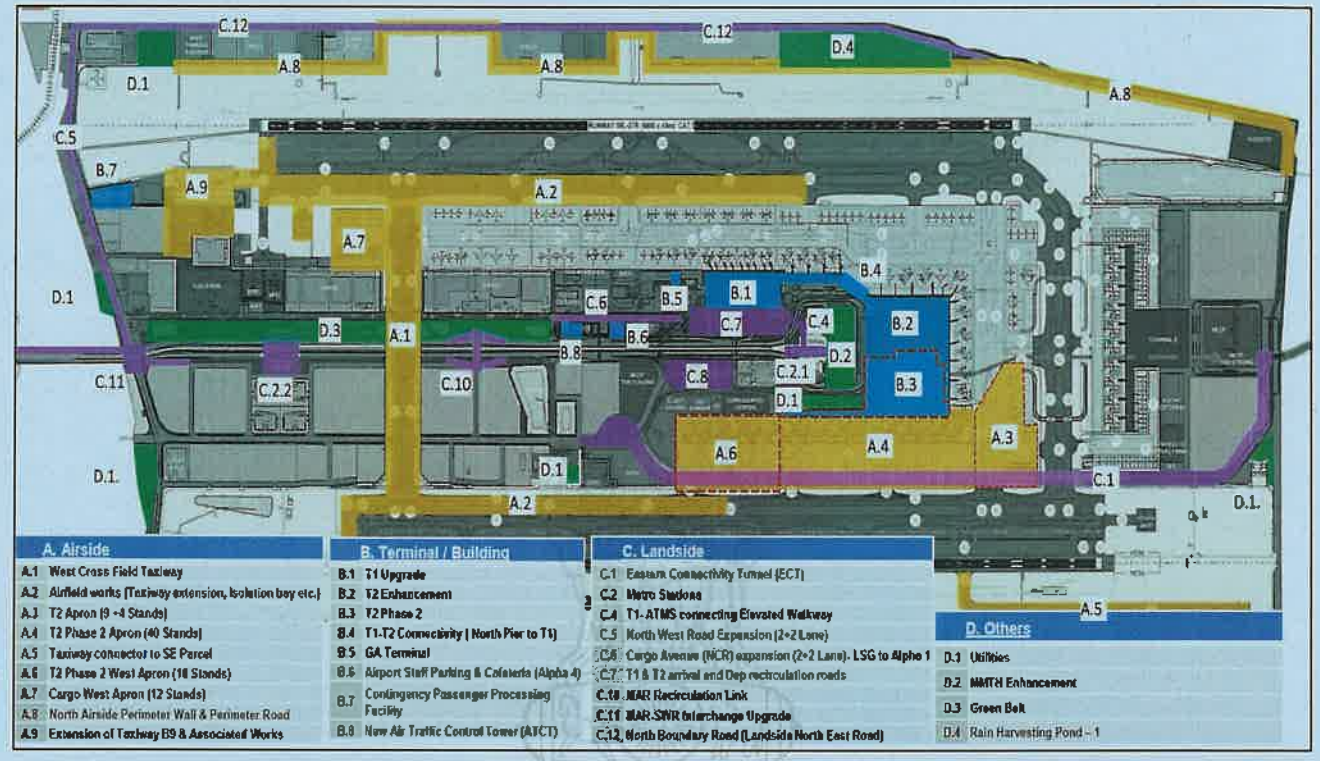

Figure 2: Locations of various projects proposed by BIAL for the Fourth Control Period (excluding Sustaining Capex)

5.2.11. BIAL submitted that the following projects are proposed to be implemented under the PAL-2 programme (vide its revised MYTP data submission on May 21, 2026):

Table 129: PAL-2 Projects proposed by BIAL for implementation from FY 2024-25 to FY 2030-31

S. No.	Category	Project Description	Total Capex submitted by BIAL (Rs. Cr)	Completion Date
A.1	Airside	West Cross Field Taxiway	1,567.33	30-Sep-27
A.2		Airfield Works, including taxiway extension, isolation bay etc.	571.85	31-Mar-28
A.3		T2 Apron, 13 stands	307.72	31-Mar-27
A.4		T2 Phase 2 Apron, 40 stands	906.87	30-Jun-29
A.5		Taxiway Z and Enabling Works	125.44	31-Dec-26
A.6		T2 Phase 2 West Apron, 18 stands	459.41	31-Dec-30
A.7		Cargo West Apron, 12 stands	201.76	31-Jan-28
A.8		North Airside Perimeter Wall and Perimeter Road	106.83	30-Jun-27
A.9		Taxiway B9 and Enabling Works	53.25	30-Sep-27
B.1	Terminal	T1 Upgrade	1,129.95	31-Mar-27
B.2		T2 Enhancement	87.56	31-Dec-26
B.3		T2 Phase 2	7,480.47	31-Dec-29
B.4		T1/T2 Connectivity – Pier Expansion	399.21	31-Dec-29
B.5		GA Terminal	6.85	31-Mar-27

S. No.	Category	Project Description	Total Capex submitted by BIAL (Rs. Cr)	Completion Date
B.6		Airport Staff Parking and Cafeteria	174.49	31-Mar-28
B.7		Contingency Facility	44.20	31-Mar-27
B.8		New Air Traffic Control Tower	170.24	30-Sep-28
C.1	Landside	Eastern Connectivity Tunnel	2,772.04	30-Jun-29
C.2.1		Airport Terminal Metro Station	462.55	30-Jun-27
C.2.2		KIA West Metro Station	213.82	30-Jun-27
C.4		T1 to T2 and Metro Connector Walkway	109.74	31-Dec-27
C.5		North West Road Expansion, 2+2 lane	45.93	31-Dec-27
C.6		Cargo Avenue / NCR Expansion, 2+2 lane, LSG to Alpha 1	16.99	31-Dec-27
C.7		T1 and T2 Departure and Arrival Recirculation	108.56	31-Dec-27
C.10		MAR Recirculation Link	138.21	31-Dec-27
C.11		MAR-SWR Interchange Upgrade	56.26	31-Mar-30
C.12		North Boundary Road / Landside North East Road	171.46	31-Mar-29
D.1	Others	Utilities	923.33	30-Jun-29
D.2		MMTH Enhancement	53.56	30-Sep-26
D.3		Green Belt Development	31.19	31-Dec-29
D.4		Rainwater Harvesting Pond-1	164.22	31-Mar-30
Total Capex submitted by BIAL			19,061.29	

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Airside Projects under PAL-2

5.2.12. BIAL proposed the following 9 Projects under Airside Works (A) in the MYTP Submission. The projects are as follows:

A.1 West Cross Field Taxiway
A.2 Airfield works (Taxiway extension, Isolation Bay etc.)
A.3 T2 Apron (9 +4 Stands)
A.4 T2 Phase 2 Apron (40 Stands)
A.5 Taxiway connector to SE Parcel
A.6 T2 Phase 2 West Apron (18 Stands)
A.7 Cargo West Apron (12 Stands)
A.8 North Airside Perimeter Wall & Perimeter Road
A.9 Extension of Taxiway B9 & Associated Works

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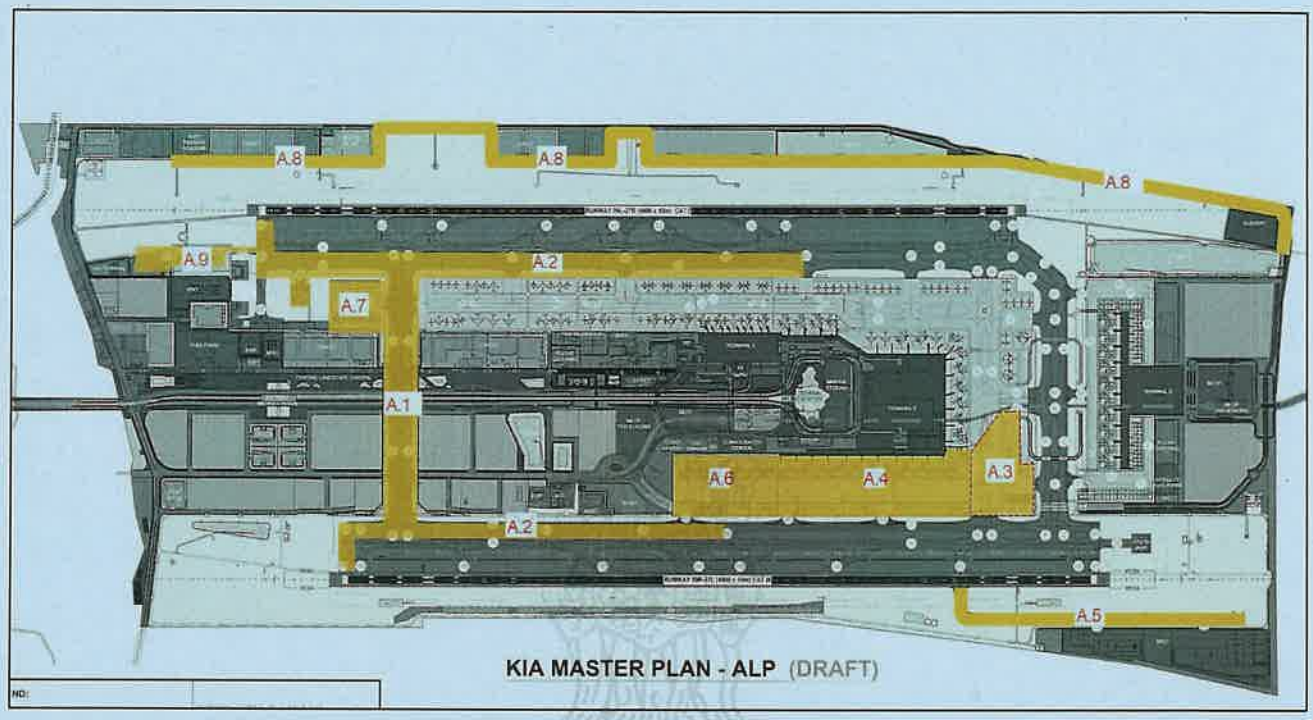

Figure 3: Locations of various airside projects proposed by BIAL for the Fourth Control Period

Elevated Western Cross Field Taxiway and Associated Infrastructure

5.2.13. BIAL submitted that the Western Cross Field Taxiway project involves construction of two new Code E compliant parallel taxiways, namely Taxiway J and Taxiway K, perpendicular to the existing North and South Runways. The proposed taxiways would cross the landside roads in the central area and include overpasses of the North Cargo Road, Pond-8, Main Access Road, proposed Metro Line and South Access Road.

5.2.14. BIAL submitted that the elevated stretch would be approximately 1,360 metres in length and would have an overall width of about 225 metres. BIAL stated that the project would include a combination of viaduct portion and fill, as required.

5.2.15. BIAL submitted that the scope of the Western Cross Field Taxiway project includes:

- Western Connectivity Taxiway J and Taxiway K, including modifications to the section of Taxiway K between Taxiway A and Taxiway B;
- Connector Taxiway B5 between Taxiway A and Taxiway B, east of Taxiway K;
- Extension of Taxiway G and Taxiway H towards the west;
- Connector taxiway parallel to and west of Taxiway H8;
- Partial parallel taxiway to existing runways; and
- Relocation of the Isolation Parking Bay.

5.2.16. BIAL submitted that the project is required to increase airfield capacity and is supported by requests from airlines. BIAL submitted that airlines have experienced prolonged taxiing times of up to 20 minutes, resulting in consequential delays in flight schedules, misconnections and inconvenience to passengers. BIAL further submitted that prolonged taxiing results in environmental concerns and additional fuel consumption for airlines.

5.2.17. BIAL submitted that the Western Cross Field Taxiway is expected to improve airfield circulation and provide additional connectivity between the north and south airfields. As per BIAL, the project is expected to:

- Improve taxi times across the airfield, particularly for aircraft operating from Terminal 1 and departing from the South Runway in the easterly direction, and aircraft arriving on the South Runway in the westerly direction;
- Provide estimated taxi time savings of approximately 10 minutes and 6 minutes in the relevant operating cases;
- Reduce fuel consumption and emissions;
- Improve runway handling capacity through additional queuing area towards Runway 09L and Runway 09R ends; and
- Improve safety and operational efficiency.

Aircraft Parking Stands and Associated Apron Works

5.2.18. BIAL submitted that additional aircraft stands are required to meet projected demand and airline requirements. The existing and projected stand position submitted by BIAL is as follows:

Table 130: Aircraft Parking Stands and Associated Works submitted by BIAL

Particulars	Code C Equivalent Stands
Current available stands	142
Stands to be demolished for Taxiway B Extension	(12)
Net available stands	130
Total stands required by 2031	227
Additional stands requirement	97

5.2.19. BIAL submitted that demand from airlines for night parking is expected to increase during the Fourth Control Period. The airline-wise demand submitted by BIAL is shown below:

Table 131: Demand Requirement from Airlines submitted by BIAL

Airline (FY ending March 31)	End of 2026	2027	2028	2029	2030	2031
Air India	40	43	49	54	54	54
IndiGo	63	69	79	82	82	82
Akasa Air	27-29	29-30	30-33	33-36	33-36	33-36
Total Night Parking	132	142	161	172	172	172

5.2.20. BIAL submitted that the proposed stand developments to meet the demand from airlines are as follows:

Table 132: Proposed Stand Development submitted by BIAL

Project	Proposed Stands
T2 Phase 2 Apron	40
T2 West Apron	18
T2 East Apron	13
Cargo West Apron	12
Total	83

5.2.21. BIAL submitted that the PAL-2 airside projects also include Taxiway Z and enabling works, Taxiway B9 and enabling works, T2 Apron, T2 Phase 2 Apron, T2 Phase 2 West Apron, Cargo West Apron, airfield works including taxiway extensions and isolation bay, and associated enabling infrastructure.

Relocation of North Airside Perimeter Wall, Perimeter Road and Landside Road

5.2.22. BIAL submitted that, to meet forecast demand, various support facilities need to be expanded, which require additional landside access. BIAL submitted that such landside access requirement would be met by converting a portion of the airside land on the northern side into landside.

5.2.23. BIAL submitted that the north-side developments requiring landside access include:

- Rainwater Harvesting Pond-1 of 700 ML;
- Additional space for augmentation of solar plant capacity;
- Expansion of solid waste management facility; and
- Additional cargo facilities, considering that cargo volume is expected to grow from 0.45 million MT to 0.77 million MT during the Fourth Control Period.

5.2.24. BIAL submitted that the entire north area from the North Runway to the North Boundary is currently on the airside. To accommodate the developments as per the Master Plan Update, around 180 metres of land along the North Boundary Wall needs to be converted to landside.

5.2.25. BIAL submitted that the project would involve:

- Construction of a new airside perimeter wall from the existing solid waste management facility to RWH-4;
- Construction of a new two-lane perimeter road of 7 metre width;
- Installation of Perimeter Intrusion Detection System and other utilities;
- Development of landside road within the airport property to access the new developments from North West Road to RWH-1;
- Provision of an underpass under the proposed airside road due to lack of right-of-way; and
- Relocation of the existing boundary wall and perimeter road in a single phase to avoid repeated BCAS approvals and duplication of works.

5.2.26. BIAL submitted that the construction details include around 7 km of boundary wall and PIDS, around 7 km of airside perimeter road, around 1.6 km of four-lane landside road, around 2 km of two-lane road and around 200 meters of underpass.

Terminal Projects under PAL-2

Terminal 1 Upgrade

5.2.27. BIAL submitted that Terminal 1 was originally commissioned in May 2008 as an integrated passenger terminal building. In order to cater to robust passenger traffic growth, Terminal 1 was expanded in 2013 and again in 2020. Post these expansions, Terminal 1 has a total area of around 1,63,535 sqm and a design capacity of around 26.5 MPPA.

5.2.28. BIAL submitted that, after commissioning of Terminal 2 Phase 1, Terminal 1 is catering only to domestic operations, with IndiGo being the anchor carrier for Terminal 1. BIAL has stated that

reallocation of traffic and conversion of international facilities in Terminal 1 for domestic use provide an opportunity for upgradation of Terminal 1.

5.2.29. BIAL submitted that several mechanical systems in Terminal 1 are nearing the end of their design life, including the baggage system, utilities and other supporting facilities. BIAL further submitted that, in addition to replacement and improvement of these systems, the Terminal 1 upgrade provides an opportunity to increase terminal capacity and improve passenger level of service.

5.2.30. BIAL submitted that M/s Landrum & Brown was appointed to undertake the concept design for the Terminal 1 upgrade project and that the same was reviewed and validated by M/s AECOM.

5.2.31. BIAL submitted that BCAS has issued guidelines for approval of floor plans in the Security Restricted Area of airports, which define key parameters such as unit area norms and levels of service. BIAL submitted that compliance with such guidelines is mandatory for major airports while determining space and size requirements of passenger terminal buildings and seeking approval of floor plans.

5.2.32. BIAL submitted that the objective of the Terminal 1 upgrade is to transform it into a dedicated domestic terminal with a capacity of 35 MPPA, in compliance with BCAS guidelines.

Terminal 2 Enhancement and Terminal 2 Phase 2

5.2.33. BIAL submitted that KIAB currently has two passenger terminals:

- Terminal 1, which will have a capacity of 35 MPPA after upgrade and will serve domestic operations of IndiGo, Akasa and SpiceJet; and
- Terminal 2 Phase 1, with a capacity of 25 MPPA, handling both international and domestic traffic.

5.2.34. BIAL submitted that, based on passenger traffic forecasts, traffic during the Fourth Control Period is expected to exceed the available terminal capacity of 60 MPPA, after Terminal 1 upgrade, in FY 2028-29. Accordingly, BIAL submitted that additional terminal capacity is required.

5.2.35. BIAL submitted that multiple terminal options were evaluated during the Master Plan Update 2024, including further sweating or expansion of Terminal 1 and sweating of Terminal 2 Phase 1. BIAL has submitted that further sweating or expansion of Terminal 1 is constrained by existing roadway and airside infrastructure. BIAL further submitted that Terminal 2 Phase 1 was developed with the clear plan that it would be expanded towards the south to increase capacity.

5.2.36. BIAL submitted that, considering the constraints around Terminal 1 and the projected traffic growth, the logical and recommended approach under the Master Plan is to add terminal capacity by implementing Terminal 2 Phase 2 adjacent to Terminal 2 Phase 1 on the southern side.

5.2.37. BIAL submitted that Terminal 2 Phase 2 will add 20 MPPA capacity, increasing the total capacity of Terminal 2 from 25 MPPA to 45 MPPA and overall terminal capacity at KIAB to 80 MPPA.

5.2.38. BIAL submitted that Terminal 2 Phase 2 continues the design approach of Terminal 2 Phase 1, based on the concept of "Terminal in a Garden", reflecting Bengaluru's identity as the Garden City and providing an airport experience defined by nature, clarity and comfort.

5.2.39. T1/T2 Connectivity, GA Terminal, Airport Staff Parking, Contingency Facility and New ATCT

5.2.40. BIAL submitted that the PAL-2 terminal programme also includes T1/T2 connectivity through pier expansion, GA Terminal, airport staff parking and cafeteria, contingency facility and a new Air Traffic Control Tower.

5.2.41. BIAL submitted that the existing ATC tower was designed in 2006-07 for an ultimate saturation capacity of 40 MPPA. BIAL stated that traffic at KIAB has grown faster than anticipated and that the existing tower cannot meet the long-term requirements of KIAB.

5.2.42. BIAL submitted that the existing ATC tower has the following constraints:

- Space limitations to accommodate all planned Controller Work Positions;
- Non-availability of additional cemented walls to secure SCADA and network panels; and
- Inadequate emergency exits.

5.2.43. BIAL further submitted that ATC systems generally have a lifespan of 10 years and need replacement with newer systems. As per BIAL, the existing facility has no space available for either expansion or installation of new systems with expanded capability.

5.2.44. BIAL submitted that Airports Authority of India had requested BIAL to construct a new ATC Tower so that the airport can support operations of more than 90 movements per hour.

Landside Access and Parking Projects under PAL-2

Eastern Connectivity Tunnel

5.2.45. BIAL submitted that KIAB is presently connected to Bengaluru city primarily through the Trumpet Interchange on NH-44 and the South Access Road developed by BIAL. BIAL submitted that dependence on a single point of connectivity through NH-44 poses a serious security concern and, therefore, BIAL explored alternate connectivity options to the airport from the eastern and south-eastern side of the airport boundary.

5.2.46. BIAL submitted that, based on evaluation of options and discussions with the Government of Karnataka, Infrastructure Development Department, an Eastern Connectivity Road connecting to State Highway SH-104 was identified as an alternative to the existing Trumpet Interchange connectivity.

5.2.47. BIAL submitted that the Eastern Connectivity Road / Tunnel is proposed to be developed based on recommendations of the Government of Karnataka to reduce congestion on NH-44 and connect the airport terminals from the eastern side of the airport. BIAL further submitted that the Eastern Connectivity Tunnel and the metro stations were identified as priority projects by the Government of Karnataka.

5.2.48. BIAL submitted that around 25% to 30% of airport traffic using the Hebbal junction and connecting to NH-44 originates from the eastern part of Bengaluru, which indicates the need for alternate access to the terminal from the eastern and south-eastern side.

5.2.49. BIAL submitted that it plans to build an approximately 2.8 km long tunnel within the airport campus to connect airport terminals to SH-104 and KIADB Aerospace Park Road. BIAL stated that a portion of the tunnel, Phase 1 of around 300 metres, has already been built and commissioned during operationalisation of the second runway.

5.2.50. BIAL submitted that the Eastern Connectivity Tunnel starts from the proposed access road from existing SH-104 on the eastern side and ends at the Southern Access Road within the KIAB campus. The main tunnel will have a four-lane road and will be around 2.5 km long, of which around 1.3 km passes below aprons and cross-field taxiway areas of the airside development.

Metro Stations

5.2.51. BIAL submitted that Bangalore Metro Rail Corporation Limited ("BMRCL"), a joint venture of Government of India and Government of Karnataka, is responsible for implementation of the Bangalore Metro Rail Project. BIAL has submitted that the Government of Karnataka has given Cabinet approval to the Airport Metro Line and the Union Government has also approved the metro scheme.

5.2.52. BIAL submitted that metro rail connectivity to KIAB will help air passengers and the airport community travelling from Bengaluru city to reach the airport faster, decongest access roads and landside roads, and improve the overall level of service at the airport.

5.2.53. BIAL submitted that it entered into an MoU with BMRCL, under which BIAL has agreed to develop two metro stations located within the airport boundary. BIAL stated that the arrangement is based on the understanding that the cost of designing and constructing these metro stations will be borne by BIAL and necessary approvals from the Authority for such capital expenditure would be obtained by BIAL.

5.2.54. BIAL submitted that the two metro stations within the airport campus are:

- A metro station located near the first roundabout / trumpet on the west side to serve BIAL, cargo, ground handling, airline staff and other concessionaire employees working in the airport community, including landside and airside employees; and
- A metro station located in the terminal forecourt area within the Multi Modal Transport Hub, primarily to serve passengers, meters and greeters and employees working inside the terminal.

5.2.55. BIAL submitted that the status of the Airport Metro Line as on 31.03.2025 is as follows:

- Government of India has approved the 56 km metro line connectivity under Phase 2A and Phase 2B at a cost of Rs. 14,788 Crores;
- BMRCL has signed loan agreements with ADB and JICA;
- M/s NCC Limited has been awarded the construction contract for Phase 2B in November 2021;
- Construction commenced in February 2022 and the line is expected to be operational by September 2026;
- Substantial piers for the elevated portion within the airport boundary have been constructed and viaduct erection is in progress; and

5.2.56. Track bed works are in progress for the at-grade portion of the line.

5.2.57. BIAL submitted that, since the metro line is expected to be operational by September 2026, the Airport Terminal Metro Station should be considered in RAB from FY 2026-27.

5.2.58. With respect to the KIA West Metro Station, BIAL submitted that the Authority, in the Third Control Period Order, had disallowed capital expenditure based on the understanding that the station was a city-side metro station for employees and users of commercial services. BIAL submitted that this understanding was not correct.

5.2.59. BIAL submitted that the KIA West Metro Station users would primarily comprise employees and users of cargo terminal operators, ground handling agencies, fuel farm agency, CISF and other statutory

agencies, proposed IndiGo MRO, Air India Aviation Academy, airline staff, staff working in utility infrastructure and other airport support facilities, retailers and other concessionaires at the airport.

5.2.60. BIAL submitted that, if the KIA West Metro Station is not constructed, such users would board and alight at the Airport Terminal Metro Station, substantially increasing traffic and congestion around the terminal forecourt area. BIAL further submitted that the station would decongest the terminal area and would be used by airport users as defined under the AERA Act, 2008.

5.2.61. Accordingly, BIAL requested that both the Airport Terminal Metro Station and KIA West Metro Station be considered as part of the RAB.

Other Landside Projects

5.2.62. BIAL submitted that the landside access and parking programme under PAL-2 also includes the T1 to T2 and Metro Connector walkway, North West Road expansion, Cargo Avenue / NCR expansion, T1 and T2 departure and arrival recirculation works, MAR recirculation link, MAR-SWR interchange upgrade and North Boundary Road / Landside North East Road.

5.2.63. BIAL submitted that these landside projects are required to improve circulation within the airport campus, provide connectivity between terminals and metro stations, support cargo and airport community movement, decongest terminal forecourt areas and enhance access to airport support facilities.

Other PAL-2 Projects

5.2.64. BIAL submitted that the PAL-2 programme also includes utilities, MMTH enhancement, green belt development and Rainwater Harvesting Pond-1.

5.2.65. BIAL submitted that expansion of utility infrastructure and networks is required to support the terminal, airside, landside and support infrastructure proposed under PAL-2. BIAL further submitted that the Rainwater Harvesting Pond-1 is proposed to support water management and sustainability requirements of the airport.

Stakeholder Consultation for PAL-2 Projects

5.2.66. BIAL submitted the status of stakeholder consultation for PAL-2 projects. The details submitted by BIAL are as follows:

Table 133: Status of Stakeholder Consultation submitted by BIAL

Cost Code	Programme	Stage 1	Stage 2	Stage 3
A.1	West Cross Field Taxiway	22.05.2024	22.05.2024	15.11.2024
A.2	Airfield Works, taxiway extension, isolation bay etc.	22.05.2024	22.05.2024	15.11.2024
A.3	T2 Apron, 9 + 4 stands	22.05.2024	22.05.2024	22.05.2024
A.4	T2 Phase 2 Apron, 40 stands	21.04.2025	21.04.2025	-
A.5	Taxiway Z and Enabling Works	22.05.2024	22.05.2024	22.05.2024
A.6	T2 Phase 2 West Apron, 18 stands	21.04.2025	21.04.2025	-
A.7	Cargo West Apron, 12 stands	21.04.2025	21.04.2025	-
A.8	North Airside Perimeter Wall and Perimeter Road	21.04.2025	21.04.2025	-
A.9	Taxiway B9 and Enabling Works	Below Rs. 50 Cr	Below Rs. 50 Cr	-
B.1	T1 Upgrade	26.08.2020	26.08.2020	22.05.2024
B.2	T2 Enhancement	-	-	-
B.3	T2 Phase 2	21.04.2025	21.04.2025	-

Cost Code	Programme	Stage 1	Stage 2	Stage 3
B.4	T1/T2 Connectivity – Pier Expansion	21.04.2025	21.04.2025	-
B.5	GA Terminal	Below Rs. 50 Cr	Below Rs. 50 Cr	-
B.6	Airport Staff Parking and Cafeteria	-	-	-
B.7	Contingency Facility	Below Rs. 50 Cr	Below Rs. 50 Cr	-
B.8	New Air Traffic Control Tower	21.04.2025	21.04.2025	-
C.1	Eastern Connectivity Tunnel	Done in 2018	Done in 2018	-
C.2.1	Airport Terminal Metro Station	22.05.2024	22.05.2024	22.05.2024
C.2.2	KIA West Metro Station	22.05.2024	22.05.2024	22.05.2024
C.4	T1 to T2 and Metro Connector Walkway	21.04.2025	21.04.2025	-
C.5	North West Road Expansion, 2+2 lane	21.04.2025	21.04.2025	-
C.6	Cargo Avenue / NCR Expansion, 2+2 lane	Below Rs. 50 Cr	Below Rs. 50 Cr	Below Rs. 50 Cr
C.7	T1 and T2 Departure and Arrival Recirculation Works	21.04.2025	21.04.2025	-
C.10	MAR Recirculation Link	21.04.2025	21.04.2025	-
C.11	MAR-SWR Interchange Upgrade	21.04.2025	21.04.2025	-
C.12	North Boundary Road / Landside North East Road	21.04.2025	21.04.2025	-
D.1	Utilities	21.04.2025	21.04.2025	-
D.2	MMTH Enhancement	Below Rs. 50 Cr	Below Rs. 50 Cr	Below Rs. 50 Cr
D.3	Green Belt Development	Below Rs. 50 Cr	Below Rs. 50 Cr	Below Rs. 50 Cr
D.4	Rainwater Harvesting Pond-1	21.04.2025	21.04.2025	-

Non-Applicability of Normative Costing Methodology as submitted by BIAL

5.2.67. BIAL submitted that the Hon'ble TDSAT, vide order dated 16.04.2025, observed that benchmarks with respect to capital costs should not be used by the Authority. BIAL referred to the observations of Hon'ble TDSAT wherein it was observed that costs arrived at after due process of bidding, being market-discovered prices, ought to be allowed as "cost incurred" under Section 13(1)(a)(i) of the the Authority Act.

5.2.68. BIAL accordingly requested the Authority not to apply normative benchmarks while approving costs for the PAL-2 capital expenditure programme proposed to be implemented during FY 2024-25 to FY 2030-31.

Summary of PAL-2 Capital Expenditure

5.2.69. BIAL submitted the summary of PAL-2 capital expenditure as follows:

Table 134: Summary of PAL-2 Capital Expenditure submitted by BIAL

(Rs. in Crore)

Project / Particulars	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, and Cess @ 15%	1,974.04
Total Additions	15,134.31
Soft Costs	1,816.12

Project / Particulars	Amount
Total Additions excluding IDC	**16,950.42**
IDC	1,684.86
Total Additions including IDC	**18,635.28**

5.2.70. BIAL submitted that, as per the cost plan, the estimate is Rs. 12,281.52 Crores ; however, the amount included in the above table excludes part capitalisation for Terminal 1 Upgrade estimated in FY 2025-26, i.e., during the Third Control Period.

5.2.71. BIAL through its revised submission dated 21.05.2026 submitted revised capital expenditure for the Fourth Control Period which are as follows:

Table 135: PAL-2 Projects proposed by BIAL

S. No.	Category	Project Description	Total Capex submitted by BIAL (Rs. Cr)
A.1	Airside	West Cross Field Taxiway	1,567.33
A.2		Airfield Works, including taxiway extension, isolation bay etc.	571.85
A.3		T2 Apron, 13 stands	307.72
A.4		T2 Phase 2 Apron, 40 stands	906.87
A.5		Taxiway Z and Enabling Works	125.44
A.6		T2 Phase 2 West Apron, 18 stands	459.41
A.7		Cargo West Apron, 12 stands	201.76
A.8		North Airside Perimeter Wall and Perimeter Road	106.83
A.9		Taxiway B9 and Enabling Works	53.25
B.1	Terminal	T1 Upgrade	1,129.95
B.2		T2 Enhancement	87.56
B.3		T2 Phase 2	7,480.47
B.4		T1/T2 Connectivity – Pier Expansion	399.21
B.5		GA Terminal	6.85
B.6		Airport Staff Parking and Cafeteria	174.49
B.7		Contingency Facility	44.20
B.8		New Air Traffic Control Tower	170.24
C.1	Landside	Eastern Connectivity Tunnel	2,772.04
C.2.1		Airport Terminal Metro Station	462.55
C.2.2		KIA West Metro Station	213.82
C.4		T1 to T2 and Metro Connector Walkway	109.74
C.5		North West Road Expansion, 2+2 lane	45.93
C.6		Cargo Avenue / NCR Expansion, 2+2 lane, LSG to Alpha 1	16.99
C.7		T1 and T2 Departure and Arrival Recirculation	108.56
C.10		MAR Recirculation Link	138.21
C.11		MAR-SWR Interchange Upgrade	56.26
C.12		North Boundary Road / Landside North East Road	171.46
D.1	Others	Utilities	923.33
D.2		MMTH Enhancement	53.56
D.3		Green Belt Development	31.19
D.4		Rainwater Harvesting Pond-1	164.22
Total Capex submitted by BIAL			**19,061.29**

Non-PAL-2 Projects

5.2.72. BIAL submitted Non-PAL-2 capital expenditure comprising operational sustaining capital expenditure, ICT general capital expenditure, mandatory projects and other projects. The summary of Non-PAL-2 projects submitted by BIAL is as follows:

Table 136: Other Works/Non-PAL-2 Capital Expenditure submitted by BIAL

(Rs. in Crore)

Particulars (FY ending March 31)	2027	2028	2029	2030	2031	Total
Operational Sustaining Capital Expenditure	200	185	165	120	120	790
ICT General Capital Expenditure	33	77	111	102	70	394
Total Non-PAL-2 Projects	**233**	**262**	**276**	**222**	**190**	**1,184**

Operational Sustaining Capital Expenditure

5.2.73. BIAL submitted that the majority of sustaining capital expenditure is towards replacement of old assets based on end-of-life and end-of-support timelines communicated by OEMs. BIAL submitted that sustaining capital expenditure is required to maintain operational reliability, safety, security, service quality and compliance.

Engineering and Maintenance

5.2.74. BIAL submitted the following major sustaining capital expenditure proposals under engineering and maintenance:

Table 137: Major Sustaining Capex under Engineering and Maintenance submitted by BIAL

Proposal	Remarks
Replacement of Terminal 2 terminal lights in passenger movement area	Periodic replacement to improve serviceability. Out of 16,700 lights, 4,400 are proposed to be replaced.
Provision of new fixtures for AGL system for South Runway taxiway	AGL fixtures for South Runway taxiways were commissioned in 2019. After 10 years of life, replacement with new fixtures is recommended.
Refurbishment of guidance signages	Guidance signages deteriorate due to exposure to harsh conditions including jet blast. Replacement is proposed considering photometric and other requirements.
Replacement of Terminal 1 screw chillers	Replacement along with associated primary pumps, secondary pumps, cooling towers, condenser pumps and electrical starter panels in a phased manner. These were commissioned in 2008.

Safety and Security

5.2.75. BIAL submitted the following major sustaining capital expenditure proposals under safety and security:

Table 138: Major Sustaining Capex under Safety and Security submitted by BIAL

Proposal	Remarks
Crash Fire Tenders	BIAL has identified CFTs due for replacement based on OEM confirmation of end of life and proposes phased replacement.
AVDGS requirements	Replacement of old and obsolete VDGS in contact stands and phased installation in all remote stands to support safe and efficient aircraft parking.
Landside fire station	Critical and mandatory requirement in line with airport growth.
Replacement of BDDS equipment including TCV, SLCV and MROV	Existing Bomb Detection and Disposal System equipment procured during FY 2015-16 has been declared end of life and end of support by OEMs.
FOD Detection System for North and South Runway	With increased runway usage, time for manual FOD inspections will reduce. FOD detection system is required for aircraft safety.

Proposal	Remarks
Rubber removal equipment	Existing equipment has reached end of support and has been in service since airport opening date.
Radiation Detection Equipment	To be implemented as mandated by BCAS AVSEC Order 8/2024.

Terminal Operations

5.2.76. BIAL submitted the following major sustaining capital expenditure proposals under terminal operations:

Table 139: Major Sustaining Capex under Terminal Operations submitted by BIAL

Proposal	Remarks
Passenger trolleys	Replacement of around 2,600 trolleys over five years based on obsolescence.
Signage refresh	Replacement of existing signages within and outside terminals.
Queue managers	Replacement with magnetic base queue managers to improve durability, queue arrangement and area aesthetics.
Smart hand baggage trolleys	To enhance passenger service in Terminal 1.
ATRS additional trays	Replacement of trays based on damage.

Utilities and Environment

5.2.77. BIAL submitted the following major sustaining capital expenditure proposals under utilities and environment:

Table 140: Major Sustaining Capex under Utilities and Environment submitted by BIAL

Proposal	Remarks
DSITC of new 3.0 MLD STP	Existing sewage treatment plant is operating beyond design capacity. New STP is required considering increase in airport area and Terminal 2 Phase 2 in FY 2030-31.
Upgradation of existing STP	Upgrade from Activated Sludge Process to Membrane Bio Reactor technology to increase capacity from 1 MLD to 2.5 MLD.
Potable and non-potable water supply systems	Existing water pipeline network across the campus was installed during airport opening with marginal improvements over 15 years. Replacement is proposed.

Interior Works at New Corporate Office

5.2.78. BIAL submitted that, in the Third Control Period MYTP, it had proposed construction of a new corporate office, Alpha 4, as the existing office space at Alpha 2 had been handed over to Airports Authority of India for additional staffing space required for second runway operations.

5.2.79. BIAL submitted that the Authority, in the Third Control Period Order, had held that Alpha 4 was not an urgent requirement and had postponed the capital expenditure to the Fourth Control Period.

5.2.80. BIAL submitted that it has now decided to opt for a lease model instead of a capex model. Accordingly, BIAL submitted that it would be required to incur only capex relating to interior works and services including power, water, ICT, communication and audio-visual equipment.

ICT General Capital Expenditure

5.2.81. BIAL submitted that it has prepared a 10-year plan for ICT initiatives keeping in mind future requirements. BIAL submitted that these initiatives are designed to enhance safety and security of the airport, improve passenger experience and ensure compliance with regulatory requirements.

Smart Hub Initiatives

5.2.82. BIAL submitted the following ICT initiatives under the Smart Hub initiative:

Table 141: ICT Capex under Smart Hub Initiative submitted by BIAL

Project	Description
IoT-based Asset Tracking	IoT-based metering for water, electricity and gas, monitoring of water quality, and real-time monitoring of systems such as HVAC and IT assets.
Digital Airport Asset Management and Maintenance Solution	Implementation of digital asset management solution covering use cases with real-time monitoring and analytics.
Total Airport Management	Extension of digital asset management and maintenance solution to include passenger and airside solutions; conceived as an upgrade from existing ACDM system.
AI Enablement and Enhancement	POC development, enhancement and integration of AI solutions, including Gen AI solutions for various functions.

System Refresh

5.2.83. BIAL submitted the following ICT initiatives under system refresh:

Table 142: ICT Capex for System Refresh submitted by BIAL

Project	Description
Refresh of servers and networks	Refresh of core IT equipment, systems, servers, racks and other equipment approaching end of life.
Licences and software refresh	Renewal or upgrade of software solutions and licences related to core systems.
Refresh of end-user assets	Refresh of displays, laptops, workstations and other equipment approaching end of life.
Cybersecurity upgrade	Cybersecurity refresh including Zero Trust Architecture / SASE, UEBA operationalisation and refresh of core security tools.
Campus-wide network refresh	Refresh of LAN network, radio equipment, antennas, switches, routers and other connectivity solutions.
Data centre network modernisation	Upgradation of routers, switches and other network systems reaching end of life.
AODB replacement	Replacement of existing T-systems Airport Operations Database deployed in 2022.

Innovation Projects

5.2.84. BIAL submitted the following ICT capital expenditure towards innovation projects:

Table 143: ICT Capex for Innovation submitted by BIAL

(Rs. in Crore)

Project	Description	Five-year Capex
Integration and security testing facility	Virtual replica of network providing sandbox environment for developing prototypes and staff training; cyber security testing may be a key focus area.	5.9
ESG and digital projects	Digital initiatives including ESG initiatives and solutions for monitoring and maintenance of airport nursery.	16.9
Innovation and pioneer projects	Projects developed under innovation lab, similar to DigiYatra, with potential for later implementation across the country.	16.9

Mandatory Capital Expenditure based on BCAS Directions

5.2.85. BIAL submitted that, in a meeting held under the Chairmanship of the Union Home Secretary, it was decided that two major airports, Delhi and Bengaluru, are to be saturated with Full Body Scanners. Accordingly, BIAL submitted that there is a need for installation of 50 Full Body Scanners, comprising 21 for Terminal 2 Phase 1 and 29 for Terminal 1.

5.2.86. BIAL further submitted that BCAS, vide circular dated 29.03.2023, has required replacement of dual-view X-ray machines with CTX machines. BIAL submitted that 16 CTX machines are required for Terminal 2 Phase 1 and 24 CTX machines are required for Terminal 1.

5.2.87. BIAL also submitted that installation of Radiation Detection Equipment has been mandated at all airports by BCAS.

5.2.88. BIAL submitted the capital expenditure requirements for mandatory projects as follows:

Table 144: Capital Expenditure Requirements for Mandatory Projects submitted by BIAL

(Rs. in Crore)

Particulars (FY ending March 31)	2027	2028	2029	2030	2031
Body Scanners – T2 Phase 1, 21 Nos.	67.20	-	-	-	-
Body Scanners – Terminal 1, 29 Nos.	92.80	-	-	-	-
CT X-ray Machines to replace dual-view X-ray machines, T2 Phase 1, 16 Nos.	48.00	48.00	-	-	-
CT X-ray Machines to replace dual-view X-ray machines, Terminal 1, 24 Nos.	72.00	72.00	-	-	-

5.2.89. BIAL submitted that the above mandatory capital expenditure has not been included in RAB for the Fourth Control Period pending final confirmation from BCAS. BIAL requested the Authority to consider these costs as part of RAB if clarity or circular is received before issuance of the tariff order. BIAL further submitted that, if the relevant circulars are issued after the tariff determination process, such capital expenditure may be approved on incurrence basis and trued up in the subsequent control period.

5.2.90. Further, BIAL, vide its email dated 17.04.2026, submitted an update to its capital expenditure estimates for Non-PAL-2 projects proposed for the Fourth Control Period. BIAL submitted that its MYTP capital expenditure plan comprised two broad components, namely PAL-2 projects and Non-PAL-2 projects. While PAL-2 projects relate to the major capacity augmentation and master plan development works, Non-PAL-2 projects pertain to sustaining capex and general capex, including end-of-life replacement, safety and security infrastructure, capacity / operational enhancement, customer care and ICT-related capital expenditure.

5.2.91. BIAL submitted that, as part of the MYTP, it had proposed Non-PAL-2 capital expenditure of Rs. 1,184 Crores for the Fourth Control Period. BIAL further submitted that, in addition to the said amount, it had indicated that certain security infrastructure-related capital expenditure may be required to be incurred based on BCAS guidelines / directions. Such capital expenditure was estimated at around Rs. 400 Crores towards body scanners and CTX X-ray machines at Terminal 1 and Terminal 2 Phase 1. However, BIAL submitted that the said Rs. 400 Crores was not included in the Non-PAL-2 capex estimates proposed to be considered in the RAB for the Fourth Control Period in its original MYTP submission.

5.2.92. BIAL now submitted that, since the filing of MYTP in July 2025, it had updated the Non-PAL-2 capex estimates. The updated submission was made on account of the following:

- Inclusion of the proposed Rs. 400 Crores towards BCAS-mandated security infrastructure as part of Non-PAL-2 capex, in line with the approach adopted by the Authority for similar expenditure at other major airports; and
- Updated estimates based on projects identified after the MYTP submission and / or revision in estimates post filing of the MYTP.

5.2.93. Accordingly, BIAL submitted a revised Non-PAL-2 capital expenditure / sustaining capital expenditure capitalisation schedule for the Fourth Control Period. BIAL submitted that the effective Non-PAL-2 capex requirement had increased from Rs. 1,584 Crores, comprising the earlier Non-PAL-2 capex of Rs. 1,184 Crores and the separately indicated Rs. 400 Crores towards BCAS-mandated security infrastructure, to Rs. 1,859 Crores. Updated Non-PAL-2 Capital Expenditure submitted by BIAL vide email dated 17.04.2026 is set out below:

Table 145: Updated Non-PAL-2 Capital Expenditure submitted by BIAL vide email dated 17.04.2026

(Rs. in Crore)

Particulars (FY ending March 31)	2027	2028	2029	2030	2031	Total
End of life replacement	66	114	85	137	93	494
Capacity / operational enhancement	94	111	89	101	41	436
Safety, Security and Compliance	32	32	34	162	165	424
Technology update	36	76	147	101	72	431
Customer Experience	25	18	17	7	7	74
Total	**252**	**350**	**371**	**507**	**378**	**1,859**

5.2.94. BIAL requested the Authority to consider the updated Non-PAL-2 capex estimates of Rs. 1,859 Crores for the Fourth Control Period in lieu of the estimates submitted in Table 133 of its MYTP submission. BIAL submitted that the updated estimate reflects the inclusion of BCAS-mandated security infrastructure and revised estimates for sustaining and general capital expenditure requirements identified after the MYTP submission.

5.2.95. Further, BIAL as part of their MYTP submission, estimated the sustaining capex at Rs. 1180.33 Crores which was subsequently revised to Rs. 1859.20 Crores vide email dated 17.04.2026. The item-wise details of sustaining capital expenditure proposed by BIAL as part of the Fourth Control Period MYTP has been placed at **Annexure III.**

Authority's examination regarding Capex, Depreciation and Regulatory Asset Base (RAB) for the Fourth Control Period at the Consultation Stage

5.2.96 The Authority examined the capital expenditure proposed by BIAL in its MYTP for the Fourth Control Period with reference to the traffic projections, capacity requirements, Master Plan Update 2024, project scope, implementation schedule, cost estimates, procurement status, asset classification and regulatory principles applicable for determination of aeronautical tariff. For the purpose of detailed evaluation, the proposed capital expenditure was categorised under the following broad heads in line with the submission made by BIAL:

A. Capital Expenditure projects related to Airside Works

B. Capital Expenditure projects related to Terminal Works

C. Capital Expenditure projects related to Landside, Access and Parking Works

D. Capital Expenditure projects related to Other Works

E. Others/ Non PAL 2 Projects

5.2.97 The Authority noted that BIAL proposed a total capital expenditure of Rs. 20,920.49 Crores, comprising the PAL-2 programme and other / Non-PAL 2 Projects, including sustaining capex. Of the total proposed capital expenditure, the PAL-2 programme aggregated to Rs. 19,061.29 Crores, including hard cost, indexation, taxes, soft costs, IDC and sustaining capex, while the other / Non-PAL 2 Projects, including sustaining capex, amounted to Rs. 1,859.20 Crores. Further, within the PAL-2 programme,

the hard cost submitted by BIAL was Rs. 13,931.42 Crores, comprising Airfield Works, Passenger Terminal Works, Landside Access and Parking Works, and Other Works

Capex evaluation through an independent Capex Consultant

5.2.98 The Authority engaged M/s MECON Limited as an Independent Consultant to carry out an independent technical and cost evaluation of the capital expenditure proposed by BIAL for the Fourth Control Period. MECON reviewed the submissions made by BIAL, including the Multi Year Tariff Proposal, project cost plans, design basis reports, concept notes, tender documents, purchase orders / contract documents, bills of quantities, traffic studies, Master Plan Update, and other supporting documents submitted by BIAL. MECON, as part of its capital expenditure evaluation and assessment, submitted the Capex Evaluation Report as enclosed as Appendix 1 to the Consultation Paper.

5.2.99 The Authority noted that MECON undertook the assessment of the proposed capital expenditure taking into consideration the following broad approach:

- Review of traffic projections submitted by BIAL and assessment of passenger growth, aircraft movements, peak-hour demand and capacity requirements;
- Review of the necessity of each project proposed by BIAL under PAL-2 including whether the project is required during the Fourth Control Period or can be deferred to a subsequent control period;
- Assessment of the project scope with reference to recognized national and international standards and planning norms, including applicable ICAO, IATA, IMG, AAI, DGCA CAR, BCAS and other relevant norms;
- Review of Bill of Quantities ("BOQ"), cost plans and cost estimates submitted by BIAL;
- Review of purchase orders / contracts already awarded by BIAL and assessment of competitiveness of procurement, wherever such documents were made available;
- Review of rates based on CPWD Delhi Schedule of Rates, KPWD Schedule of Rates, CPWD Plinth Area Rates, KPTCL Schedule of Rates, market rates, vendor quotations and other available benchmarks;
- Review of cost escalation / indexation, taxes, soft costs and Interest During Construction ("IDC");
- Assessment of admissible and prudent cost for each project, based on necessity, scope, quantities, rates, phasing and implementation status.

5.2.100 The Authority considered the observations and recommendations of MECON while examining the necessity, reasonableness and prudence of the proposed capital expenditure. The Authority also took into account that certain packages had already been awarded through competitive bidding process and, wherever applicable, the Authority, through MECON, considered such awarded values, subject to review of scope and admissibility.

Airport User Consultation Committee ("AUCC")

5.2.101 The Authority noted that BIAL conducted multiple Airport User Consultation Committee ("AUCC") meetings for the capital expenditure projects proposed under the PAL 2 Expansion Programme for Kempegowda International Airport, Bengaluru. These meetings were conducted across different stages and covered projects relating to airside infrastructure, terminal development, landside connectivity, utilities and support facilities. The AUCC meetings were attended by various airport users and

stakeholders, including representatives from IATA, FIA, Airline Operators, Cargo and Fuel Farm Operators, FICCI, APAO etc.

5.2.102 As per the minutes of the AUCC meeting held on 21.04.2025 for Stage 1 and Stage 2 clearance, the Authority observed that BIAL broadly discussed the following with the stakeholders:

i. Proposed capital expenditure projects under the PAL 2 Expansion Programme for the Fourth Control Period;

ii. Existing airport capacity, traffic projections and the need for capacity augmentation up to 80 MPPA by FY 2030

iii. Airside projects, including apron expansion, additional aircraft stands, taxiway works and perimeter infrastructure;

iv. Terminal projects, including T2 Phase 2, T1/T2 connectivity and the proposed new ATC tower;

v. Landside connectivity projects, including metro connectivity, elevated walkway, forecourt reconfiguration, road widening and circulation improvements; and

vi. Utility and support infrastructure, including water, sewage, solid waste, power and rainwater harvesting facilities.

5.2.103 The Authority further noted that stakeholders raised observations on traffic assumptions, phasing of aircraft stand development, requirement of the new ATC tower, cost of metro-related infrastructure, tariff impact of the proposed capex, and the need to align capital expenditure with actual demand. BIAL responded that the traffic forecast is based on an average growth assumption of around 9%-10%, and that the proposed projects would be implemented in a phased manner based on operational requirement and demand. BIAL also stated that the new ATC tower is being proposed based on operational constraints of the existing facility and requirements indicated by AAI.

5.2.104 Further, as per the minutes of the AUCC meeting held on 12th November 2025 for Stage 3 clearance of select PAL 2 projects, the Authority observed that BIAL discussed three key projects, namely T2 Phase 2 and associated apron facilities, Eastern Connectivity Tunnel, and T1-Airport Terminal Metro Station elevated walkway. BIAL also presented the updated master plan, project scope, estimated capital expenditure, implementation timelines and the role of these projects in enhancing terminal capacity, airside capacity, airport access and multimodal connectivity.

5.2.105 The Authority noted that stakeholders raised concerns regarding cost optimization, traffic uncertainty, tariff impact and the need for further engagement with airlines on implementation-related aspects. BIAL submitted that the projects are proposed to be implemented in a modular and phased manner, with focus on cost optimization, and that the proposed capex would be subject to review by the Authority as part of the tariff determination process.

5.2.106 The Authority examined the proposed capital expenditure after considering project necessity, stakeholder comments, BIAL's responses, cost reasonableness, implementation phasing and tariff impact as part of the present tariff determination exercise.

Master Plan

5.2.107 The Authority noted that the capital expenditure proposed by BIAL for the Fourth Control Period is linked primarily to the PAL-2 development programme at KIAB. BIAL submitted that the existing airport infrastructure requires further augmentation to enhance terminal and airside capacity, improve

airside and landside circulation, support the proposed hub strategy and ensure service quality, safety and operational resilience to cater to the projected traffic demand at the Airport.

5.2.108 In this regard, the Master Plan Update 2024 undertaken by BIAL envisages enhancement of current capacity of the terminal at KIAB from 51.5 MPPA to 80 MPPA by 2029. The PAL-2 development includes upgradation of Terminal 1 to 35 MPPA, expansion of Terminal 2 to 45 MPPA through Terminal 2 Phase 2, augmentation of airside infrastructure, additional aircraft stands, cross-field taxiway connectivity, landside connectivity projects, metro interface infrastructure, utility augmentation and environmental infrastructure.

5.2.109 The Authority further noted that the Master Plan Update indicates increase in total Code C equivalent aircraft stands from 143 to 209 by end of PAL-2 projects and 263 by 2044. BIAL also submitted that the projected total aircraft stand requirement by 2031 is 227 Code C equivalent stands, after considering operational stand demand, night parking demand, cargo stand requirement and general aviation requirement.

5.2.110 The tariff consultant relied on the Capex report submitted by MECON for the purpose of determination of Capex for the 4th Control Period.

5.2.111 The Authority, through MECON, reviewed the peak-hour aircraft movement forecasts, passenger traffic forecasts, fleet mix, stand occupancy assumptions and airport master planning requirements. MECON observed that several of the proposed airside projects, including the Western Cross Field Taxiway, associated taxiway extensions, T2 apron works, Cargo West Apron and Taxiway Z / B9 works, are linked to airside capacity enhancement, optimization of aircraft taxiing time, improved runway utilisation and improved overall operational efficiency.

5.2.112 The Authority noted that BIAL proposed expansion of Terminal 2 Phase 2 to increase Terminal 2 capacity from 25 MPPA to 45 MPPA. MECON reviewed the proposed terminal sizing with reference to IATA / IMG / normative norms and comparable airport benchmarks. MECON recommended rationalisation of the proposed Terminal 2 Phase 2 built-up area while accepting the need for additional terminal capacity during the Fourth Control Period.

5.2.113 The Authority also noted that several landside works are proposed to improve airport accessibility, decongest existing access roads, support metro connectivity, improve passenger circulation and provide redundancy to existing airport access. MECON considered certain landside works such as Airport Terminal Metro Station, North West Road Expansion and Cargo Avenue Expansion as essential, while recommending deferment or partial consideration of certain other landside works where immediate operational requirement had not been adequately established.

5.2.114 Accordingly, the Authority is of the view that the capital expenditure proposed for the Fourth Control Period is required to support the next stage of capacity augmentation at KIAB to cater to future traffic demand at the airport. In this background, the Authority examined each component of the proposed capital expenditure taking into consideration the necessity, timing / scheduling, scope, cost reasonableness and admissibility for inclusion of such capital expenditure projects in the Regulatory Asset Base. The detailed examination in this regard is set out in the subsequent paragraphs.

Bifurcation of Capex for the Fourth Control Period

5.2.115 The Authority as per the broad categorization of planned capital expenditure projects as mentioned at para 5.3.1, further bifurcated into respective capital expenditure projects for the purpose of detailed examination as given in the table below:

Table 146: PAL-2 Projects proposed by BIAL

S. No.	Category	Project Description	Total Capex submitted by BIAL (Rs. Cr)	Capitalization Date
A.1	Airside	West Cross Field Taxiway	1,567.33	30-Sep-27
A.2		Airfield Works, including taxiway extension, isolation bay etc.	571.85	31-Mar-28
A.3		T2 Apron, 13 stands	307.72	31-Mar-27
A.4		T2 Phase 2 Apron, 40 stands	906.87	30-Jun-29
A.5		Taxiway Z and Enabling Works	125.44	31-Dec-26
A.6		T2 Phase 2 West Apron, 18 stands	459.41	31-Dec-30
A.7		Cargo West Apron, 12 stands	201.76	31-Jan-28
A.8		North Airside Perimeter Wall and Perimeter Road	106.83	30-Jun-27
A.9		Taxiway B9 and Enabling Works	53.25	30-Sep-27
B.1	Terminal	T1 Upgrade	1,129.95	31-Mar-27
B.2		T2 Enhancement	87.56	31-Dec-26
B.3		T2 Phase 2	7,480.47	31-Dec-29
B.4		T1/T2 Connectivity – Pier Expansion	399.21	31-Dec-29
B.5		GA Terminal	6.85	31-Mar-27
B.6		Airport Staff Parking and Cafeteria	174.49	31-Mar-28
B.7		Contingency Facility	44.20	31-Mar-27
B.8		New Air Traffic Control Tower	170.24	30-Sep-28
C.1	Landside	Eastern Connectivity Tunnel	2,772.04	30-Jun-29
C.2.1		Airport Terminal Metro Station	462.55	30-Jun-27
C.2.2		KIA West Metro Station	213.82	30-Jun-27
C.4		T1 to T2 and Metro Connector Walkway	109.74	31-Dec-27
C.5		North West Road Expansion, 2+2 lane	45.93	31-Dec-27
C.6		Cargo Avenue / NCR Expansion, 2+2 lane, LSG to Alpha 1	16.99	31-Dec-27
C.7		T1 and T2 Departure and Arrival Recirculation	108.56	31-Dec-27
C.10		MAR Recirculation Link	138.21	31-Dec-27
C.11		MAR-SWR Interchange Upgrade	56.26	31-Mar-30
C.12		North Boundary Road / Landside North East Road	171.46	31-Mar-29
D.1	Others	Utilities	923.33	30-Jun-29
D.2		MMTH Enhancement	53.56	30-Sep-26
D.3		Green Belt Development	31.19	31-Dec-29
D.4		Rainwater Harvesting Pond-1	164.22	31-Mar-30
		Total Capex submitted by BIAL	**19,061.29**	

(A) Capital Expenditure projects related to Airside Works

A.1. West Cross Field Taxiway

5.2.116 The Authority noted that BIAL proposed development of the Western Cross Field Taxiway ("WCT") to provide improved connectivity between the northern and southern runways and to address existing airside circulation constraints.

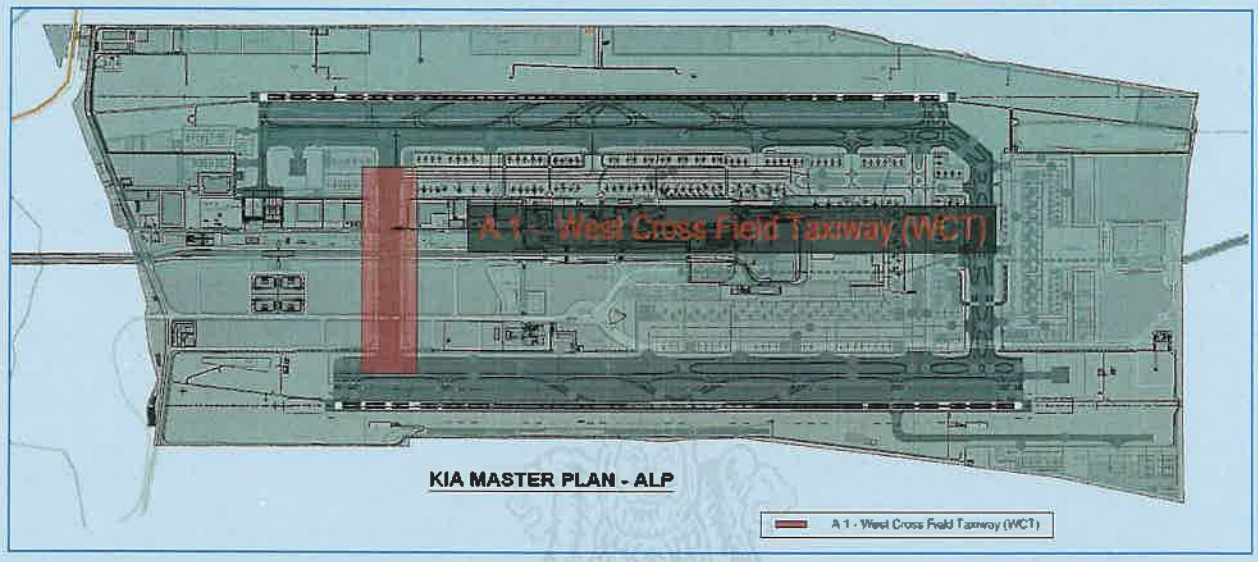

Figure 4: Location of the Proposed West Cross Field Taxiway (WCT)

5.2.117 The Authority noted that KIAB operates two independent runways, namely North Runway 09L/27R and South Runway 09R/27L, with a complex central apron and around 142 aircraft stands. The existing airside configuration results in long taxiing distances for certain aircraft movements, particularly for aircraft operating from the north apron and using the south runway, and vice versa.

5.2.118 The current operations result in taxiing distances of around 6 km to 9 km and taxiing time of around 20 to 30 minutes in certain cases. This leads to additional fuel burn, emissions, operational delays, increased pilot / controller workload and schedule disruptions. BIAL further submitted that runway mode changes occur multiple times during the day and result in system-wide delays.

5.2.119 The Authority further noted that the proposed Western Cross Field Taxiway will form a dual-ring taxiway configuration by complementing the existing eastern cross-field taxiways. The project is expected to reduce taxiing time, improve runway mode transition, enhance airfield resilience and provide additional queuing space near runway ends.

5.2.120 The scope includes construction of two ICAO Code F compliant parallel taxiways, Taxiway J and Taxiway K, elevated over landside roads and airport infrastructure, including the North Cargo Road, Terminal Boulevard and Airport City Avenue. The package also includes associated ramps, retaining walls, boundary walls, watch towers, patrolling roads, service roads and related infrastructure.

5.2.121 The Authority noted that the Western Cross Field Taxiway is a critical component of the long-term airport master plan and is essential for enhancing airside capacity, operational resilience and sustainability at KIAB. Considering the operational benefits, reduction in taxiing time, improved runway utilisation and its role in supporting future traffic growth, the Authority is of the view that the project is essential during the Fourth Control Period.

5.2.122 The Authority, through MECON, noted that a significant portion of this package had already been awarded through a competitive bidding process. MECON reviewed the awarded purchase orders and observed that the contracts were awarded after adequate bidder participation and competitive procurement. For the balance scope yet to be awarded / finalised, MECON reviewed the item-wise details and assessed the corresponding cost separately.

5.2.123 The Authority, through MECON, undertook a detailed review of the cost of the Western Cross Field Taxiway package based on the awarded purchase orders, the balance scope yet to be awarded / finalised,

and the additional scope indicated by BIAL during the review process. The awarded works primarily comprise enabling works, civil and finishing works, external development works, part of MEPF works, part of ICT works and miscellaneous works. The Authority noted that the awarded packages were finalised through a competitive bidding process with adequate bidder participation. The awarded cost considered for this package works out to around Rs. 935 Crores.

5.2.124 For the balance scope yet to be awarded / finalised, BIAL submitted an estimate of Rs. 163.5 Crores during the review process. Accordingly, the total cost claim for this package, based on the awarded cost and balance scope, worked out to Rs. 1,098.5 Crores, as against the original cost of Rs. 1,145 Crores submitted by BIAL in the MYTP.

5.2.125 The Authority noted that the estimate of Rs. 163.5 Crores submitted by BIAL for the balance scope comprised Rs. 114.2 Crores towards balance works yet to be awarded / finalised and Rs. 49.3 Crores towards likely potential scope changes in different awarded packages. The Authority did not consider a separate provision of Rs. 49.3 Crores towards potential scope changes in awarded packages, as such provision is in the nature of contingency and is proposed to be addressed under the soft cost / contingency component. The Authority is of the view that allowing a separate provision for potential scope changes in addition to contingencies may result in duplication.

5.2.126 The Authority examined the balance works of Rs. 114.2 Crores submitted by BIAL. During such examination, certain items were not considered for the reasons detailed below:

- The Authority noted that the proposed utility crossing at P4 and SAR Road was not included as part of the WCFT enabling works in the MYTP submission. Further, BIAL did not adequately substantiate the technical requirement and necessity of the proposed utility crossing under this package. Accordingly, the cost associated with this item (Rs. 7.2 Crores) was not considered.
- The Authority noted that the proposed restoration works include restoration of utility trenches, manhole covers, roads, demolition of temporary roads, irrigation restoration and other related activities. The Authority observed that such restoration activities are incidental to the execution of the respective awarded works and are expected to be included within the scope of the relevant awarded packages. Therefore, separate consideration of the cost towards restoration works (Rs. 22 Crores) was not found tenable.
- The Authority noted that external painting is already included within the scope of the awarded package. However, BIAL did not adequately justify the technical requirement for providing an Eggshell Finish on piers, retaining walls, girders and other structural elements. Accordingly, the additional cost proposed towards this item (Rs. 14 Crores) was not considered.
- Based on the above-mentioned exclusions, namely Rs. 7.20 Crores towards proposed utility crossing, Rs. 22.00 Crores towards restoration works and Rs. 14.00 Crores towards egg-shell finish, aggregating to Rs. 43.20 Crores, the proposed cost of Rs. 114.20 Crores submitted by BIAL for the relevant scope of the West Cross Field Taxiway project stood reduced to Rs. 71.00 Crores. The Authority thereafter reviewed the item-wise rates and quantities for the remaining balance scope. The rates were examined with reference to CPWD Schedule of Rates, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable rate references. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment and stage of project development. The Authority further noted that the indirect cost factors claimed by BIAL had been rationalized to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates.

Based on such review of quantities, rates, market quotations and indirect cost factors, the balance scope was assessed at around Rs. 41 Crores. Accordingly, the rationalization regarding the cost of West Cross Field Taxiway was carried out as follows: separate provision towards potential scope changes in awarded packages was not considered, as the same is in the nature of contingency and is proposed to be addressed under soft cost / contingency. Costs relating to utility crossing at P4 and SAR Road, restoration works and external painting with Eggshell Finish were not considered separately, as the technical justification / separate requirement was not adequately established. The balance scope was rationalized based on review of item-wise quantities, applicable CPWD / KPWD / KPTCL rates, market quotations and adjustment of indirect cost factors to avoid duplication.

5.2.127 Accordingly, the Authority considered the awarded cost of around Rs. 935 Crores and the balance scope cost of around Rs. 41 Crores. Therefore, the total hard cost considered by the Authority for the Western Cross Field Taxiway package is Rs. 976 Crores, as against Rs. 1,145 Crores submitted by BIAL in the MYTP.

Table 147: Cost Assessment for West Cross Field Taxiway

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	1,145
Hard cost proposed to be considered by the Authority	976
Rationalization in cost	169

A.2. Airfield Works, including Taxiway Extension, Isolation Bay etc.

5.2.128 The Authority noted that BIAL proposed airfield works comprising taxiway extensions, new connectors, improved runway access points, relocation of isolation aircraft parking position and associated access roads. These works are proposed to support the Western Cross Field Taxiway and optimise the overall airfield taxiway network.

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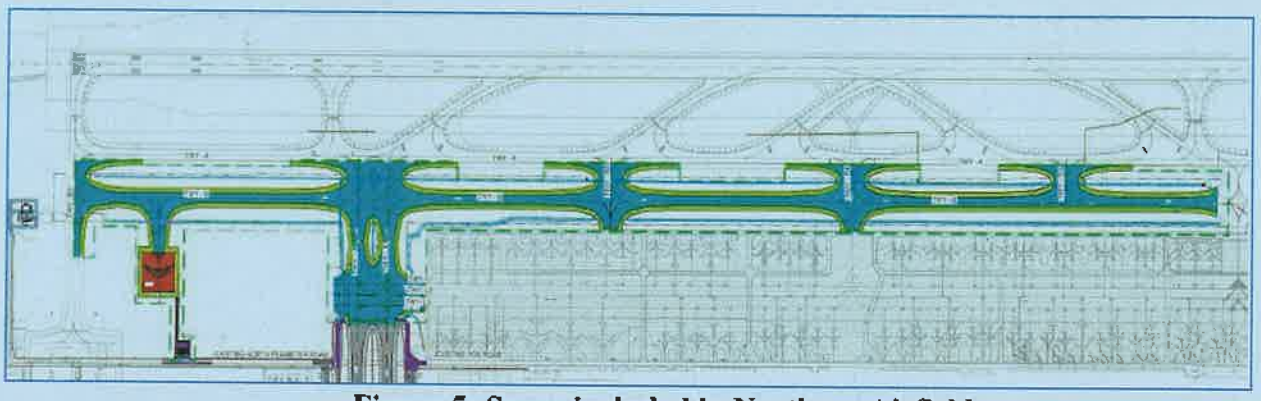

Figure 5: Scope included in Northern Airfield

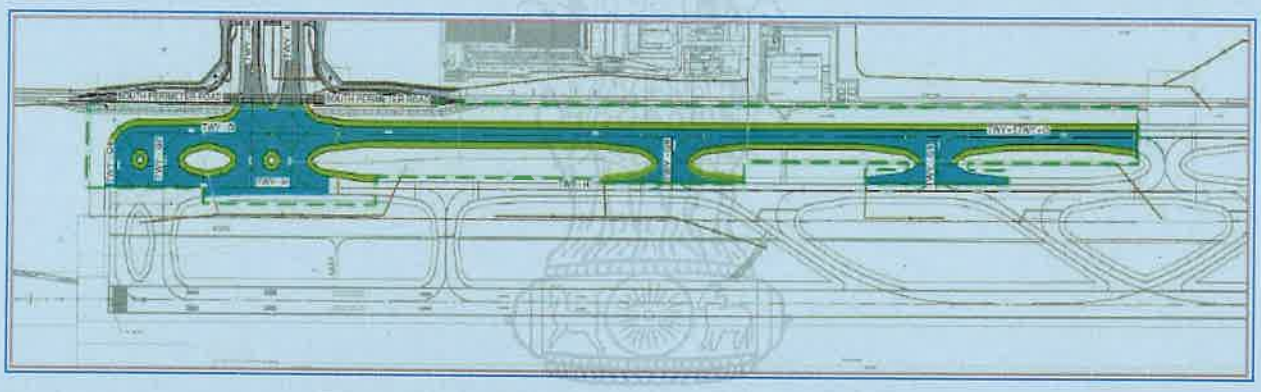

Figure 6: Scope included in Southern Airfield

Scope included in Southern Airfield

5.2.129 The Authority noted that the proposed works cover a cumulative area of around 4,33,739 sqm and are intended to address existing airside constraints, including extended taxiing time, congestion at critical runway access points, multiple taxiway intersections and limited routing flexibility for air traffic control.

5.2.130 The Authority further noted that the scope includes extension of Taxiway B and Taxiway G, new runway connectors in the north and south airfields, relocated Isolation Aircraft Parking Position, access roads, relocated CCR room, additional GSE staging area, South IAPP as per BCAS requirements and connections to the relocated North IAPP.

5.2.131 The Authority noted that, in the absence of these associated airfield works, the intended benefits of the Western Cross Field Taxiway may not be fully realised. The Authority further noted that the extension of Taxiway B necessitates removal of 12 existing temporary aircraft stands, which forms part of the broader airfield reconfiguration strategy proposed for improving long-term operational efficiency.

5.2.132 Considering that the proposed works support peak-hour capacity enhancement, improved utilisation of airside infrastructure, reduction of airside bottlenecks and improved safety, the Authority is of the view that the project is justified from an operational and planning perspective.

5.2.133 For the cost assessment, the Authority, through MECON, undertook a detailed review of the cost of the relevant package based on the awarded purchase orders, the balance scope yet to be awarded / finalised, and the additional scope indicated by BIAL during the review process. The awarded works primarily comprise Enabling Works, Civil & Interior Works, MEPF Works and other associated works. The Authority noted that the awarded packages were finalised through a competitive bidding process with

adequate bidder participation. The awarded cost considered for this package works out to around Rs. 328 Crores.

5.2.134 For the balance scope yet to be awarded / finalised, BIAL submitted an estimate of around Rs. 110.8 Crores during the review process. Accordingly, the total cost claim for this package, based on the awarded cost and balance scope, worked out to around Rs. 438.8 Crores, as against the original cost of Rs. 443 Crores submitted by BIAL in the MYTP.

5.2.135 The Authority noted that the estimate of Rs. 110.8 Crores submitted by BIAL for the balance scope comprised around Rs. 94.4 Crores towards uncommitted works and around Rs. 16.4 Crores towards likely potential scope changes in different awarded packages. The Authority did not consider a separate provision of Rs. 16.4 Crores towards potential scope changes in awarded packages, as such provision is in the nature of contingency and is proposed to be addressed under the soft cost / contingency component. The Authority is of the view that allowing a separate provision for potential scope changes in addition to contingencies may result in duplication.

5.2.136 The Authority examined the uncommitted works of Rs. 94.4 Crores submitted by BIAL. During such examination, certain items were not considered for the reasons detailed below:

- The Authority noted that the proposal for relocation of Ground Support Equipment (GSE) facilities in the North Airfield was not adequately justified. Accordingly, the cost associated with this item was not considered.
- The Authority noted that the cost towards Electrical, Plumbing, HVAC and Fire Fighting works for the CCR Building is already included within the scope of the awarded packages. Hence, this amount was not considered separately.
- The Authority noted that the design cost associated with the relocation of the CCR Building was not considered, as the design and engineering activities are already covered under the approved Soft Cost provisions.
- The Authority noted that the proposed cost towards enabling works for Perimeter Road widening, additional excavation depth and compound wall modifications was not considered, as these activities are deemed to be included within the scope of the relevant awarded package and accordingly were not considered separately.
- The Authority noted that, in respect of pavement construction for TWY G6 & G7 stubs, the area and supporting drawings for the proposed work were not provided by BIAL. Further, this work is deemed to be included in the awarded packages. Accordingly, the same was not considered.
- The Authority further noted that the area of the proposed South IAPP, including associated area, had been reduced from 23,750 sqm to 20,000 sqm based on the drawing provided and technical requirements, leading to a reduction in cost of around Rs. 4 Crores.

5.2.137 Based on the above exclusions, the uncommitted scope of Rs. 94.4 Crores submitted by BIAL was reduced to around Rs. 75.8 Crores. The Authority thereafter reviewed the item-wise rates and quantities for the remaining uncommitted scope. The rates were examined with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable rate references. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment and stage of project development.

5.2.138 The Authority further noted that the indirect cost factors claimed by BIAL had been rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates. Based on such review of quantities, rates, market quotations and indirect cost factors, the uncommitted scope was assessed at around Rs. 62 Crores.

5.2.139 Accordingly, the rationalisation regarding the cost of Airfield Works including Taxiway Extension, Isolation Bay etc was carried out as per the following:

- Separate provision towards potential scope changes in awarded packages was not considered, as the same is covered under the contingency component.
- Certain items such as relocation of GSE facilities, CCR building related services already covered in awarded packages, design cost covered under soft cost, and enabling works deemed part of awarded scope were not considered separately.
- The South IAPP area was rationalised based on drawings and technical requirements, and the balance cost was assessed after review of quantities, rates and indirect cost factors.

5.2.140 Accordingly, the Authority considered the awarded cost of around Rs. 328 Crores and the unawarded scope cost of around Rs. 62 Crores. Therefore, the total hard cost considered by the Authority for this package is around Rs. 390 Crores, as against Rs. 443 Crores submitted by BIAL in the MYTP.

Table 148 Cost Assessment for Airfield Works

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	443
Hard cost proposed to be considered by the Authority	390
Rationalization in cost	53

5.2.141 Accordingly, the Authority considered hard cost of Rs. 390 Crores towards airfield works, subject to actual capitalisation, asset allocation and true-up.

A.3. T2 Apron, 9 + 4 Stands

5.2.142 The Authority noted that BIAL proposed development of 13 remote aircraft stands under this package. These stands are proposed to replace the 12 existing stands that will be removed due to Taxiway B extension and to support the overall stand augmentation requirement.

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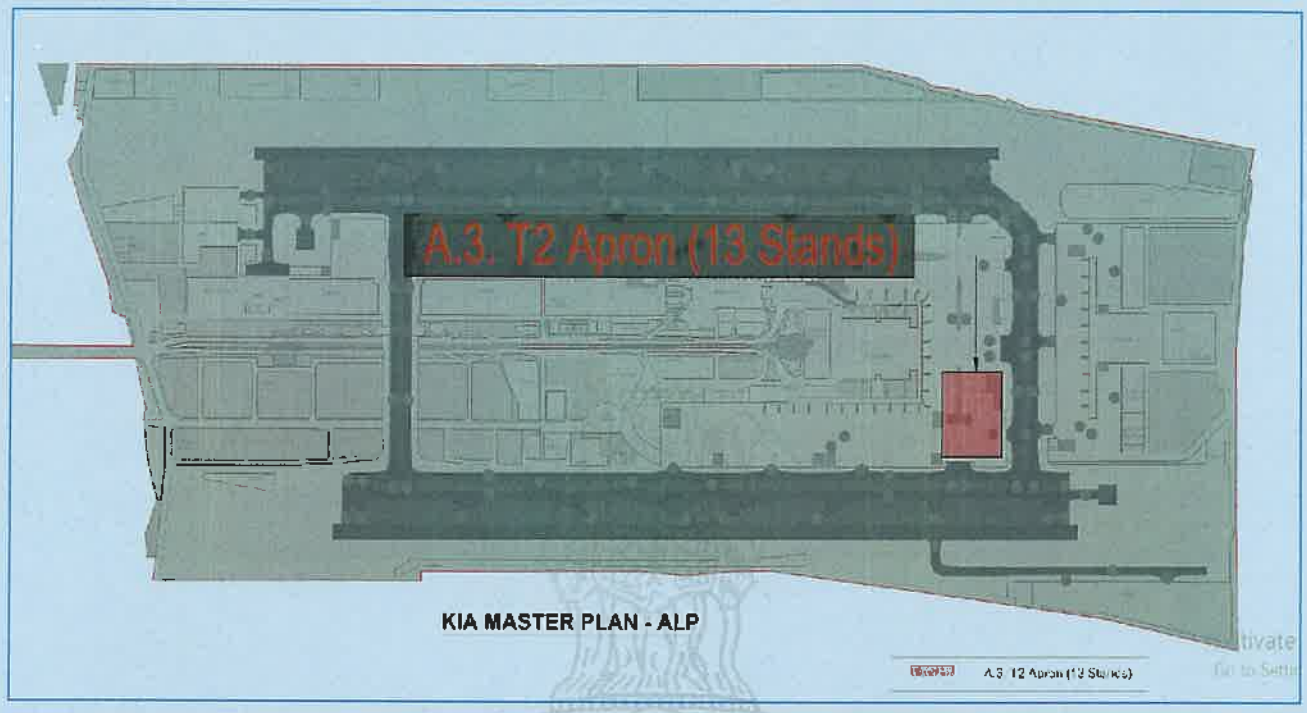

Figure 7: Location of the Proposed 9 + 4 Stands at the T2 Apron

5.2.143 The Authority reviewed the stand demand assessment submitted by BIAL. The assessment was examined with reference to projected peak-hour aircraft movements, fleet mix, aircraft servicing time, maneuvering time, vacancy time, night parking requirement, cargo stand requirement and general aviation stand requirement. Based on the assessment, the total stand demand of 227 Code C equivalent stands by 2031 appears reasonable, subject to actual traffic growth, airline fleet induction and aircraft movement realization.

5.2.144 The Authority noted that the proposed development under this package is necessary as it replaces the aircraft stands that are required to be removed due to the extension of Taxiway B under Package A.2 and also supports increasing operational and night parking demand. The Authority further noted that the revised apron configuration had been reviewed and the apron area increased from around 1,38,661 sqm to around 1,75,434 sqm due to revision of the taxi lane configuration to comply with DGCA CAR requirements.

5.2.145 The Authority also noted that the apron layout is compliant with applicable ICAO standards and DGCA CAR provisions. The pavement design had been reviewed as per FAA advisory guidelines using FAARFIELD software and was found to be in order. Further, the rigid pavement design life of 40 years is considered acceptable, having regard to the extension of the concession period up to 2068.

5.2.146 The Authority noted that the increase in apron area from approximately 1,38,661 sqm in the initial MYTP submission to approximately 1,75,434 sqm is primarily attributable to the revision of the taxi lane configuration from a three-taxi lane system to a two-taxi lane system in order to comply with the applicable DGCA CAR requirements.

5.2.147 The Authority further noted that the proposed apron development is necessitated by the removal of 12 existing aircraft stands on account of the extension of Taxiway B under Package A.2. In this context, the Authority is of the view that development of additional stands is necessary and prudent, as it ensures

augmentation of aircraft parking capacity, particularly in view of the projected traffic growth and increasing night parking demand at KIAB.

5.2.148 For the cost assessment, the Authority, through MECON, undertook a detailed review of the cost of the relevant package based on the awarded purchase orders, the balance scope yet to be awarded / finalised, and the additional scope indicated by BIAL during the review process. The awarded works primarily comprise Civil & Finishes Works, MEPF Works, part of ICT Works and other associated works. The Authority noted that the awarded packages were finalised through a competitive bidding process with adequate bidder participation. The awarded cost considered for this package works out to around Rs. 165 Crores.

5.2.149 For the balance scope yet to be awarded / finalised, BIAL submitted an estimate of Rs. 60 Crores during the review process. Accordingly, the total cost claim for this package, based on the awarded cost and balance scope, worked out to Rs. 225 Crores, as against the original cost of Rs. 235 Crores submitted by BIAL in the MYTP.

5.2.150 The Authority noted that the estimate of Rs. 60 Crores submitted by BIAL for the balance scope comprised Rs. 51.7 Crores towards uncommitted works and Rs. 8.3 Crores towards likely potential scope changes in different awarded packages. The Authority did not consider a separate provision of Rs. 8.3 Crores towards potential scope changes in awarded packages, as such provision is in the nature of contingency and is proposed to be addressed under the soft cost / contingency component. The Authority is of the view that allowing a separate provision for potential scope changes in addition to contingencies may result in duplication.

5.2.151 The Authority examined the uncommitted works of Rs. 51.7 Crores submitted by BIAL. During such examination, it was noted that BIAL had included 21,329 sqm of additional pavement works over and above the scope already included in awarded packages under the uncommitted cost. However, based on a detailed review of the drawings and clarifications furnished by BIAL, only 18,797 sqm of additional pavement was found tenable. Accordingly, a cost reduction of around Rs. 3 Crores was considered in the technical evaluation.

5.2.152 Based on the above exclusion, the uncommitted scope of Rs. 51.7 Crores submitted by BIAL was reduced to around Rs. 48.7 Crores. The Authority thereafter reviewed the item-wise rates and quantities for the remaining uncommitted scope. The rates were examined with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable rate references. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment and stage of project development.

5.2.153 The Authority further noted that the indirect cost factors claimed by BIAL had been rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates. Based on such review of quantities, rates, market quotations and indirect cost factors, the uncommitted scope was assessed at around Rs. 38 Crores.

5.2.154 Accordingly, the rationalisation regarding the cost of T2 Apron, 9 + 4 Stands was carried out as per the following:

- Separate provision towards potential scope changes in awarded packages were not considered, as such provision is proposed to be addressed under contingency.
- Additional pavement area claimed under the balance scope was rationalised based on review of drawings and clarifications submitted by BIAL.

- The balance cost was assessed after review of item-wise quantities, applicable rate references, market quotations and rationalisation of indirect cost factors.

5.2.155 Accordingly, the Authority considered the awarded cost of around Rs. 165 Crores and the uncommitted scope cost of around Rs. 38 Crores. Therefore, the total hard cost considered by the Authority for this package is around Rs. 203 Crores, as against Rs. 235 Crores submitted by BIAL in the MYTP as per the table below:

Table 149: Cost Assessment for T2 Apron, 9 + 4 Stands

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	235
Hard cost proposed to be considered by the Authority	203
Rationalization in cost	32

5.2.156 Accordingly, the Authority considered hard cost of Rs. 203 Crores towards T2 Apron, 9 + 4 stands, subject to actual capitalisation, asset allocation and true-up.

A.4. T2 Phase 2 Apron, 40 Stands

5.2.157 The Authority noted that BIAL proposed development of T2 Phase 2 Apron to support the expansion of Terminal 2 during the Fourth Control Period. The apron is linked to the proposed enhancement of Terminal 2 capacity and associated increase in passenger traffic and aircraft parking demand.

5.2.158 The Authority noted that BIAL had initially proposed 40 Code C equivalent stands over an area of around 3,73,959 sqm. During the assessment process, the proposal was revised to 46 Code C equivalent stands with an apron area of around 4,30,244 sqm. The proposed configuration includes Code E MARS contact stands, Code C contact stands, remote stands and parallel taxi lanes.

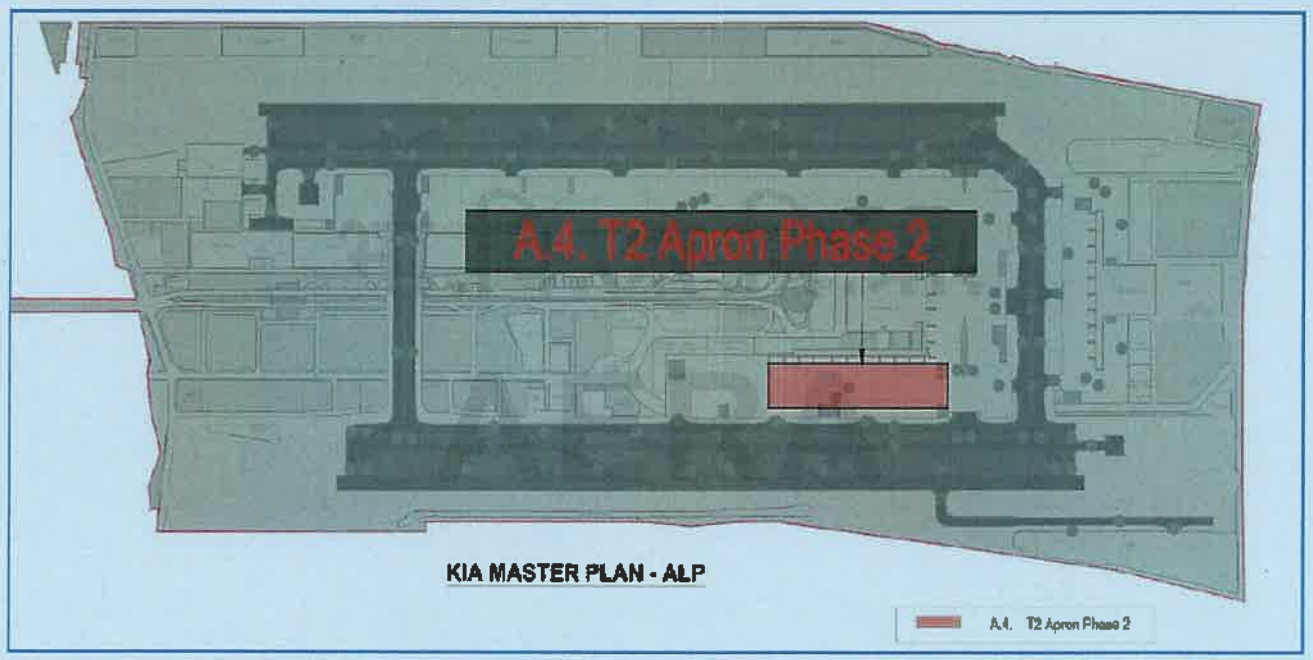

Figure 8: Location of the Proposed T2 Phase 2 Apron, 40 Stands

5.2.159 The Authority noted that the apron layout had been reviewed and found to be in compliance with applicable ICAO standards and DGCA CAR provisions. Considering that the proposed apron development is intrinsically linked to Terminal 2 Phase 2 and the proposed passenger capacity

augmentation at KIAB, the Authority is of the view that the project is essential for implementation during the Fourth Control Period.

5.2.160 For the cost assessment, the Authority, through MECON, undertook a review of the cost of the A4 package. MECON considered that the A4 package is of a nature similar to that of the A3 package and, accordingly, the assessed cost of the A3 package was adopted as the basis for assessment of the A4 package on an area basis.

5.2.161 The assessed cost of the A3 package works out to around Rs. 203 Crores for an area of around 1,75,434 sqm. Considering the same on a pro rata area basis, the cost of the A4 package, having an area of around 4,30,244 sqm, works out to around Rs. 498 Crores, as against the cost of Rs. 557 Crores claimed by BIAL in the MYTP.

5.2.162 Accordingly, the rationalisation regarding the cost of T2 Phase 2 Apron, 40 Stands was carried out as per the following:

- The project was assessed with reference to Package A.3, as both packages were similar in nature and involve comparable apron pavement works.
- The assessed cost of Package A.3 was adopted as the basis for assessment of this package on a pro-rata area basis.
- The cost was accordingly rationalised to align with the benchmark cost derived from the comparable apron package.

Table 150: Cost Assessment for T2 Phase 2 Apron

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	557
Hard cost proposed to be considered by the Authority	498
Rationalization in cost	59

A.5. Taxiway Z and Enabling Works

5.2.163 The Authority noted that BIAL proposed Taxiway Z to provide airside connectivity to the proposed Engine Run-Up Bay and to the planned MRO facility in the south-east parcel being developed by Air India and Tata Advanced Systems Limited.

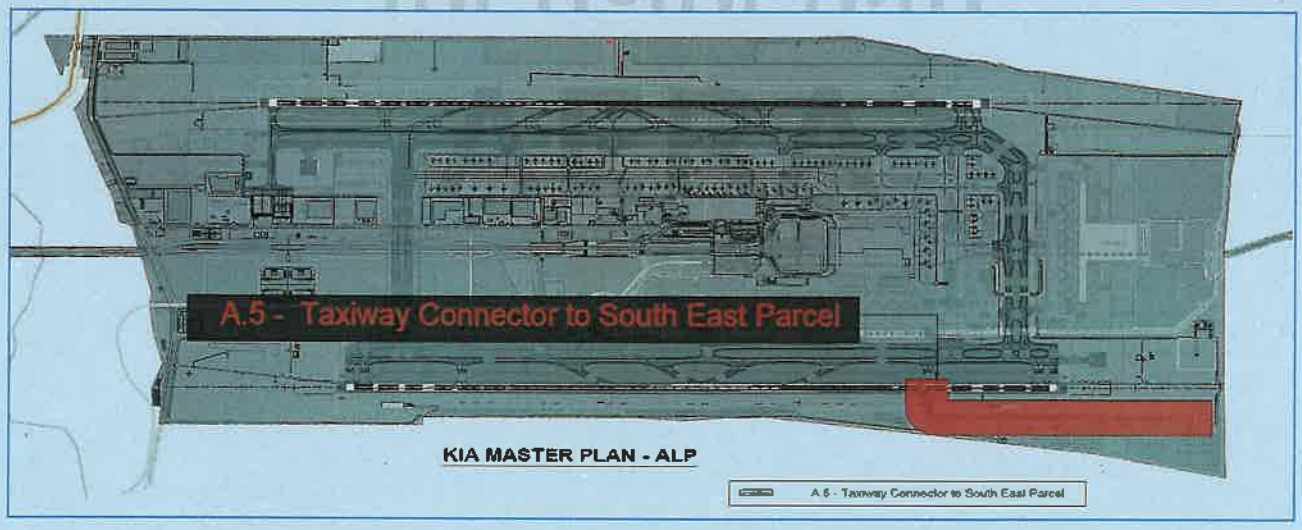

Figure 9: Location of the Proposed Taxiway Z and Enabling Works

5.2.164 The Authority noted that the primary requirement of Taxiway Z is to provide direct airside connectivity to the upcoming MRO facilities in the south-east parcel of the airport. Considering the connectivity requirement for the planned MRO facilities and the associated airside operational needs, the Authority is of the view that the project is necessary and prudent during the Fourth Control Period.

5.2.165 With respect to cost, the Authority, through MECON, undertook a detailed review of the cost of the relevant package based on the awarded purchase orders, the balance scope yet to be awarded / finalised, and the additional scope indicated by BIAL during the review process. The awarded works primarily comprise part of Enabling Works, Civil & Interior Works, MEPF Works and other associated works. The Authority noted that the awarded packages were finalised through a competitive bidding process with adequate bidder participation. The awarded cost considered for this package works out to around Rs. 71 Crores.

5.2.166 For the balance scope yet to be awarded / finalised, BIAL submitted an estimate of Rs. 21.3 Crores during the review process. Accordingly, the total cost claim for this package, based on the awarded cost and balance scope, worked out to Rs. 92.3 Crores, as against the original cost of Rs. 111 Crores submitted by BIAL in the MYTP.

5.2.167 The Authority noted that the estimate of Rs. 21.3 Crores submitted by BIAL for the balance scope comprised Rs. 17.7 Crores towards uncommitted works and Rs. 3.6 Crores towards likely potential scope changes in different awarded packages. The Authority did not consider a separate provision of Rs. 3.6 Crores towards potential scope changes in awarded packages, as such provision is in the nature of contingency and is proposed to be addressed under the soft cost / contingency component. The Authority is of the view that allowing a separate provision for potential scope changes in addition to contingencies may result in duplication.

5.2.168 The Authority examined the uncommitted works of Rs. 17.7 Crores submitted by BIAL. During such examination, certain items were not considered for the reasons detailed below:

- The Authority noted that the scope of stub shifting works amounting to around Rs. 1.05 Crores submitted by BIAL under the uncommitted cost was not considered, as the technical requirement and justification for carrying out such works had not been furnished.
- The Authority further noted that BIAL had considered 1,340 m of chain link fencing under the uncommitted cost. However, based on the quantities considered in the Cost Plan submitted by BIAL as part of the MYTP, the requirement was restricted to 300 m, as no technical justification had been furnished for the proposed increase in length. Accordingly, a cost reduction of around Rs. 0.55 Crores was considered in the evaluation due to the reduced scope.

5.2.169 Based on the above exclusions, the uncommitted scope of Rs. 17.7 Crores submitted by BIAL was reduced to around Rs. 16.1 Crores. The Authority thereafter reviewed the item-wise rates and quantities for the remaining uncommitted scope. The rates were examined with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable rate references. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment and stage of project development.

5.2.170 The Authority further noted that the indirect cost factors claimed by BIAL had been rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates. Based on such review of quantities, rates, market quotations and indirect cost factors, the uncommitted scope was assessed at around Rs. 13 Crores.

5.2.171 Accordingly, the rationalisation regarding the cost of Taxiway Z and Enabling Works was carried out as per the following:

- Separate provision towards potential scope changes in awarded packages was not considered, as the same is in the nature of contingency.
- Certain items such as stub shifting works and additional chain link fencing were not considered/rationalised due to absence of adequate technical justification.
- The balance scope was assessed after review of quantities, applicable schedule rates, market quotations and rationalisation of indirect cost factors.

5.2.172 Accordingly, the Authority considered the awarded cost of around Rs. 71 Crores and the uncommitted scope cost of around Rs. 13 Crores. Therefore, the total hard cost considered by the Authority for this package is around Rs. 84 Crores, as against Rs. 111 Crores submitted by BIAL in the MYTP.

Table 151: Cost Assessment for Taxiway Z and Enabling Works

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	111
Hard cost proposed to be considered by the Authority	84
Rationalization in cost	27

5.2.173 Accordingly, the Authority considered hard cost of Rs. 84 Crores towards Taxiway Z and enabling works, subject to actual capitalisation, asset allocation and true-up.

A.6. T2 Phase 2 West Apron, 18 Stands

5.2.174 The Authority noted that BIAL proposed the T2 Phase 2 West Apron to cater to aircraft parking stand requirements and night parking demand. BIAL had initially proposed 18 remote stands over an area of around 1,65,327 sqm, which was subsequently revised during the review process to 12 Code C equivalent remote stands over an area of around 1,22,868 sqm.

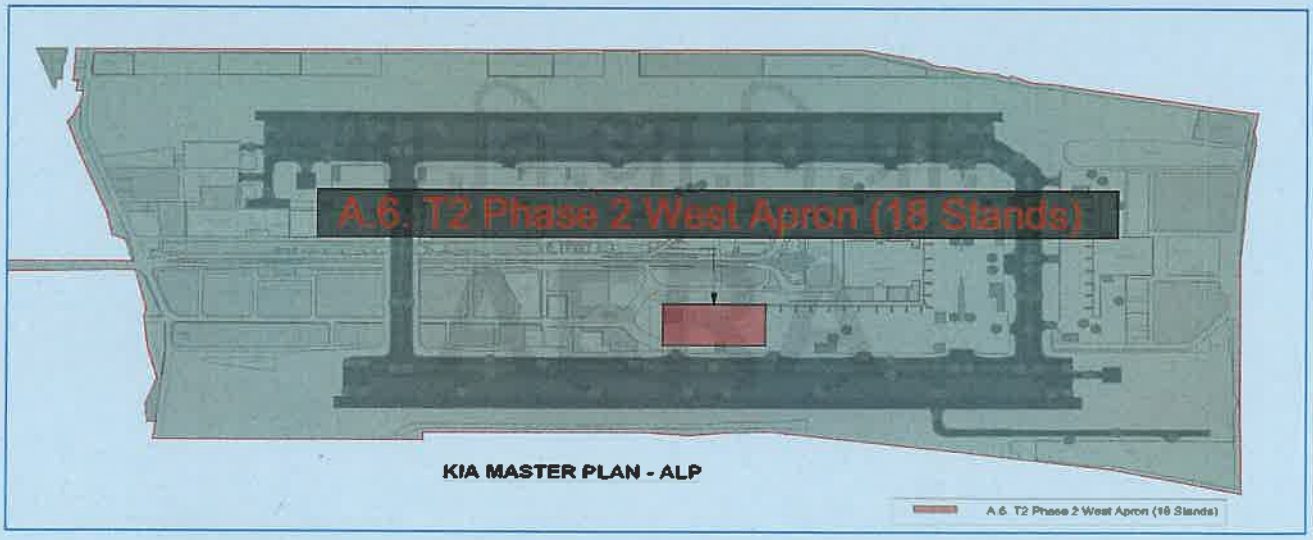

Figure 10: Location of the Proposed T2 Phase 2 West Apron, 18 Stands

5.2.175 The Authority noted that the proposed remote stands under this package are primarily intended to cater to night parking requirements rather than immediate operational stand demand linked to passenger processing or runway / terminal throughput during the Fourth Control Period. The Authority further

noted that the project completion timeline indicated by BIAL is December 2030, i.e., the last quarter of the Fourth Control Period.

5.2.176 The Authority examined the necessity and timing of the proposed T2 Phase 2 West Apron. The Authority noted that capex proposed for inclusion in RAB should have a clear and demonstrable operational requirement during the relevant control period, and the corresponding facilities should be available for use by airport users within a reasonable period during that control period. In the present case, the proposed project is expected to be completed only towards the end of FY 2030-31 and, therefore, the benefits of the project, if any, would largely accrue beyond the Fourth Control Period.

5.2.177 The Authority further noted that the requirement of the proposed remote stands is substantially dependent on future airline fleet induction, actual night parking demand and traffic realisation. While BIAL submitted long-term stand requirement projections, the immediate requirement of these additional west apron stands during the Fourth Control Period had not been adequately established, particularly when the proposed stands are not primarily linked to immediate passenger terminal processing capacity or critical operational bottlenecks.

5.2.178 The Authority was also mindful that allowing capex in RAB before the asset is available and put to use may result in airport users bearing tariff impact without corresponding access to the facility or benefit during the control period. Since the proposed T2 Phase 2 West Apron is scheduled for completion only in the last quarter of the Fourth Control Period, inclusion of the same at this stage would not be prudent from the perspective of user interest.

5.2.179 The rationalisation regarding the cost of T2 Phase 2 West Apron was caried out as per the following:

- The project was not considered at this stage as the proposed stands were primarily intended for night parking and not for immediate operational requirements during the Fourth Control Period.
- The completion timeline indicated by BIAL falls in the last quarter of the last tariff year of the Fourth Control Period, and the benefits of such infrastructure will be available for the passengers in the next Control Period only. Accordingly, the Authority did not consider this capex in this Control Period.
- The project may be examined at the time of true-up if it is actually commissioned and put to use, subject to verification of requirement, utilization and efficiency, cost reasonableness and asset allocation.

5.2.180 Accordingly, the Authority did not consider the capital expenditure towards T2 Phase 2 West Apron for inclusion in the Fourth Control Period capex at this stage. However, in case BIAL actually commissions and puts the project to use during the Fourth Control Period, the Authority may examine the same at the time of true-up, subject to verification of actual requirement, utilization, efficiency, cost reasonableness, actual capitalization and asset allocation.

A.7. Cargo West Apron, 12 Stands

5.2.181 The Authority noted that BIAL proposed development of Cargo West Apron comprising 12 additional remote stands over an area of around 83,043 sqm. The proposal is intended to support hub operations, cargo operations and night parking demand.

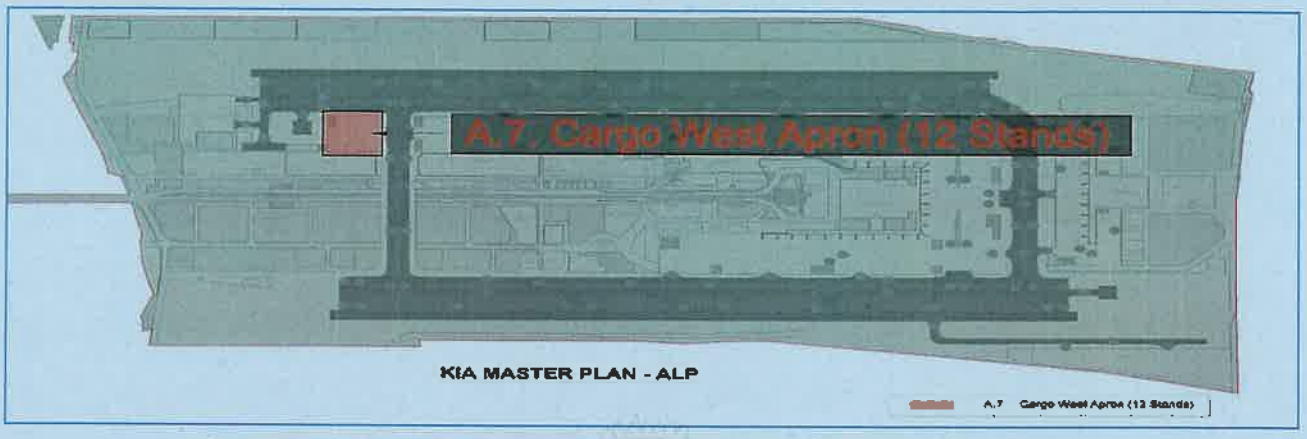

Figure 11: Location of the Proposed Cargo West Apron, 12 Stands

5.2.182 The Authority, through MECON, reviewed the projected cargo aircraft movements and noted that there is an incremental requirement for additional cargo stands by 2031. Based on the assessment, the cargo stand requirement works out to around 18 Code C equivalent stands. The Authority is of the view that the proposed package is justified considering the projected cargo growth, operational requirements and night parking demand expressed by airline operators.

5.2.183 The Authority further noted that the proposed apron area had been reviewed and found to be compliant with the applicable ICAO standards. Based on the projected cargo-related requirements, night parking demand and applicable planning standards, the Authority considers the project to be essential for implementation during the Fourth Control Period.

5.2.184 For cost assessment, the Authority, through MECON, undertook a review of the cost of the A7 package. MECON considered that the A7 package is of a nature similar to that of the A3 package and, accordingly, the assessed cost of the A3 package was adopted as the basis for assessment of the A7 package on an area basis.

5.2.185 Accordingly, the rationalisation regarding the cost of Cargo West Apron was carried out as per the following:

- The project was assessed with reference to Package A.3, as both packages were similar in nature and involve comparable apron pavement works.
- The assessed cost of Package A.3 was applied on a pro-rata area basis to determine the cost of Cargo West Apron.
- The cost was rationalised to align with the benchmark cost of the comparable apron package while considering the area proposed under this package.

5.2.186 The assessed cost of the A3 package works out to around Rs. 203 Crores for an area of around 1,75,434 sqm. Considering the same on a pro rata area basis, the cost of the A7 package, having an area of around 83,043 sqm, works out to around Rs. 96 Crores, as against the cost of Rs. 137 Crores claimed by BIAL in the MYTP as per the Table below:

Table 152: Cost Assessment for Cargo West Apron

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	137
Hard cost proposed to be considered by the Authority	96

Particulars	Amount
Rationalization in cost	41

5.2.187 Accordingly, the Authority considered hard cost of Rs. 96 Crores towards Cargo West Apron, subject to actual capitalisation, asset allocation and true-up.

A.8. North Airside Perimeter Wall and Perimeter Road

5.2.188 The Authority noted that BIAL proposed relocation of the North Airside Perimeter Wall and Perimeter Road over a length of around 7.5 km, including installation of Perimeter Intrusion Detection System ("PIDS"), to support future landside developments along the northern boundary.

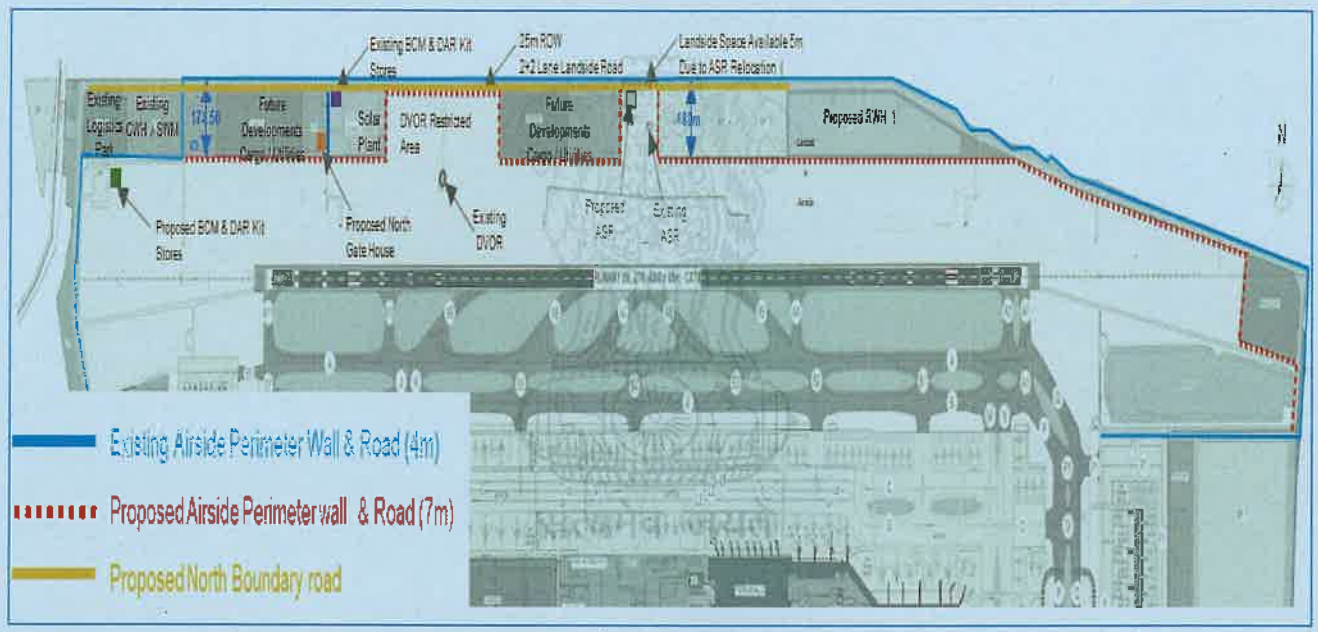

Figure 12: Proposed North Airside Perimeter Wall and Perimeter Road

5.2.189 The Authority noted that, as observed by MECON, the Master Plan envisages cargo-focused warehousing and aerospace-related developments along the northern boundary of the airport. However, the Authority further noted that no firm commitments with prospective entities for such developments had been executed as on date.

5.2.190 In view of the above, the Authority is of the view that the relocation and construction of the new perimeter wall and perimeter road may not be considered during the Fourth Control Period at this stage. However, the Authority noted that installation of the Perimeter Intrusion Detection System ("PIDS") is necessary to meet the applicable BCAS requirements and, accordingly, considered the cost associated with the PIDS component.

5.2.191 The Authority, through MECON, undertook a detailed review of the cost of the relevant package. The total cost claimed by BIAL for this package is around Rs. 71 Crores as per the MYTP submission.

5.2.192 Upon review, only PIDS along the North Airside Wall (approx. 7.5 km) was considered tenable for the Fourth Control Period. The balance scope of the package amounting to around Rs. 56 Crores was not considered for the Fourth Control Period.

5.2.193 The claim of BIAL for the tenable part, i.e., PIDS along the North Airside Wall (approx. 7.5 km), is around Rs. 15 Crores. The said cost was further examined by the Authority.

5.2.194 The Authority thereafter reviewed the item-wise rates and quantities for the tenable scope. The rates were examined with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable rate references. For items based on market rates, the Authority considered the quotations / purchase orders submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment and stage of project development.

5.2.195 The Authority further noted that the indirect cost factors claimed by BIAL had been rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates. Based on such review of quantities, rates, market quotations / purchase orders and indirect cost factors, the tenable scope was assessed at around Rs. 10 Crores.

5.2.196 Accordingly, the rationalisation regarding the cost of North Airside Perimeter Wall and Perimeter Road was carried out as per the following:

- Relocation and construction of the new perimeter wall and perimeter road were not considered, as no firm commitments for the proposed northern side developments had been submitted.
- Only the Perimeter Intrusion Detection System ("PIDS") component was considered, as the same is required for compliance with BCAS requirements.
- The cost of the PIDS component was rationalised based on review of quantities, applicable rate references, market quotations / purchase orders and indirect cost factors.

5.2.197 Accordingly, the Authority considered a cost of around Rs. 10 Crores for the tenable part of this package, as against the total cost of Rs. 71 Crores claimed by BIAL in the MYTP as per the table below:

Table 153: Cost Assessment for North Airside Perimeter Wall and Perimeter Road

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	71
Hard cost proposed to be considered by the Authority	10
Rationalization in cost	61

5.2.198 Accordingly, the Authority considered hard cost of Rs. 10 Crores towards the PIDS component of the North Airside Perimeter Wall and Perimeter Road package. The balance cost towards relocation / construction of the perimeter wall and road was not considered during the Fourth Control Period at this stage.

A.9. Extension of Taxiway B9 and Associated Works

5.2.199 The Authority noted that BIAL proposed extension of Taxiway B9 and associated works to provide aircraft access to the proposed Contingency Facility and direct airside connectivity to the planned MRO facility being developed by IndiGo.

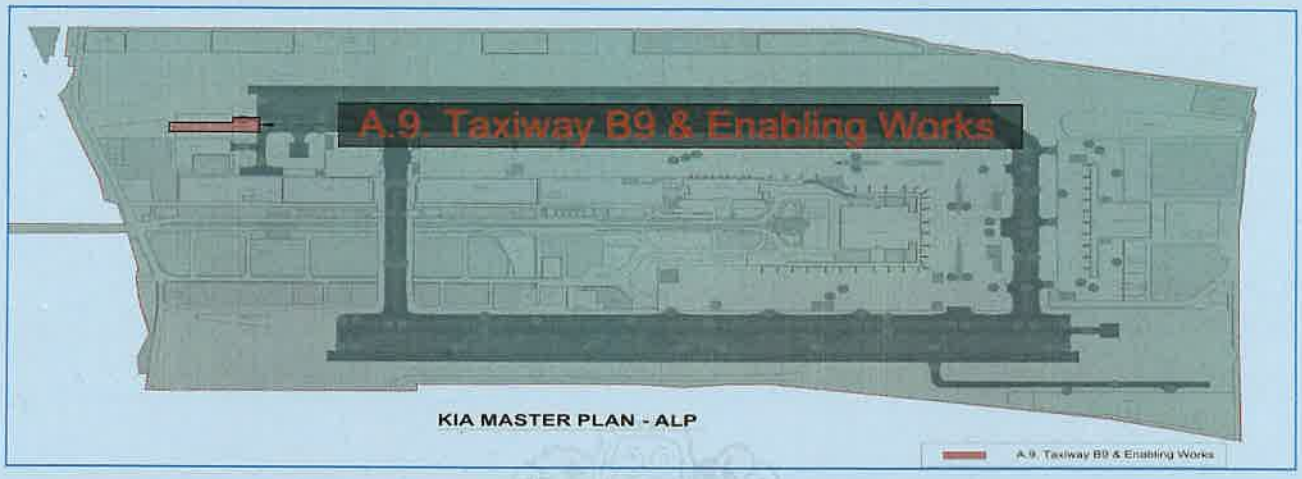

Figure 13: Location of the Proposed Taxiway B9 and Enabling Works

5.2.200 The Authority noted that the primary requirement of Taxiway B9 is linked to providing airside connectivity to the upcoming MRO facility and the Contingency Facility proposed during the Fourth Control Period. Considering the operational requirement and the connectivity needs of the proposed facilities, the Authority is of the view that the project is necessary and prudent.

5.2.201 For the cost assessment, the Authority, through MECON, undertook a review of the cost of the A9 package. MECON considered that the A9 package is of a nature similar to that of the A5 package and, accordingly, the assessed cost of the A5 package was adopted as the basis for assessment of the A9 package on an area basis.

5.2.202 Accordingly, the rationalisation regarding the cost of Taxiway B9 and Associated Works was carried out as per the following:

- The project was assessed with reference to Package A.5, as both packages were similar in nature and involve comparable taxiway / airside pavement works.
- The assessed cost of Package A.5 was applied on a pro-rata area basis to determine the cost of this package.
- The cost was accordingly rationalised based on comparable package cost and the area proposed under Package A.9.

5.2.203 The assessed cost of the A5 package works out to around Rs. 84 Crores for an area of around 82,255 sqm. Considering the same on a pro rata area basis, the cost of the A9 package, having an area of around 31,426 sqm, works out to around Rs. 32 Crores, as against the cost of Rs. 36 Crores claimed by BIAL in the MYTP as per the table below:

Table 154: Cost Assessment for Extension of Taxiway B9 and Associated Works

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	36
Hard cost proposed to be considered by the Authority	32
Rationalization in cost	4

5.2.204 Accordingly, the Authority considered hard cost of Rs. 32 Crores towards extension of Taxiway B9 and associated works, subject to actual capitalisation, asset allocation and true-up.

Summary of Airside Works

Table 155: Summary of Airside Works proposed to be considered by the Authority at the Consultation Stage

(Rs. in Crore)

Project Code	Project	Hard Cost submitted by BIAL (previous)	Hard Cost proposed by the Authority
A.1	West Cross Field Taxiway	1,145	976
A.2	Airfield works, taxiway extension, isolation bay etc.	443	390
A.3	T2 Apron, 9 + 4 stands	235	203
A.4	T2 Phase 2 Apron, 40 stands	557	498
A.5	Taxiway Z and enabling works	111	84
A.6	T2 Phase 2 West Apron	285	-
A.7	Cargo West Apron	137	96
A.8	North Airside Perimeter Wall and Perimeter Road	71	10
A.9	Taxiway B9 and enabling works	36	32
	Total Airside Works	**3,021**	**2,289**

5.2.205 Accordingly, the Authority considered hard cost of Rs. 2,289 Crores towards Airside Works for the Fourth Control Period.

(B) Capital Expenditure projects related to Terminal Works

B.1. Terminal 1 Upgrade

5.2.206 The Authority noted that BIAL proposed upgradation of Terminal 1 to enhance its capacity from 26.5 MPPA to 35 MPPA. The proposed works include enabling works, civil and interior works, MEPF works, ICT works, HVAC upgradation, airport systems, baggage handling systems, screening systems and passenger processing improvements.

5.2.207 The Authority noted that the proposed capacity enhancement of Terminal 1 is primarily based on optimisation of the existing terminal space, process re-engineering and augmentation of airport systems, rather than physical expansion of the terminal footprint. MECON assessed the projected peak hour passenger requirement of around 8,000 PHP corresponding to the proposed capacity of 35 MPPA. The Authority noted that, in order to accommodate the projected PHP within the existing terminal footprint and meet the applicable IATA, AAI and IMG norms, significant optimisation of passenger processing areas, circulation spaces and terminal systems would be required.

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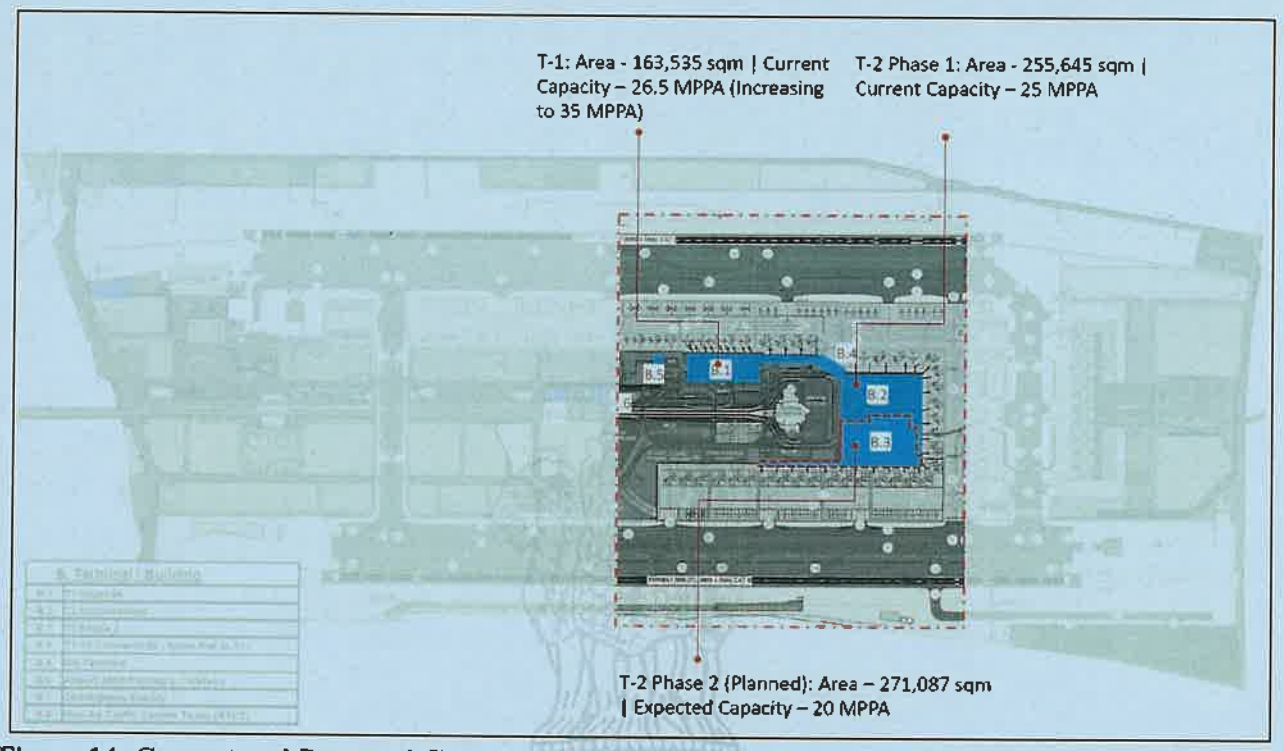

Figure 14: Current and Proposed Capacities (in MPPA) and Areas (in square metres) of Terminals T1, T2 Phases 1 and 2

5.2.208 The Authority further noted that MECON reviewed the HVAC upgradation requirements proposed for Terminal 1. The existing HVAC equipment, including chillers, pumps, cooling towers, AHUs, ventilation fans and related systems, was commissioned in 2008 and has reached the end of its service life. Considering reliability concerns, energy efficiency requirements, obsolescence and lifecycle considerations, the Authority is of the view that replacement and upgradation of the HVAC systems is necessary during the Fourth Control Period.

5.2.209 The Authority also noted that MECON reviewed the electrical and ICT works proposed under the Terminal 1 upgrade, including cabling, panels, lighting, LAN, Wi-Fi, CCTV, access control, fire detection and alarm systems, Digi Yatra, Retrofit Self Baggage Drop ("RSBD"), Flight Information Display Systems ("FIDS"), public address systems and queue management systems. These works are broadly aligned with the terminal upgradation and passenger processing requirements. However, the Authority noted MECON's observation that the proposed new UPS system for Terminal 1 is not technically justified at this stage, as the existing UPS system appears to have spare capacity. Accordingly, the cost associated with the proposed new UPS system was not considered.

5.2.210 The Authority, through MECON, undertook a detailed review of the cost of the relevant package based on the awarded purchase orders and the balance scope yet to be awarded / finalised. The awarded works primarily comprise Enabling Works, Civil & Interior Works, Airport Systems, part of MEPF Works, part of ICT Works, Miscellaneous Works and other associated works. The Authority noted that the awarded packages were finalised through a competitive bidding process with adequate bidder participation. The awarded cost for this package works out to around Rs. 678 Crores.

5.2.211 The Authority further noted that out of the aforesaid awarded cost, an amount of around Rs. 92 Crores had already been capitalized in the earlier control period. Accordingly, only around Rs. 586 Crores was considered as the awarded purchase order value for the present control period.

5.2.212 For the balance scope yet to be awarded / finalised, BIAL submitted an estimate of around Rs. 188.2 Crores during the review process. Accordingly, the total cost claim for this package, excluding the amount already capitalized in the previous control period, worked out to around Rs. 774.2 Crores, as against the original cost of Rs. 914 Crores submitted by BIAL in the MYTP and the worked out claim of Rs. 822 Crores after deduction of Rs. 92 Crores capitalized in the earlier control period.

5.2.213 The Authority examined the uncommitted cost of Rs. 188.2 Crores submitted by BIAL. During examination, certain adjustments / rationalisation were carried out for the reasons detailed below:

- The Authority noted that the cost towards mechanized cleaning of all existing service ducts to flush out dust / mould / debris accumulated in the ducts was not considered, as the same is deemed to form part of Operation and Maintenance expenditure.
- The Authority further noted that, in certain cases such as landscape works (planter boxes and plants), high chairs, modular seating and similar items, the cost as per the backup quotations submitted by BIAL is lower than the cost claimed by BIAL. Accordingly, the cost of such items was reduced.
- The Authority also noted that certain items had been kept on a provisional basis by BIAL, such as provision of electrical sockets, miscellaneous works and art works, without adequate justification or quantification of the underlying scope. Accordingly, the cost of such items was rationalised.
- For items based on market rates, the Authority assessed and rationalised the cost based on the quotations submitted by BIAL and other available data, keeping in view the nature of the assignment.
- The Authority further noted that BIAL had considered a constraint factor of 5%. However, considering that the execution of the work is inside the terminal, a constraint factor of 3% was considered reasonable, primarily on account of some restricted working conditions.

5.2.214 Based on the above review and rationalisation, the uncommitted cost of Rs. 188.2 Crores submitted by BIAL was assessed at around Rs. 112 Crores.

5.2.215 Accordingly, the rationalisation regarding the cost of Terminal 1 Upgrade was carried out as per the following:

- The amount of Rs. 92 Crore already capitalised in the earlier control period was excluded from the cost proposed for the Fourth Control Period.
- Certain items such as mechanised cleaning of existing service ducts were not considered as capex, as these are in the nature of operation and maintenance expenditure.
- Provisional / inadequately justified items and items where backup quotations indicated lower cost were rationalised; the terminal working constraint factor was also rationalised.

5.2.216 Accordingly, the Authority considered around Rs. 586 Crores as the awarded purchase order value for the present control period and around Rs. 112 Crores towards the unawarded scope. Therefore, the total package cost considered by the Authority for this control period works out to around Rs. 698 Crores, as against the cost of Rs. 822 Crores claimed by BIAL for this control period, excluding the amount capitalized in the previous control period as per the table below:

Table 156: Cost Assessment for Terminal 1 Upgrade

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL for Fourth Control Period	822
Hard cost proposed to be considered by the Authority	698
Rationalization in cost	124

5.2.217 Accordingly, the Authority considered hard cost of Rs. 698 Crores towards Terminal 1 Upgrade, subject to actual capitalisation, asset allocation and true-up.

B.2. Terminal 2 Phase 1 Enhancement

5.2.218 The Authority noted that BIAL proposed enhancement works for Terminal 2 Phase 1 without any material increase in terminal capacity. The proposed works include wayfinding signage, washroom modifications, façade protection, transfer area improvements, seating upgrades, landscaping, MEPF works, ICT works and airport systems.

5.2.219 The Authority noted that MECON evaluated the proposed Terminal 2 Enhancement works by classifying the scope into operationally essential, compliance-related and experience-driven interventions. The Authority further noted that certain components, such as washroom augmentation, façade rain protection, transfer area improvements, MEPF upgrades and airport systems for passenger transfers, support operational robustness, passenger convenience and passenger processing efficiency within the existing terminal.

5.2.220 The Authority also noted that certain components, including museum fit-outs, feature lighting, premium seating refurbishment and extensive landscaping, are more in the nature of aesthetic or discretionary works and do not directly contribute to capacity enhancement. Further, certain works such as reupholstery and signage refresh may be in the nature of operations and maintenance rather than capital expenditure, depending on the accounting treatment adopted. Accordingly, the Authority considered only such components as are necessary for operational continuity, passenger facilitation, safety, compliance and transfer efficiency.

5.2.221 The Authority, through MECON, undertook a detailed review of the cost of the relevant package based on the awarded purchase orders, the balance scope yet to be awarded / finalised, and the additional scope indicated by BIAL during the review process. The awarded works primarily comprise Enabling Works, Civil & Interior Works, External Development Works, part of MEPF Works, part of ICT Works, Miscellaneous Works and other associated works. The Authority noted that the awarded packages were finalised through a competitive bidding process with adequate bidder participation. The awarded cost considered for this package works out to around Rs. 44 Crores.

5.2.222 For the balance scope yet to be awarded / finalised, BIAL submitted an estimate of around Rs. 20.8 Crores during the review process. Accordingly, the total cost claim for this package, based on the awarded cost and balance scope, worked out to around Rs. 64.8 Crores, as against the original cost of Rs. 61 Crores submitted by BIAL in the MYTP.

5.2.223 The Authority noted that the estimate of Rs. 20.8 Crores submitted by BIAL for the balance scope comprised around Rs. 18.6 Crores towards uncommitted works and around Rs. 2.2 Crores towards likely potential scope changes in different awarded packages. The Authority did not consider a separate provision of Rs. 2.2 Crores towards potential scope changes in awarded packages, as such provision is in the nature of contingency and is proposed to be addressed under the soft cost / contingency

component. The Authority is of the view that allowing a separate provision for potential scope changes in addition to contingencies may result in duplication.

5.2.224 The Authority examined the uncommitted works of Rs. 18.6 Crores submitted by BIAL. The rates were examined with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable rate references. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment and stage of project development.

5.2.225 The Authority further noted that certain items had been kept on a provisional basis by BIAL, such as demolition works, pantry equipment and operating supplies under electrical works, without adequate justification or quantification of the underlying scope. Accordingly, the cost of such items was rationalized. The Authority also noted that BIAL had considered a constraint factor of 5%. However, considering that the execution of the work is inside the terminal, a constraint factor of 3% was considered reasonable, primarily on account of some restricted working conditions.

5.2.226 Based on the above review and rationalization, the uncommitted scope of Rs. 18.6 Crores submitted by BIAL was assessed at around Rs. 10 Crores.

5.2.227 Accordingly, the rationalization regarding the cost of Terminal 2 Enhancement was carried out as per the following:

- Separate provisions for potential scope changes in awarded packages were not considered, as the same was proposed to be covered under contingency.
- Aesthetic / discretionary components and provisional items without adequate quantification or justification have been rationalized.
- The constraint factor was rationalized considering that the works are inside the terminal and only limited restricted working conditions are expected.

5.2.228 Accordingly, the Authority considered the awarded cost of around Rs. 44 Crores and the uncommitted scope cost of around Rs. 10 Crores. Therefore, the total package cost considered by the Authority for this package works out to around Rs. 54 Crores, as against the cost of Rs. 61 Crores claimed by BIAL in the MYTP as per the table below:

Table 157: Cost Assessment for Terminal 2 Enhancement

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	61
Hard cost proposed to be considered by the Authority	54
Rationalization in cost	7

5.2.229 Accordingly, the Authority considered hard cost of Rs. 54 Crores towards Terminal 2 Enhancement, subject to actual capitalization, asset allocation and true-up.

B.3. Terminal 2 Phase 2 Expansion

5.2.230 The Authority noted that BIAL proposed Terminal 2 Phase 2 expansion to increase Terminal 2 capacity from 25 MPPA to 45 MPPA. The expansion includes additional terminal building area, domestic and international processing areas, swing functionality, smart systems, sustainability measures, MEP, ICT and airside interfaces.

5.2.231 The Authority noted that BIAL proposed Terminal 2 Phase 2 expansion to augment the capacity of Terminal 2 from 25 MPPA to 45 MPPA. The proposed expansion is intended to cater to projected passenger growth, provide integrated domestic and international processing capability, support swing operations and enhance passenger processing infrastructure at KIAB.

5.2.232 The Authority examined the proposed sizing of Terminal 2 Phase 2 with reference to the peak-hour passenger demand, applicable terminal planning norms and comparable airport benchmarks. The assessment was undertaken to evaluate whether the proposed terminal area is reasonable and efficient, and whether it is aligned with the requirements of a terminal handling traffic of similar scale.

5.2.233 The Authority noted that the integrated Terminal 2, after Phase 2 expansion, is proposed to handle 45 MPPA. Based on the IATA normative methodology of considering peak-hour passenger demand at 0.03% of annual design capacity for airports handling more than 20 MPPA, the peak-hour passenger demand for the integrated Terminal 2 works out to 13,500 PHP..

Table 158: Peak Hour Passenger Assessment for Terminal 2

Particulars	Terminal 2 Phase 1	Terminal 2 Phase 2	Integrated Terminal 2
Annual Design Capacity	25 MPPA	20 MPPA	45 MPPA
PHP considered at 0.03% of annual capacity	7,500	6,000	13,500
Terminal Area proposed / existing	2,55,645 sqm	2,71,087 sqm	5,26,732 sqm
Area per PHP	34.08 sqm/PHP	45.18 sqm/PHP	39.01 sqm/PHP

5.2.234 The Authority noted that the proposed integrated Terminal 2 area of 5,26,732 sqm results in an area provision of around 39.01 sqm per PHP. The Authority compared the same with normative planning standards and benchmarks of comparable Indian and international airports.

5.2.235 For the purpose of assessment, the Authority considered area per peak-hour passenger standards as per IMG and IATA norms. Since Terminal 2 at KIAB is an integrated terminal, the area norms applicable for integrated terminals were considered.

Table 159: Area per PHP Norms considered for Terminal Planning

Standard	Domestic Terminal	International Terminal	Integrated Terminal
IMG	20 sqm/PHP	27.5 sqm/PHP	25 sqm/PHP
IATA	25 sqm/PHP	35 sqm/PHP	Around 30 sqm/PHP

5.2.236 The Authority compared the proposed integrated Terminal 2 area at KIAB with Mumbai Terminal 2, as this airport handles comparable traffic level and is a major integrated terminal facility in India. The comparative assessment is shown below:

Table 160: Comparison of Integrated Terminal Area with Major Indian Airports

Particulars	Bengaluru T2	Mumbai T2
Annual Design Capacity	45 MPPA	40 MPPA
Terminal Area	5,26,732 sqm	4,48,432 sqm
PHP at 0.03% of Annual Capacity	13,500	12,000
Area as per IMG norm of 25 sqm/PHP	3,37,500 sqm	3,00,000 sqm
Excess area over IMG norm	1,89,232 sqm	1,48,432 sqm
Excess percentage over IMG norm	36%	33%
Area as per IATA norm of 30 sqm/PHP	4,05,000 sqm	3,60,000 sqm
Excess area over IATA norm	1,21,732 sqm	88,432 sqm
Excess percentage over IATA norm	23%	20%

Particulars	Bengaluru T2	Mumbai T2
Area per PHP	39.02 sqm/PHP	37.37 sqm/PHP

5.2.237 The Authority further noted that the proposed area per PHP for integrated Terminal 2 at Bengaluru is around 39 sqm/PHP. This is higher than Mumbai Terminal 2 at around 37.37 sqm/PHP.

5.2.238 The Authority further noted that Terminal 2 Phase 2 is a brownfield expansion and is required to be integrated with the existing Terminal 2 Phase 1. Unlike a standalone greenfield terminal, a brownfield expansion may require additional circulation areas, connecting corridors, enlarged piers, inter-segment transfer areas, joint-processing spaces and interface areas with the existing terminal. The Authority also noted that regulatory requirements, including BCAS security clearance zones, crowd control areas, transfer processing and IROPS-related spaces, may require some planning reserve over strict normative area standards.

5.2.239 The Authority noted that MECON's observations relating to sizing of Terminal 2 Phase 2 were communicated to BIAL by the Authority vide letter dated 19.11.2025. In response, BIAL, vide its letter dated 08.12.2025, revised the proposed Terminal 2 built-up area from 5,43,000 sqm to 5,26,732 sqm, resulting in a reduction of around 16,000 sqm. The Authority noted that this revision reflects BIAL's response to the concerns raised regarding per-passenger area norms and optimal sizing of terminal infrastructure.

5.2.240 After examining Indian norms, IATA benchmarks, IMG norms, comparable Indian airports and international terminal benchmarks, MECON recommended that a cap of 37 sqm/PHP may be considered for the integrated Terminal 2. The Authority noted that 37 sqm/PHP is higher than the IATA normative benchmark of around 30 sqm/PHP for integrated terminals but is within the range of comparable Indian and international terminals and provides adequate allowance for security processing, passenger comfort, brownfield integration and operational flexibility.

5.2.241 At 13,500 PHP and 37 sqm/PHP, the integrated Terminal 2 area works out to 4,99,500 sqm. After deducting the existing Terminal 2 Phase 1 area of 2,55,645 sqm, the area considered for Terminal 2 Phase 2 works out to 2,43,855 sqm.

Table 161: Area proposed to be considered for Terminal 2 Phase 2

Particulars	Value
Integrated Terminal 2 Capacity	45 MPPA
PHP considered	13,500
Area per PHP recommended by MECON	37 sqm/PHP
Integrated Terminal 2 area considered	4,99,500 sqm
Less: Existing Terminal 2 Phase 1 area	2,55,645 sqm
Terminal 2 Phase 2 area proposed to be considered	2,43,855 sqm
Terminal 2 Phase 2 area proposed by BIAL after revision	2,71,087 sqm
Reduction in area proposed to be considered	27,232 sqm

5.2.242 The Authority is of the view that the area of 2,43,855 sqm for Terminal 2 Phase 2 strikes a balance between normative planning standards and practical requirements of a large integrated brownfield terminal. It provides sufficient area for secure, efficient and smooth conduct of operations, while avoiding excessive sizing and over-capitalisation of terminal infrastructure.

5.2.243 Accordingly, for the purpose of cost assessment, the Authority considered Terminal 2 Phase 2 area of 2,43,855 sqm, as against 2,71,087 sqm proposed by BIAL after revision. The cost of Terminal 2 Phase 2 was accordingly rationalised based on the area considered and the applicable rate assessment.

5.2.244 For cost assessment of Terminal 2 Phase 2, the Authority noted that Terminal 2 Phase 1 is the most relevant benchmark, as Terminal 2 Phase 2 is largely a continuation / mirror image of Terminal 2 Phase 1 and is proposed to be developed with similar design philosophy, operational configuration and terminal functionality.

5.2.245 Accordingly, the rationalisation regarding the cost of Terminal 2 Phase 2 Expansion was carried out as follows:

- The proposed terminal area was rationalised based on peak-hour passenger norms, comparable Indian airports and international benchmarks.
- The Authority considered 37 sqm per PHP as an appropriate planning cap for the integrated Terminal 2, resulting in rationalisation of the area proposed for Terminal 2 Phase 2.
- The unit cost was assessed with reference to Terminal 2 Phase 1 as the most relevant benchmark, escalated using WPI up to March 2025.

5.2.246 Accordingly, the hard cost considered by the Authority for Terminal 2 Phase 2 is Rs. 3,658 Crores, as against Rs. 4,490 Crores submitted by BIAL as per the table below:

Table 162: Cost Assessment for Terminal 2 Phase 2 Expansion

Particulars	Value
Integrated T2 area considered by MECON	4,99,500 sqm
Existing T2 Phase 1 area	2,55,645 sqm
T2 Phase 2 area considered	2,43,855 sqm
Rate considered by MECON	Rs. 1,50,000 per sqm
Hard cost submitted by BIAL	Rs. 4,490 Cr
Hard cost proposed to be considered by the Authority	Rs. 3,658 Cr
Rationalization in cost	Rs. 832 Cr

B.4. T1 / T2 Connectivity – Pier Expansion

5.2.247 The Authority noted that BIAL proposed airside passenger connectivity between Terminal 2 and Terminal 1 to enable efficient inter-terminal transfers. The proposed link includes elevated passenger movement, travellators, escalators, waiting areas, restrooms, security checkpoints and fire exits.

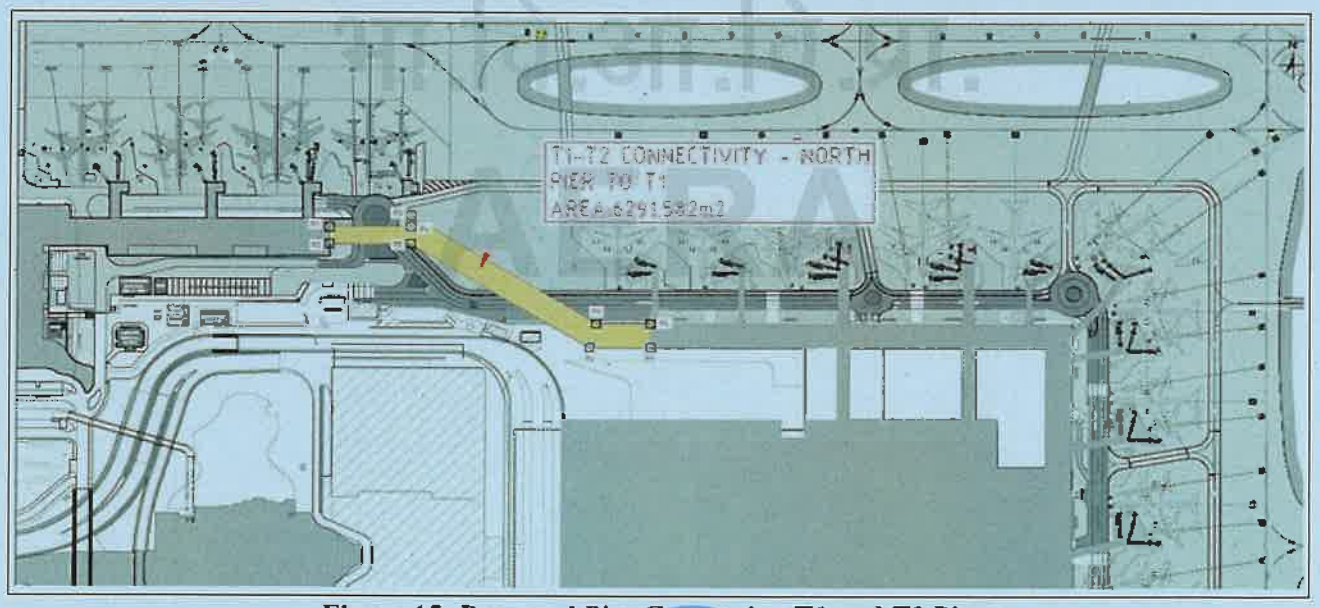

Figure 15: Proposed Pier Connecting T1 and T2 Piers

5.2.248 The Authority noted that the projected transfer traffic at KIAB is expected to increase materially over the coming years. In this context, the proposed airside connectivity between Terminal 1 and Terminal 2 is conceptually justified, as it would facilitate seamless inter-terminal transfer movements, improve passenger convenience and reduce dependence on landside transfer arrangements.

5.2.249 However, the Authority noted an inconsistency in the area proposed under this package. While the BOQ indicates an area of around 19,349 sqm, BIAL's presentation indicated a pier width of 22.5 m. Based on the proposed length of 320 m at 5.25 m level and 165 m at 13.5 m level, with a width of 22.5 m, MECON assessed the area at around 10,912 sqm. Accordingly, the Authority rationalised the area considered under this package to 10,912 sqm.

5.2.250 The Authority further noted that the major items in the BOQ were reviewed on a broad basis with reference to market rates, DSR and other applicable benchmarks. Based on such review, the assessed value of the package works out to around Rs. 239 Crores against the cost of Rs. 255 Crores claimed by BIAL for an area of 19,349 sqm.

5.2.251 Considering the assessed cost of around Rs. 239 Crores for an area of 19,349 sqm, the cost for the B.4 package, based on the reviewed area of around 10,912 sqm, works out to around Rs. 135 Crores on a pro rata area basis.

5.2.252 Accordingly, the rationalisation regarding the cost of T1 / T2 Connectivity – Pier Expansion was carried out as follows:

- The proposed area was rationalised due to inconsistency between the BOQ area and the dimensions submitted by BIAL during the review process.
- The reviewed area was computed based on the indicated pier width and proposed lengths at the respective levels.
- The assessed package cost was applied on a pro-rata area basis to the rationalised area.

5.2.253 Accordingly, the Authority considered a cost of around Rs. 135 Crores for this package, as against the cost of Rs. 255 Crores claimed by BIAL in the MYTP as per the table below:

Table 163: Cost Assessment for T1 / T2 Connectivity – Pier Expansion

Particulars	Amount / Area
Area submitted by BIAL	19,349 sqm
Area assessed by MECON	10,912 sqm
Hard cost submitted by BIAL	Rs. 255 Cr
Hard cost proposed to be considered by the Authority	Rs. 135 Cr
Rationalization in cost	Rs. 120 Cr

5.2.254 Accordingly, the Authority considered hard cost of Rs. 135 Crores towards T1 / T2 Connectivity - Pier Expansion, subject to actual capitalisation, asset allocation and true-up.

B.5. General Aviation Terminal

5.2.255 The Authority noted that BIAL proposed development of a General Aviation ("GA") Terminal to serve private, corporate and charter aircraft operations at KIAB.

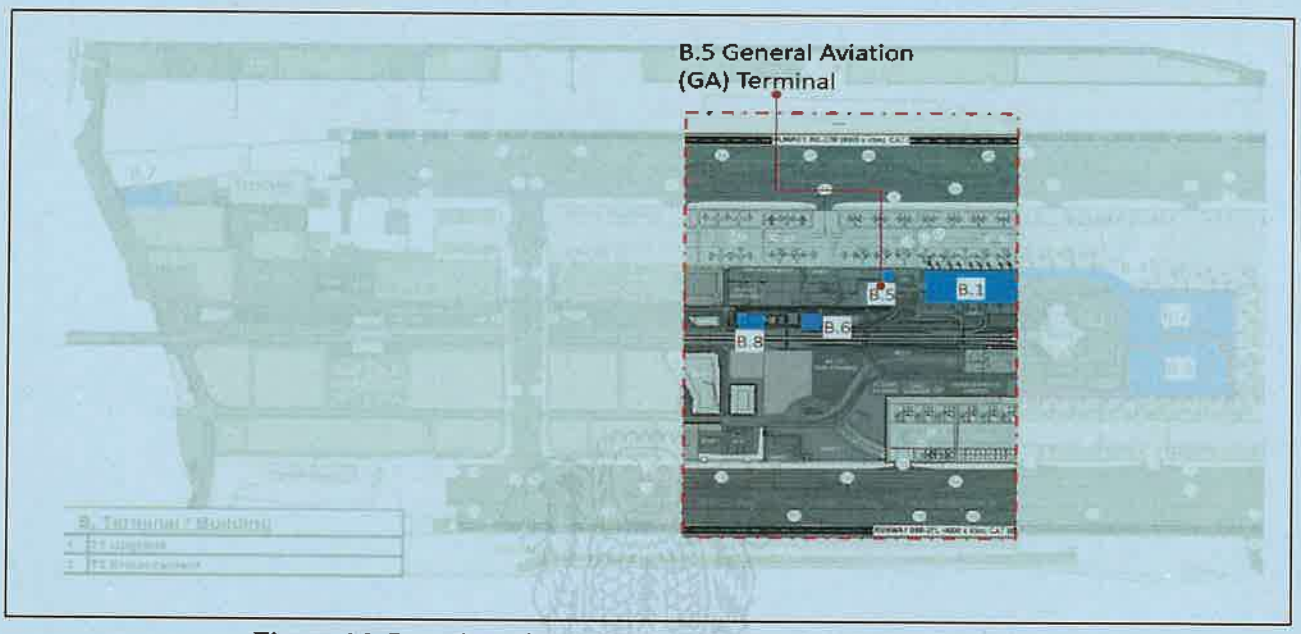

Figure 16: Location of the Proposed General Aviation Terminal

5.2.256 The Authority examined the necessity of the proposed GA Terminal with reference to the current level of GA activity, projected utilization, nature of users and relevance of the facility to general airport users. The Authority noted that GA activity at KIAB constitutes only around 0.7% of total aircraft movements. Given the limited share of GA movements in the overall airport operations, the Authority is of the view that immediate investment in a dedicated GA Terminal during the Fourth Control Period is not justified.

5.2.257 The Authority further noted that BIAL confirmed that the proposed GA infrastructure shall be developed by the concerned concessionaire. Accordingly, the Authority is of the view that the cost of such facility should not be loaded on general airport users through aeronautical tariff. The same may be developed through appropriate concessionaire-funded or user-specific arrangements. In view of the above, the Authority did not consider the capital expenditure towards the proposed GA Terminal as part of the capital expenditure for the Fourth Control Period.

B.6. Airport Staff Food Court and MLCP, Alpha 4

5.2.258 The Authority noted that BIAL proposed a staff parking and cafeteria facility comprising structured parking for around 550 cars and dining facility for around 600 staff. The project also includes sustainable design features.

AERA

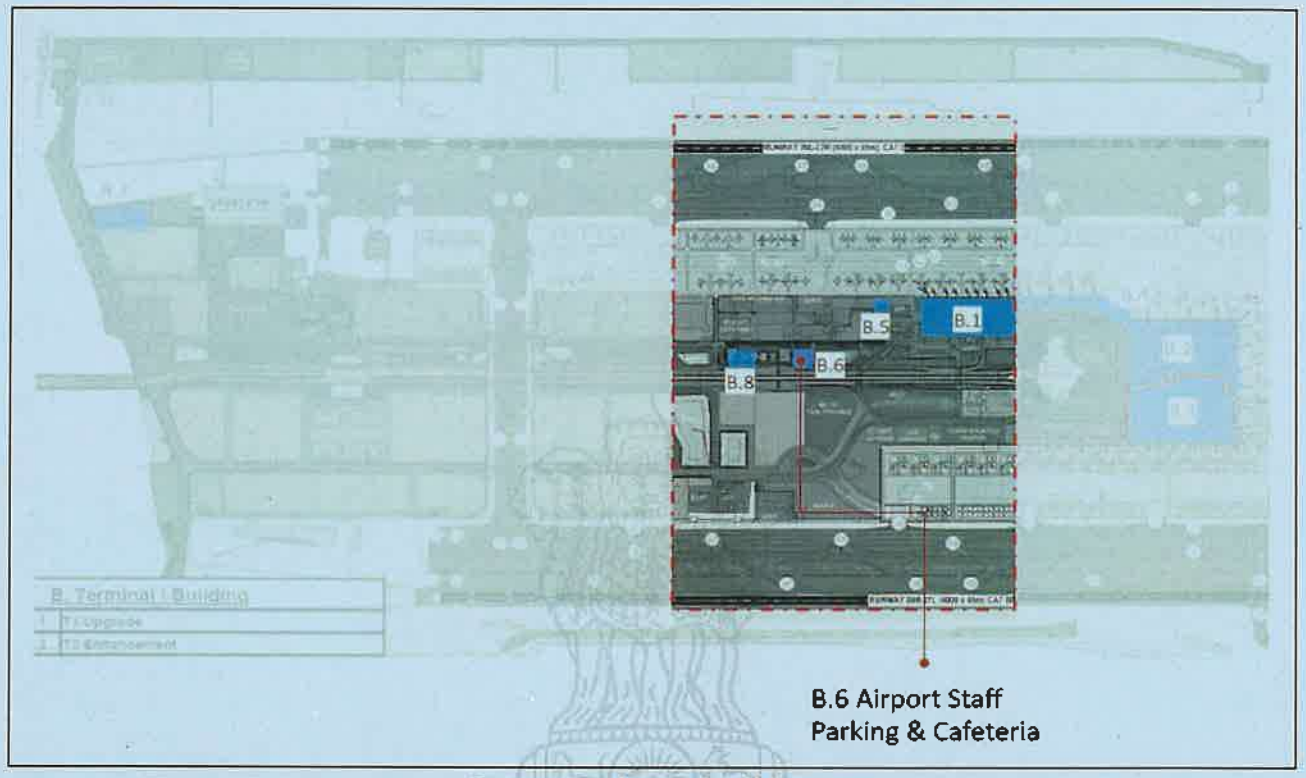

Figure 17: Location of the Proposed Airport Staff Parking and Cafeteria Facilities

5.2.259 The Authority noted that the staff parking requirement had been assessed based on workforce size, commuting patterns, staggered shifts and peak overlap of staff movement. Considering around 2,000 BIAL employees and the operational pattern at KIAB, the provision of around 550 car parking spaces does not appear to be excessive.

5.2.260 The Authority further noted that the green façade and sustainable design elements proposed as part of the facility are intended to reduce carbon footprint and support passive cooling. However, the Authority also noted that the primary beneficiaries of this facility would be BIAL employees and internal agencies, rather than passengers or general airport users. Accordingly, the admissibility and allocation of the cost of this facility for tariff determination shall be considered based on the nature of use and applicable asset classification principles.

5.2.261 The Authority, through MECON, undertook a review of the cost of the package. The cost claimed by BIAL for this package is around Rs. 120 Crores.

5.2.262 The Authority examined the claimed cost and carried out appropriate rationalisation. During such examination, it was observed that, in certain cases such as barricading works and green high wall, the cost as per the backup documents submitted by BIAL / general market data is lower than the cost claimed by BIAL, resulting in reduction in cost.

5.2.263 The Authority further reviewed the item rates with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment. The indirect cost factors claimed by BIAL were also rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates.

5.2.264 Accordingly, the rationalisation regarding the cost of Airport Staff Food Court and MLCP was carried out as per the following:

- The cost was reviewed with reference to workforce requirement, parking demand and operational need for staff-related facilities.
- Certain items such as barricading works and green high wall were rationalised based on backup documents / market data.
- Item rates and indirect cost factors were reviewed with reference to applicable schedule rates and market data to avoid overstatement and duplication.

5.2.265 Based on the above review and methodology, the assessed value of the package works out to around Rs. 95 Crores, as against the cost of Rs. 120 Crores claimed by BIAL in the MYTP as per the table below.

Table 164: Cost Assessment for Airport Staff Food Court and MLCP

(Rs. Cr)

Particulars	Amount
Hard cost submitted by BIAL	120
Hard cost proposed to be considered by the Authority	95
Rationalization in cost	25

5.2.266 Accordingly, the Authority considered hard cost of Rs. 95 Crores towards Airport Staff Food Court and MLCP, subject to asset classification, actual capitalisation and true-up.

B.7. Contingency Facility

5.2.267 The Authority noted that BIAL proposed a modular contingency passenger processing facility intended to support temporary, emergency and seasonal requirements, including traffic surges, special events and Hajj / pilgrimage operations.

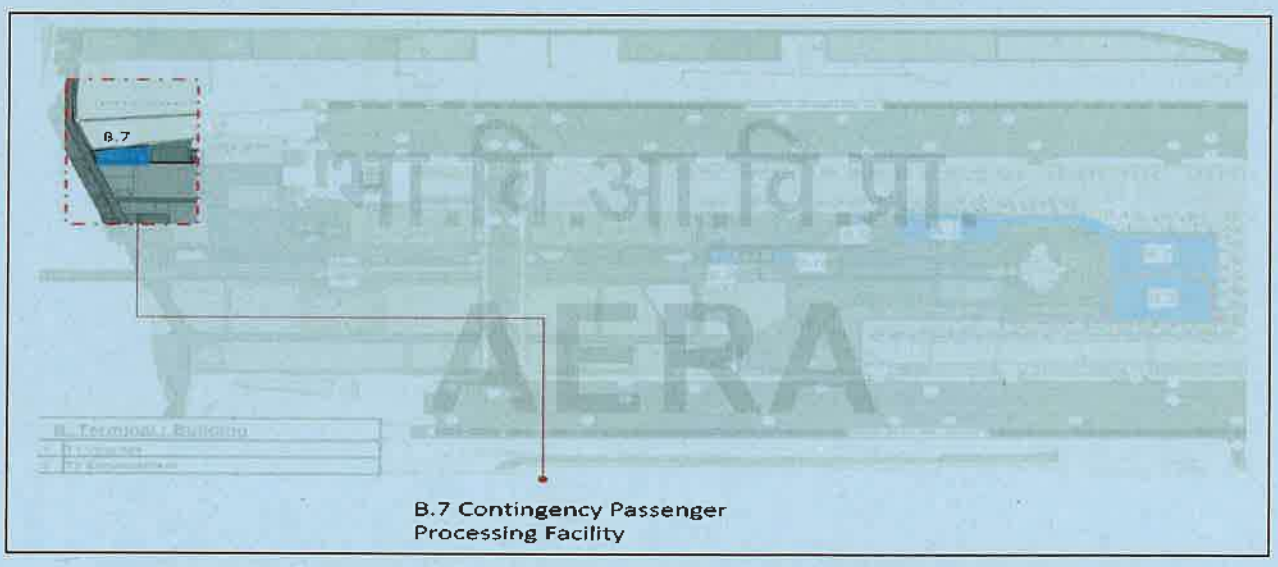

Figure 18: Location of the Proposed Contingency Passenger Processing Facility

5.2.268 The Authority noted that the proposed Contingency Facility is not intended for regular passenger traffic operations, but for intermittent and event-based use, including emergency, temporary and seasonal operational requirements. The facility is planned with a handling capacity of around 450 passengers per

hour and includes passenger processing infrastructure, baggage handling facilities, prayer halls, F&B spaces, utilities and support infrastructure.

5.2.269 BIAL proposed building area of 3,815 square metres for the contingency passenger processing facility. Under IMG norms, 18 sqm per PHP is the prescribed standard for passenger facilities handling for 150–1,000 PHP, which would yield a normative area requirement of 8,100 sqm for a 450 PHP facility. While BIAL's proposed area of 3,815 sqm constitutes a deviation from this norm, the Authority, having regard to the intermittent and contingency nature of the facility and its characterization as a non-regular passenger terminal, is of the view that such deviation is justified and approves the proposed building area of 3,815 sqm.

5.2.270 The Authority, through MECON, undertook a review of the cost of the relevant package. The cost claimed by BIAL for this package is around Rs. 32 Crores.

5.2.271 The Authority examined the claimed cost by reviewing the item rates with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment. The indirect cost factors claimed by BIAL were also rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates.

5.2.272 Accordingly, the rationalisation regarding the cost of Contingency Facility was carried out as per the following:

- The facility was considered based on its limited use for emergency, temporary and seasonal operational requirements, rather than regular passenger operations.
- The claimed cost was reviewed with reference to CPWD / KPWD / KPTCL rates, market rates and supporting quotations.
- Indirect cost factors were rationalised to avoid duplication with factors already embedded in applicable schedule rates.

5.2.273 Based on the above review and methodology, the assessed value of the package works out to around Rs. 27 Crores, as against the cost of Rs. 32 Crores claimed by BIAL in the MYTP.

Table 165: Cost Assessment for Contingency Facility

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	32
Hard cost proposed to be considered by the Authority	27
Rationalization in cost	5

5.2.274 Accordingly, the Authority considered hard cost of Rs. 27 Crores towards the Contingency Facility, subject to actual capitalisation, asset allocation and true-up.

B.8. New Air Traffic Control Tower

5.2.275 The Authority noted that BIAL proposed construction of a new Air Traffic Control Tower ("ATCT") of around 85 m height, including Visual Control Room, technical block, support facilities, safety systems, security systems and backup systems.

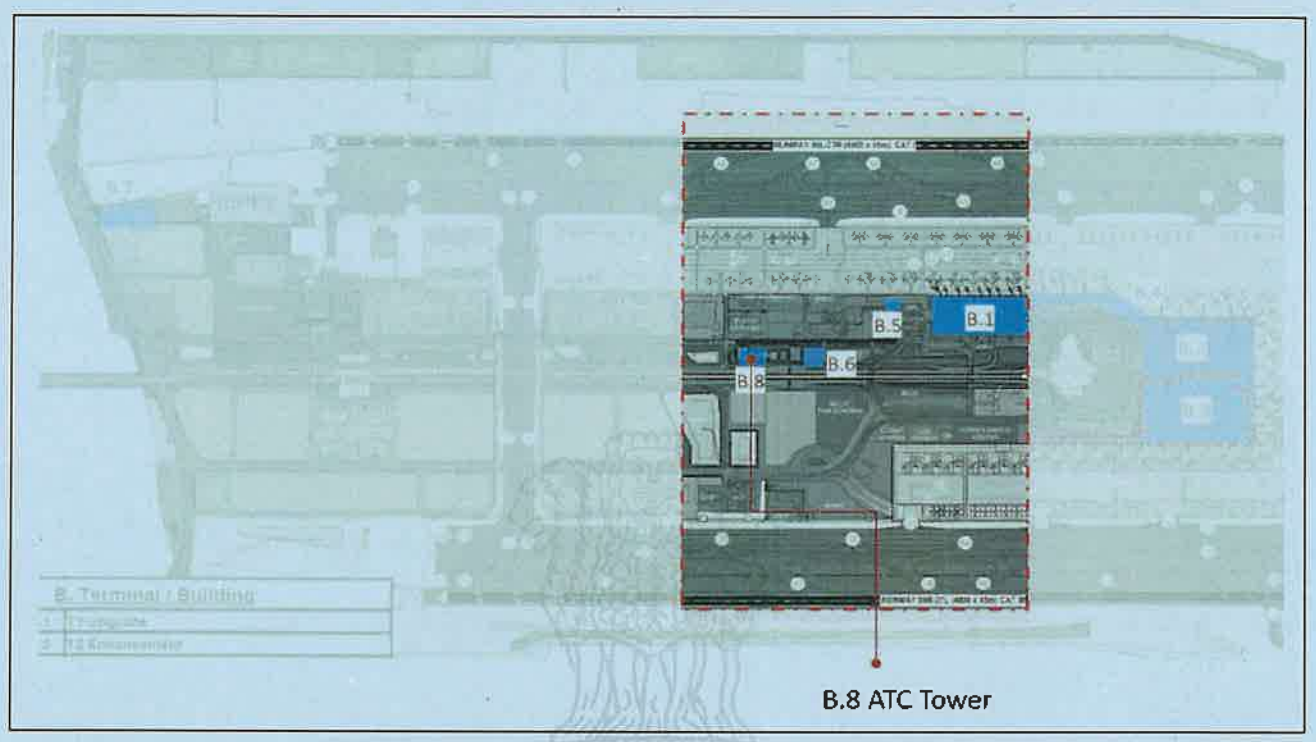

Figure 19: Location of the Proposed ATC Tower

5.2.276 The Authority, through MECON, reviewed the requirement for the new Air Traffic Control Tower with reference to current and projected air traffic movements, runway capacity, operational complexity, sectorisation requirements and AAI's letter dated 04.02.2025. The Authority noted that the existing ATC Tower is operating under functional and spatial constraints and is inadequate to support future dual-runway operations and capacity enhancement to around 90 ATMs per hour.

5.2.277 The Authority further noted that the planned developments at KIAB, including new aprons, terminal expansion, additional aircraft parking stands and cross-field taxiways, will increase the surface movement area and controller workload. The limitations of the existing ATC Tower are not adequate to accommodate additional Controller Working Positions, enhanced sectorisation and next-generation ATC automation systems required for future operations.

5.2.278 The Authority, through MECON, undertook a review of the cost of the relevant package. The cost claimed by BIAL for this package is around Rs. 113 Crores.

5.2.279 The Authority examined the claimed cost and carried out appropriate rationalisation. During such examination, it was observed that, in respect of the drone detection system, BIAL stated that the relevant details are not available at this stage and, accordingly, the cost for the same was rationalised.

5.2.280 The Authority further noted that certain items had been kept on a provisional basis by BIAL, such as the dewatering system and furniture items. In addition, several items had been proposed on a lump sum basis, including temperature controls, CO2 sensors for BMS control, earthing system, lightning protection system and miscellaneous items such as liaisoning, without adequate justification or quantification of the underlying scope. Accordingly, the cost of such items was rationalised.

5.2.281 The Authority also noted that, in certain cases such as floor tiles, metal swing doors and glass swing doors, the cost claimed by BIAL appears to be on the higher side in comparison with general market data. Accordingly, the cost of such items was rationalised.

5.2.282 The Authority further reviewed the item rates with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items based on market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment. The indirect cost factors claimed by BIAL were also rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates.

5.2.283 Accordingly, the rationalisation regarding the cost of New Air Traffic Control Tower was carried out as follows:

- Certain items such as drone detection system were rationalised due to non-availability of detailed supporting information at this stage.
- Provisional / lump sum items such as dewatering system, furniture, temperature controls, CO2 sensors, earthing, lightning protection and miscellaneous items were rationalised for lack of adequate quantification.
- Item rates for certain items appearing higher than market benchmarks were rationalised, and indirect cost factors were adjusted to avoid duplication.

5.2.284 Based on the above review and methodology, the assessed value of the package works out to around Rs. 89 Crores, as against the cost of Rs. 113 Crores claimed by BIAL in the MYTP as per the table below:

Table 166: Cost Assessment for New Air Traffic Control Tower

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	113
Hard cost proposed to be considered by the Authority	89
Rationalization in cost	24

5.2.285 Accordingly, the Authority considered hard cost of Rs. 89 Crores towards the New ATCT, subject to actual capitalisation, asset allocation and true-up.

Summary of Passenger Terminal Works

Table 167: Summary of Passenger Terminal Works proposed to be considered by the Authority at the Consultation Stage

(Rs. in Crore)

Project Code	Projects	Hard Cost submitted by BIAL (previous)	Hard Cost proposed to be considered
B.1	T1 Upgrade	822	698
B.2	T2 Enhancement	61	54
B.3	T2 Phase 2	4,490	3,658
B.4	T1 / T2 Connectivity – Pier Expansion	255	135
B.5	GA Terminal	36	-
B.6	Airport Staff Parking and Cafeteria	120	95
B.7	Contingency Facility	32	27
B.8	New ATCT	113	89
	Total Passenger Terminal Works	**5,928**	**4,756**

5.2.286 Accordingly, the Authority considered hard cost of Rs. 4,756 Crores towards Passenger Terminal Works for the Fourth Control Period.

(C) Capital Expenditure projects related to Landside, Access and Parking Works

C.1. Eastern Connectivity Tunnel

5.2.287 The Authority **noted that BIAL proposed Eastern Connectivity Tunnel ("ECT") to provide alternate access to KIAB from SH-104 and the eastern / south-eastern parts of Bengaluru.**

5.2.288 The Authority noted that the ECT project was first proposed by BIAL during determination of tariff for the 2nd Control Period (01.04.2016 to 31.03.2021), as an additional capital project after submission of MYTP, intended to provide alternate access to the airport from the eastern side of Bengaluru for fulfilling Government of Karnataka's (GoK) directive to establish a second entry from the eastern side. BIAL had submitted that access to the airport was primarily dependent on NH-44 through the existing Trumpet Interchange and South Access Road, and that expansion of NH-44 was constrained due to congestion at the Hebbal flyover and land acquisition limitations. BIAL had further submitted that dependence on a single external access corridor posed operational, security and traffic management concerns and that development of an alternate connectivity option was necessary to improve resilience of access to the airport. Also, in view of the significant urban, industrial and commercial development envisaged in the eastern and north-eastern parts of Bengaluru under the Bengaluru Metropolitan Region Development Authority (BMRDA) Structure Plan 2031, additional traffic demand was expected in the region.

5.2.289 It is noted that the genesis of ECT emerges from the GoK's directives for establishing alternate entry from the eastern side of Bengaluru city for traffic decongestion, the action on which falls fully under the primary responsibility of the State Government and not that of an airport.

5.2.290 During the tariff determination exercise for the 2nd Control Period, BIAL had proposed only the Phase-1 enabling works related to construction of 300-meter tunnel beneath the cross-field taxiway (civil works only). The Authority observed that the proposed Phase-1 enabling works cannot be put to use before the completion of the subsequent phases of the project and that the facility was not independently capable of delivering the intended connectivity benefits. Accordingly, the Authority decided not to consider the enabling works for capitalization and addition to the RAB during the 2nd Control Period. BIAL challenged this decision of the Authority by filing an appeal before Hon'ble TDSAT and the approach of the Authority was upheld by the Hon'ble TDSAT, observing that the capitalization of incomplete works would be inconsistent with sound regulatory practice.

5.2.291 During the tariff determination process for the 3rd Control Period (2021-2026), BIAL submitted that the 300-metre tunnel section below the cross-field taxiway had been constructed as Phase-1 of the ECT project and capitalized in FY 2020-21. BIAL further submitted that the tunnel had been constructed after obtaining requisite approvals from the Standing Committee comprising representatives of BCAS, CISF, AAI and BIAL and that the tunnel had subsequently been opened for operational use. BIAL stated that the tunnel was being utilized for movement of construction materials and labor, security and safety patrolling, Bird and Animal Strike Hazard Management (BASHM) activities, emergency response and operational access between the eastern and western portions of the airport estate. BIAL also stated that construction of this section had been undertaken concurrently with development of the cross-field taxiway so as to avoid significant operational disruption, technical challenges and higher costs that could arise if the tunnel were to be constructed after the associated airside infrastructure became operational. Accordingly, BIAL sought inclusion of the capitalized cost of the 300-metre tunnel

section in the RAB on the grounds that the facility had already been put to operational use for various operational, security and safety-related activities. After examining the submissions of BIAL, the Authority decided not to include the expenditure incurred on the ECT in the RAB, since the tunnel was not being utilized for the primary purpose for which it was conceived. Accordingly, capitalization, depreciation and asset additions pertaining to the ECT were excluded from tariff computation during the 3rd Control Period.

5.2.292 It is noted that despite the clear stand of the Authority on the enabling works / Phase-1 of ECT and despite no specific approval granted by the Authority, BIAL proceeded with construction of the 300-meter tunnel and submitted its capitalized cost for inclusion in the RAB during the tariff determination exercise of the 3rd Control Period, wherein too the Authority, for reasons mentioned above, decided finally not to include the expenditure incurred on ECT in the RAB.

5.2.293 The Authority further noted that the genesis of the project flows from a reference from the Traffic Police, Bengaluru City requesting BIAL to develop an alternate connectivity for South and Southeast of Bengaluru via SH-104 so as to decongest the National Highway 44 and reduce travel time for a segment of population in the eastern and southeastern parts of the city viz. Whitefield, Sarjapur, Electronic city etc. where large scale industrialization and urbanization has happened.

5.2.294 The Authority noted that in its MYTP for the 4th Control Period (2026-31), BIAL proposed inclusion of the complete ECT project of 2.8 km length in the RAB. BIAL submitted a total cost of Rs. 2,772 Crores, with proposed year of capitalization of FY 2029-30. The Authority noted that the proposed project cost constitutes approximately 15% of the overall capital expenditure plan for the 4th Control Period (2026-31) as submitted by BIAL.

5.2.295 The Authority noted the submission of BIAL that the proposed ECT will have long-term and futuristic benefits in terms of improving overall airport accessibility, providing an alternate approach route and enhancing resilience of airport access infrastructure. However, the Authority fully acknowledges the fact that the ECT is not a sine qua non for airport operations. Further, the Authority is primarily required to examine the nature, essentiality and scope of the proposed expenditure on this ECT project from the perspective of additional airport charges that would get loaded on passengers and airlines as per the applicable regulatory framework for determination of aeronautical tariff. The Authority is clear in its view that capital expenditure proposed for inclusion in the RAB should have a clear, direct and demonstrable linkage with travelling passengers and airlines from whom the cost of such assets is recovered through airport charges.

5.2.296 In this regard, the Authority noted that the ECT project is predominantly in the nature of landside connectivity infrastructure intended for regional traffic decongestion and urban access improvement, as distinct from the augmentation of core aeronautical infrastructure for provision of aeronautical services within the airport system. It is, therefore, felt that the primary responsibility for development and funding of such road connectivity infrastructure rests with the State Government, which is responsible for regional road infrastructure, urban mobility planning and decongestion of city roads.

5.2.297 The Authority further observed that inclusion of the ECT cost in RAB would result in the cost being recovered from passengers and airlines through aeronautical tariff, including user charges. Such recovery would place a burden on airport users for infrastructure of regional connectivity and road access improvements to be primarily acted upon by the State Government rather than a core and essential aeronautical facility to be provided by the Airport Operator. The Authority is of the view that

airport users should not be required to bear the cost of infrastructure that primarily falls within the domain of city / regional road development.

5.2.298 The Authority also noted that the Government of Karnataka is a significant stakeholder in BIAL and is solely responsible for regional road infrastructure and urban connectivity in the State. In the said background, the Authority, vide letter no. AERA/20010/MYTP/BIAL/CP-IV/2026-27/24398 dated 29.05.2026, asked BIAL to take up the matter with the State Government of Karnataka for the total funding of the project. The Authority, in its letter, specifically reiterated that the proposed expenditure is predominantly for regional connectivity infrastructure and falls within the broader domain of State Government responsibilities. The Authority further conveyed that inclusion of the project cost in airport tariffs would result in an additional financial burden on passengers and airlines through aeronautical charges. The Authority also indicated that, in the event the State Government conveys its commitment towards total funding of the project, the Authority would accordingly take up the proposal within the overall regulatory framework, subject to requisite approvals from the relevant safety and security agencies, including BCAS and DGCA, and subject to the project being commissioned and operationalized for use by airport passengers.

5.2.299 Subsequently, BIAL sent a reply vide letter no. BIAL/AERA/MD&CEO dated 02.06.2026 mentioning that the need for alternate connectivity to the airport had been acknowledged during earlier tariff proceedings. BIAL stated that, based on the regulatory discussions undertaken in the past, it had proceeded with construction of the enabling works comprising the tunnel section below the cross-field taxiway as well as the design and planning activities for the overall project and had incurred expenditure exceeding Rs. 100 Crores towards the same. BIAL further submitted that, while the Authority had excluded the expenditure from the RAB in earlier Control Periods on the grounds that the facility was not being utilized for passenger movement, there had been no prior indication that the project should not be funded by BIAL or that it should not form part of RAB. Referring to the Authority's communication that the proposal may be considered within the regulatory framework if the Government of Karnataka conveys its commitment towards funding of the project, BIAL sought clarification on the Authority's position so as to enable it to engage with the Government of Karnataka for financial support and appropriately apprise its Board regarding the future course of the project.

5.2.300 In this regard, attention is drawn to preceding paras 5.2.290 and 5.2.291 wherein it is very clearly highlighted that Authority had at no time in the previous control periods granted any specific approval for construction of the enabling works comprising the tunnel section below the cross-field taxiway, as well as for the design and planning activities for the overall project construction. Thus, the submissions made by BIAL in their above letter dated 02.06.2026 do not seem to be substantiated by facts.

5.2.301 In the light of the above facts and circumstances in respect of this ECT project, the Authority has decided to await the total funding commitment from the State Government before taking a final decision on the matter, which shall be based on stakeholder consultations, views / comments of the safety and security agencies, i.e., DGCA and BCAS, and the extant provisions of the overall regulatory framework.

C.2.1. Airport Terminal Metro Station

5.2.302 The Authority noted that BIAL proposed Airport Terminal Metro Station ("ATMS") within the terminal forecourt / MMTH area. The station is intended to serve passengers, meeters / greeters and terminal-area employees.

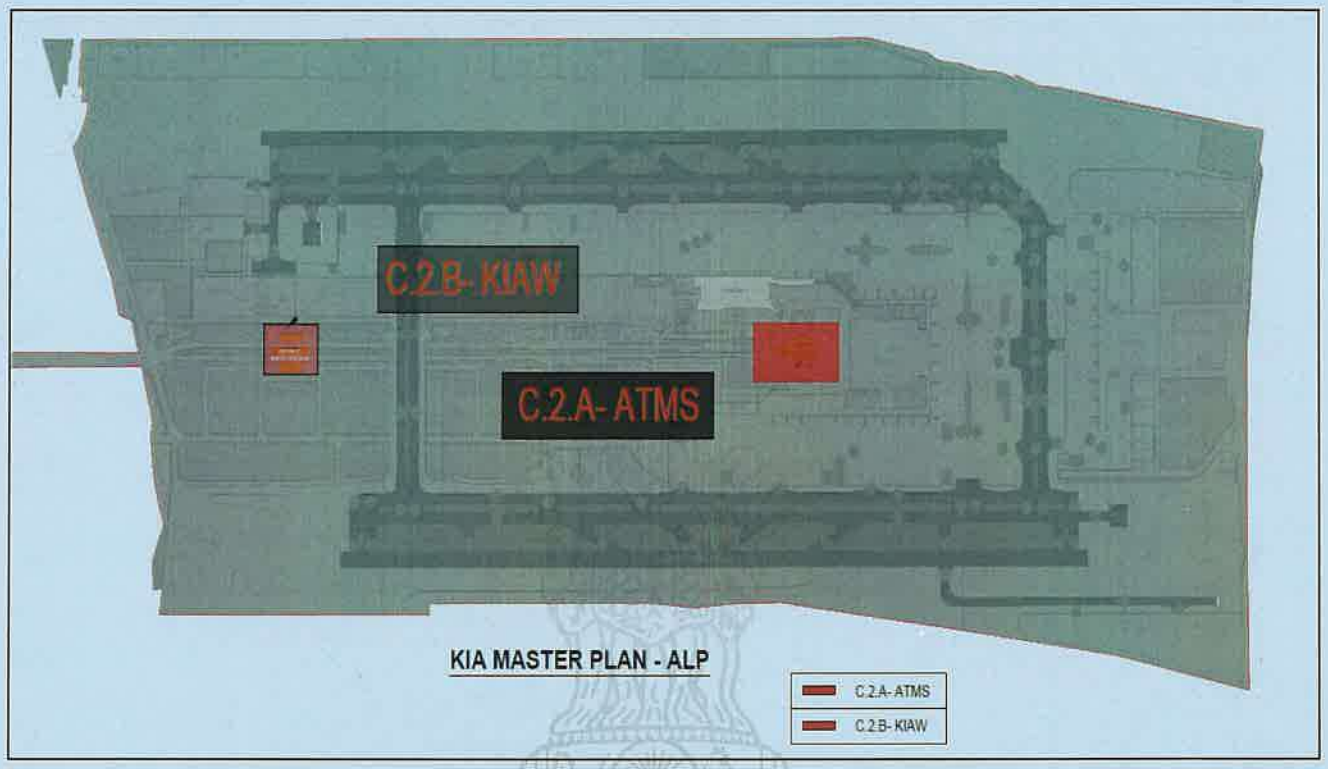

Figure 21: Locations of the proposed Kia West and Airport Terminal Stations

5.2.303 The Authority had previously noted in the Tariff Order for the Third Control Period (refer paragraph 5.5.27 of Order No. 11/2021-22 dated August 28, 2021) that BIAL, Government of Karnataka and IDD (GoK) had then commented that the Airport Metro Line would start operations in June 2025. The Authority had then decided that the said metro station would be included in the RAB if it was completed by FY'26 while undertaking true up for the 4th Control Period.

5.2.304 The Authority noted that the Airport Terminal Metro Station ("ATMS") has a direct interface with passenger facilitation, terminal accessibility and landside traffic decongestion. The proposed metro connectivity is expected to provide an alternate mode of access to the airport, reduce dependence on road-based transport infrastructure and form an integral part of the planned Multi-Modal Transport Hub in line with the long-term integrated transportation planning for KIAB.

5.2.305 Based on the construction progress of the airport metro line and associated station works, the Authority noted MECON's assessment that commissioning around June 2027 appears realistic. Accordingly, the Authority is of the view that the Airport Terminal Metro Station is justified for consideration during the Fourth Control Period, subject to verification of ownership, commissioning / put-to-use status, actual capitalisation and asset allocation at the time of true-up.

5.2.306 For the cost assessment, the Authority, through MECON, undertook a review of the claimed cost of this package of around Rs. 278 Crores. During such examination, it was observed that, in certain cases such as waterproofing, smoke barrier system, stone cladding and flooring, the cost claimed by BIAL appears to be on the higher side in comparison with general market data and was accordingly rationalised. The Authority further noted that the wastage percentage considered by BIAL for various electrical items was also found to be on the higher side and was accordingly rationalised.

5.2.307 The Authority further reviewed the item rates with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items based on

market rates, the Authority considered the quotations submitted by BIAL and other available data on a broad basis, keeping in view the nature of the assignment. The indirect cost factors claimed by BIAL were also rationalised to avoid duplication, as certain factors are already embedded in the applicable schedule rates / DSR rates.

5.2.308 Accordingly, the rationalisation regarding the cost of Airport Terminal Metro Station was carried out as follows:

- The project was considered as it has a direct interface with passenger facilitation, airport access and terminal connectivity.
- Certain items such as waterproofing, smoke barrier system, stone cladding, flooring and electrical wastage percentages were rationalised where costs appeared higher than market / technical benchmarks.
- Item rates and indirect cost factors were reviewed with reference to applicable schedule rates, market data and supporting quotations.

5.2.309 Based on the above review and methodology, the assessed value of the package works out to around Rs. 252 Crores, as against the cost of Rs. 278 Crores claimed by BIAL in the MYTP as per the table below:

Table 168: Cost Assessment for Airport Terminal Metro Station

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	278
Hard cost proposed to be considered by the Authority	252
Rationalization in cost	26

5.2.310 Accordingly, the Authority considered hard cost of Rs. 252 Crores towards Airport Terminal Metro Station, subject to commissioning, ownership, actual capitalisation, asset allocation and true-up.

C.2.2. KIA West Metro Station

5.2.311 The Authority examined the submission made by BIAL regarding the KIA West Metro Station. BIAL submitted that the KIA West Metro Station would primarily cater to airport employees and users associated with cargo operations, ground handling agencies, fuel farm operations, CISF and other statutory agencies, airline staff, proposed MRO facilities, aviation training establishments, utility infrastructure staff, retailers and other concessionaires operating within the airport ecosystem. BIAL further submitted that, in the absence of the KIA West Metro Station, such users may be required to use the Airport Terminal Metro Station, thereby increasing congestion in and around the terminal forecourt area.

5.2.312 The Authority observed that the Airport Terminal Metro Station is the primary metro interface for passengers, meeters and greeters and terminal users. In contrast, the KIA West Metro Station is not primarily designed as a passenger-facing facility and is located away from the terminal forecourt area. The principal users of the KIA West Metro Station, as per BIAL's own submission, are expected to be employees and personnel associated with airport support services, cargo, MRO, utility, concessionaire and other commercial or operational establishments. The Authority is of the view that the proposed station does not directly serve airport passengers on whom airport charges are levied for the infrastructure / facilities actually used by them, i.e., the user pay principle.

5.2.313 The Authority further noted that the capital expenditure associated with the KIA West Metro Station had been examined during the Third Control Period and was not considered for inclusion in the RAB on the ground that the station does not directly serve airport passengers but primarily caters to employees and commercial users. The Authority does not find any incremental justification in the present submission of BIAL to depart from the position adopted by the Authority in the Third Control Period. No evidence was substantiated to demonstrate that the KIA West Metro Station is indispensable for passenger facilitation or that the absence of this station would materially impair passenger service levels at KIAB during the Fourth Control Period.

5.2.314 The Authority is also of the view that capital expenditure primarily intended to serve employees, concessionaires, cargo-related personnel, MRO users and other commercial / support establishments should not be loaded on the passengers and airlines through aeronautical tariff unless a clear and direct aeronautical benefit is established. Inclusion of such expenditure in RAB would result in airport users bearing the cost of a facility for several years till its useful life whereas the actual benefits of the facility are largely attributable to a specific class of users and commercial / support activities, rather than to the travelling passengers and airlines.

5.2.315 Accordingly, while the Authority acknowledges the operational convenience that the KIA West Metro Station may provide to certain commercial / support establishments, it is not satisfied that the expenditure has a direct and sufficient connection with travelling passengers' facilitation to merit inclusion in the RAB for the Fourth Control Period. Therefore, the Authority did not consider the capital expenditure associated with the KIA West Metro Station for the purpose of tariff determination for the Fourth Control Period. The Airport Operator may consider, as appropriate, other options to fund the same through non-aeronautical / commercial arrangements or through recovery from the specific beneficiary users or through Government funding as has been done for the overall Metro Project and for other Metro Stations in different parts of the city.

5.2.316 Accordingly, the Authority did not consider the proposed cost of Rs. 143 Crores for KIA West Metro Station as submitted by BIAL for the Fourth Control Period.

C.4. T1 to T2 Walkway and Metro Connector Walkway

5.2.317 The Authority noted that BIAL proposed two walkway components: an elevated covered walkway connecting T1 to ATMS / T2 interface, and a separate at-grade walkway between T1 and T2.

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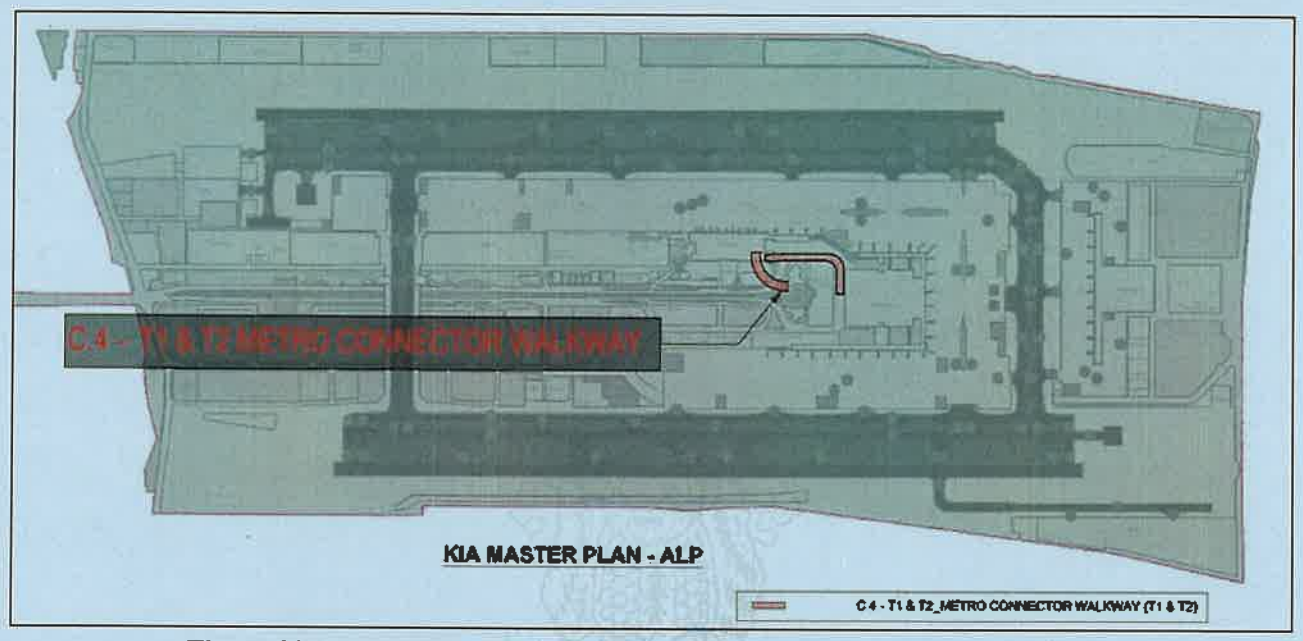


Figure 22: Locations of the Proposed T1 & T2 Metro Connector Walkways

5.2.318 The Authority noted that the elevated Metro Connector Walkway has a direct linkage with passenger facilitation and effective utilization of metro connectivity by Terminal 1 passengers. The proposed walkway is expected to provide seamless and weather-protected access between Terminal 1 and the Airport Terminal Metro Station / Terminal 2 interface, reduce dependence on shuttle-based movement and improve integrated terminal-to-metro circulation within the airport landside infrastructure.

5.2.319 Considering the direct passenger facilitation benefit and its linkage with metro access for Terminal 1 users, the Authority is of the view that the elevated Metro Connector Walkway is justified for consideration during the Fourth Control Period. The Authority noted that BIAL claimed cost of Rs. 76 Crores for this package, which includes the proposed T1 to T2 at-grade walkway amounting to Rs. 11.3 Crores.

5.2.320 However, the Authority noted that the proposed standalone ground-level walkway between Terminal 1 and Terminal 2 appears to be of a supplementary nature. This is primarily because passenger movement between Terminal 1, the Airport Terminal Metro Station, and Terminal 2 is expected to be substantially served through the integrated elevated walkway and its connection with the Multi-Modal Transit Hub (MMTH). The proposed ground-level walkway between T1 and T2 was therefore not considered. The remaining scope of the package amounts to Rs. 64.7 Crores. The cost of this remaining scope was reviewed by the Authority with the assistance of MECON.

5.2.321 The Authority, through MECON, reviewed the item rates with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted by BIAL and other available data. The indirect cost factor claimed by BIAL was rationalised to avoid duplication of factors as some of the factors like CP&OH are already part of DSR rates. The Authority further noted that BIAL had considered a constraint factor of 5%; however, considering the execution of work being inside terminal, a constraint factor of only 3% was considered, the same being found reasonable primarily on account of some restricted working.

5.2.322 Based on the above methodology, the assessed value works out to around Rs. 58 Crores against the total claimed cost of Rs. 76 Crores for this package.

5.2.323 Accordingly, the rationalisation regarding the cost of T1 to T2 and Metro Connector Walkway was carried out as per the following:

- The elevated Metro Connector Walkway was considered as it directly supports passenger movement between Terminal 1 and the Airport Terminal Metro Station / Terminal 2 interface.
- The separate at-grade T1 to T2 walkway was not considered, as passenger connectivity is expected to be addressed through the elevated walkway and MMTH interface.
- The balance scope was assessed based on applicable schedule rates, market data and rationalisation of indirect cost and constraint factors.

5.2.324 Accordingly, the hard cost considered by the Authority is Rs. 58 Crores, as against Rs. 76 Crores submitted by BIAL as per the table below:

Table 169: Cost Assessment for T1 to T2 and Metro Connector Walkway

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	76
Hard cost proposed to be considered by the Authority	58
Rationalization in cost	18

5.2.325 Accordingly, the Authority considered hard cost of Rs. 58 Crores towards the Metro Connector component of this package, subject to actual capitalisation, asset allocation and true-up.

C.5. North West Road Expansion, 2+2 Lane

5.2.326 The Authority noted that BIAL proposed widening of around 1.2 km of road in the northern area of KIAB from a 2-lane configuration to a 4-lane dual carriageway.

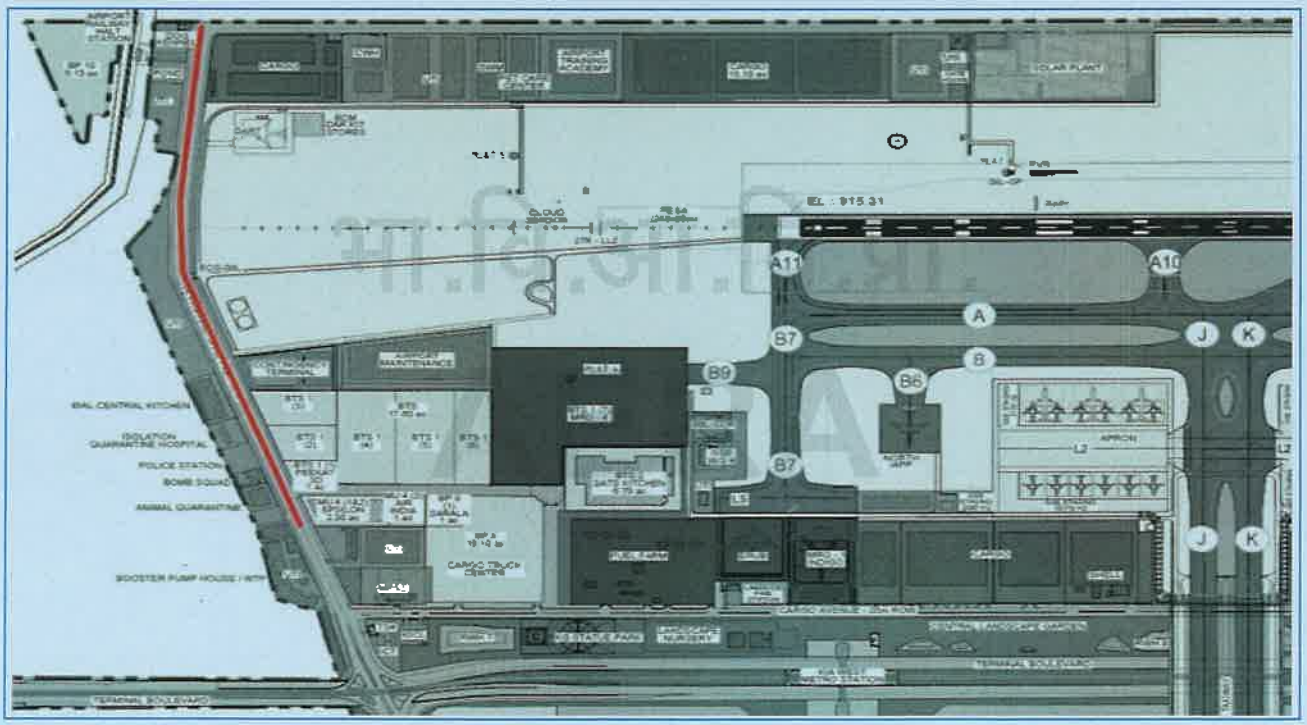


Figure 23: Location of the Proposed North West Road Expansion

5.2.327 The Authority noted that the proposed expansion of the North West Road is linked to planned developments in the north-west zone of the airport, including MRO facilities, logistics infrastructure, utility services and contingency areas.

5.2.328 The Authority observed that the proposed North-West Road Expansion does not establish an immediate aeronautical requirement warranting tariff recovery in the ensuing control period. Accordingly, the Authority did not include the said facility in BIAL's Regulatory Asset Base (RAB) for the Fourth Control Period. The treatment of this asset may be revisited in subsequent control periods based on actual capitalisation, demonstrated aeronautical utility, and prudence check by the Authority.

C.6. Cargo Avenue / NCR Expansion, 2+2 Lane

5.2.329 The Authority noted that BIAL proposed widening of around 700 m stretch of North Cargo Road from 2-lane to 4-lane configuration. The stretch is located near operational facilities, Alpha Building, Pass Office, ATC Tower and airside entry gate.

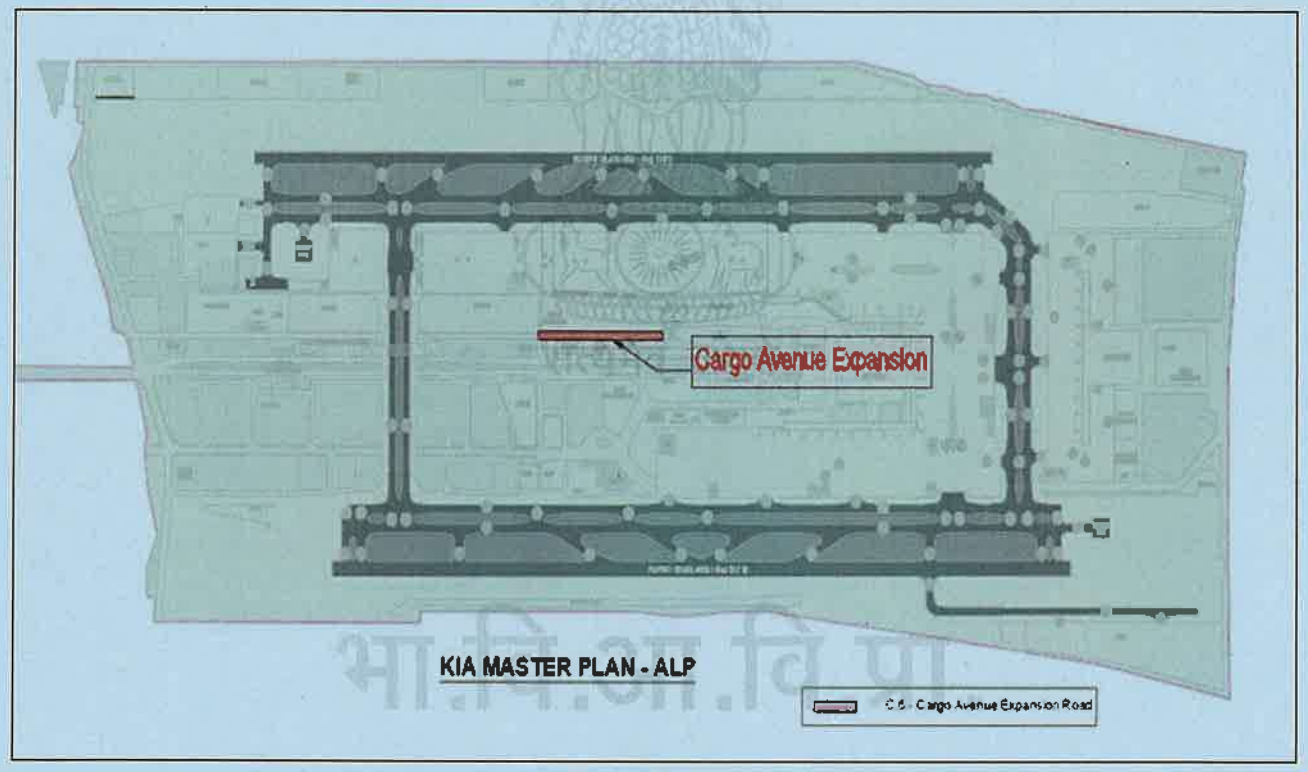


Figure 24: Location of the proposed Cargo Avenue expansion project

5.2.330 The Authority noted that the proposed expansion addresses an existing bottleneck on the North Cargo Road corridor. The widening of the stretch is expected to improve traffic circulation, reduce congestion in the cargo and airside access area, and ensure continuity of the North Cargo Road corridor. Accordingly, the Authority considered the proposed work to be operationally justified.

5.2.331 The Authority, through MECON, examined the cost claimed by BIAL for the relevant package of around Rs. 12 Crores..

5.2.332 The item rates were reviewed with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted

by BIAL and other available data. The indirect cost factor claimed by BIAL was also rationalised to avoid duplication of factors as some of the factors like CP&OH are already part of DSR rates.

5.2.333 Accordingly, the rationalisation regarding the cost of Cargo Avenue / NCR Expansion was carried out as follows:

- The project was considered as it addresses an existing bottleneck on the North Cargo Road corridor.
- The claimed cost was reviewed with reference to applicable schedule rates, market quotations and available supporting documents.
- Indirect cost factors were rationalised to avoid duplication with factors already included in the applicable schedule rates.

5.2.334 Based on the above methodology, the total package cost works out to around Rs. 9 Crores, as against the cost of Rs. 12 Crores claimed by BIAL in the MYTP as per the table below:

Table 170: Cost Assessment for Cargo Avenue / NCR Expansion

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	12
Hard cost proposed to be considered by the Authority	9
Rationalization in cost	3

5.2.335 Accordingly, the Authority considered hard cost of Rs. 9 Crores towards Cargo Avenue / NCR Expansion, subject to actual capitalisation, asset allocation and true-up.

C.7. T1 and T2 Departure and Arrival Recirculation Works

5.2.336 The Authority noted that BIAL proposed forecourt and kerbside improvements at Terminal 1 and Terminal 2 to address congestion, improve terminal landside circulation and support increased passenger handling capability.

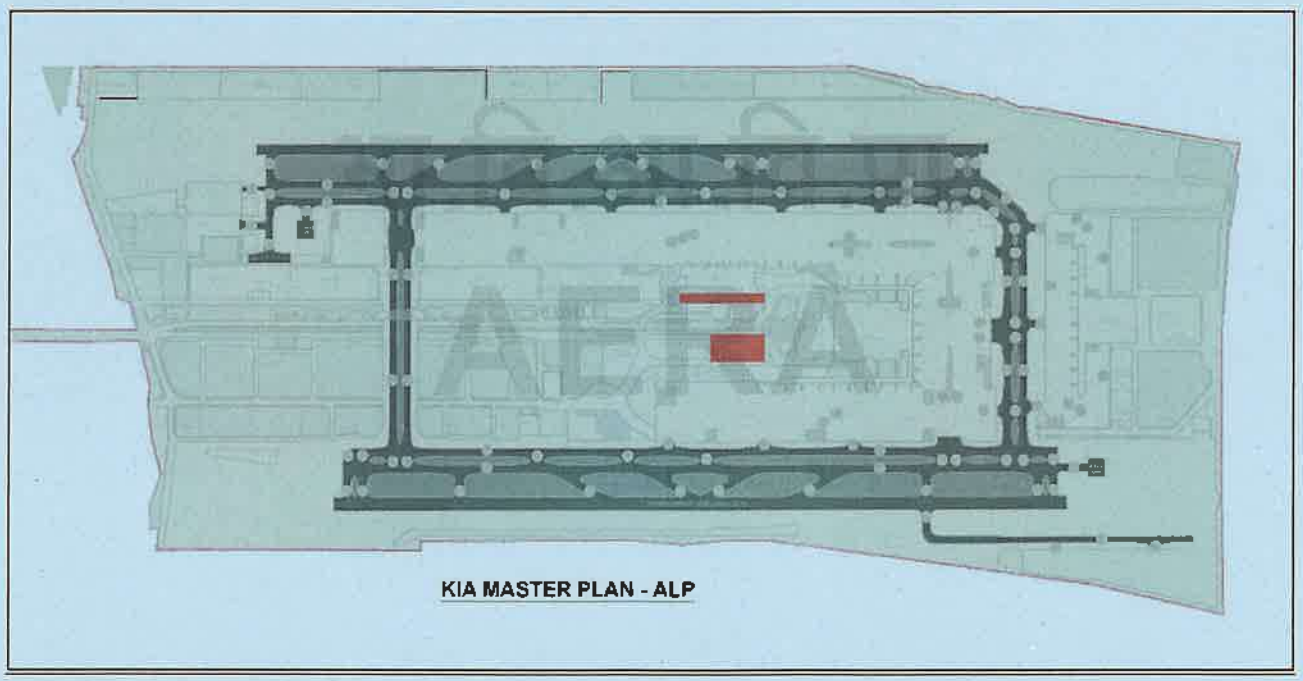


Figure 25: Location of the proposed T1 and T2 Departure and Arrival Recirculation Works

5.2.337 The Authority noted that the proposed forecourt and kerbside improvements at Terminal 1 and Terminal 2 are intended to address existing congestion, improve traffic circulation and enhance passenger handling capability within the terminal landside areas. Considering the proposed capacity enhancement and increasing passenger traffic at KIAB, the Authority is of the view that the forecourt and kerbside improvement works are operationally justified.

5.2.338 However, the Authority noted that the proposed temporary passenger parking facility, intended to support future MLCP development, is transitional in nature and is proposed primarily to facilitate interim parking arrangements during redevelopment of the existing parking area. The Authority further noted that such temporary parking facility does not constitute a permanent airport infrastructure asset. Accordingly, the Authority did not consider the cost of the temporary parking facility for inclusion in the RAB during the Fourth Control Period.

5.2.339 The Authority, through MECON, examined the cost claimed by BIAL for the relevant package of around Rs. 75 Crores, which includes the proposed temporary passenger parking facility amounting to around Rs. 32 Crores.

5.2.340 The proposed passenger parking facility was not considered being temporary in nature. Accordingly, for the remaining scope of the package amounting to around Rs. 43 Crores, the cost was examined.

5.2.341 The item rates were reviewed with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted by BIAL and other available data. The indirect cost factor claimed by BIAL was also rationalised to avoid duplication of factors as some of the factors like CP&OH are already part of DSR rates.

5.2.342 Accordingly, the rationalisation regarding the cost of T1 and T2 Departure and Arrival Recirculation Works was carried out as follows:

5.2.343 Forecourt and kerbside improvement works were considered as they support passenger circulation and terminal landside operations.

5.2.344 The temporary passenger parking facility was not considered, as it is transitional in nature and does not constitute a permanent airport infrastructure asset.

5.2.345 The remaining scope was assessed based on applicable schedule rates, market data and rationalisation of indirect cost factors.

5.2.346 Based on the above methodology, the total package cost works out to around Rs. 38 Crores, as against the cost of Rs. 75 Crores claimed by BIAL in the MYTP as per the Table below:

Table 171: Cost Assessment for T1 and T2 Departure and Arrival Recirculation Works

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	75
Hard cost proposed to be considered by the Authority	38
Rationalization in cost	37

5.2.347 Accordingly, the Authority considered hard cost of Rs. 38 Crores towards T1 and T2 Departure and Arrival Recirculation Works, excluding temporary parking facility, subject to actual capitalisation, asset allocation and true-up.

C.10. MAR Recirculation Link

5.2.348 The Authority noted that BIAL proposed MAR Recirculation Link to improve vehicular recirculation between the terminal area and proposed southern MLCP facilities.

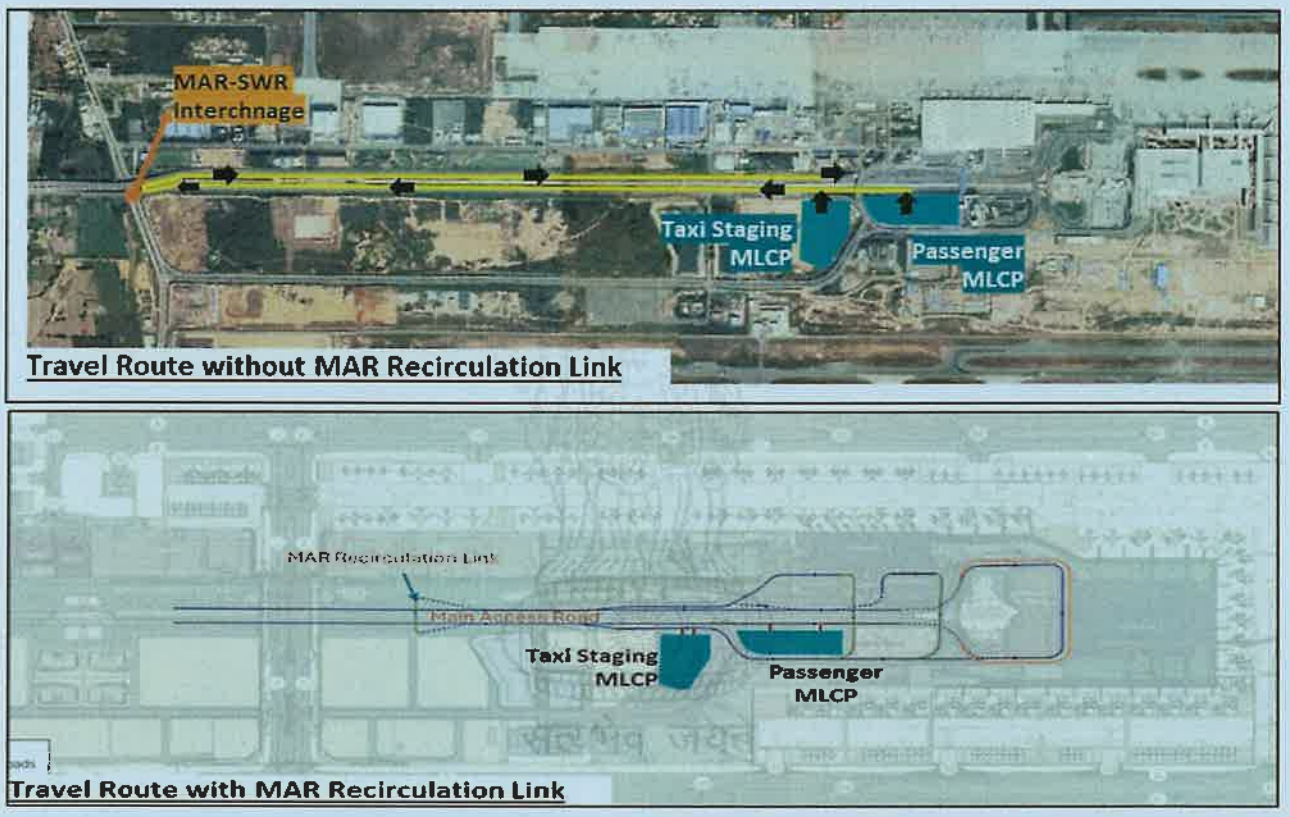


Figure 26: Expected travel time improvements from MAR Recirculation Link as envisaged by BIAL

5.2.349 The Authority noted that the proposed MAR Recirculation Link is conceptually intended to improve landside circulation and facilitate vehicular recirculation between the terminal area and future parking / access infrastructure. However, the Authority also noted that certain components of the proposed project, particularly the city-side ramps, appear to be linked more closely with future traffic redistribution requirements associated with Terminal 3 and the Eastern Connectivity Tunnel, rather than immediate passenger circulation requirements during the current control period.

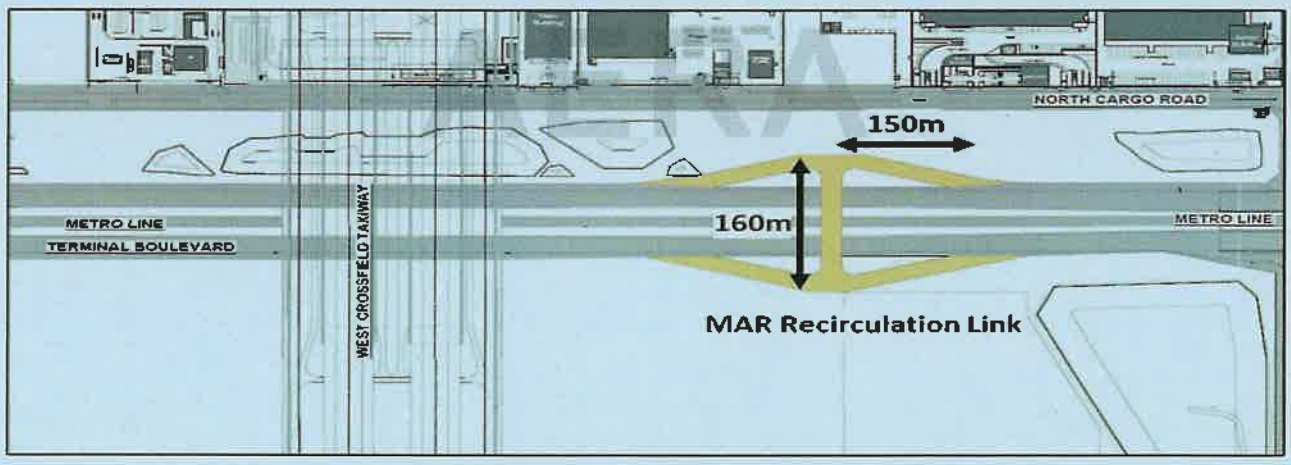


Figure 27: Proposed MAR Recirculation Link

5.2.350 In view of the above, the Authority considered this package only to the extent of the components that are necessary during the Fourth Control Period. The city-side recirculation components, including Ramp-1 and Ramp-3, were deferred to a subsequent control period, when their requirement may be examined in conjunction with Terminal 3 development, Eastern Connectivity Tunnel integration and future landside circulation planning.

5.2.351 The Authority, through MECON, examined the cost claimed by BIAL for the relevant package of around Rs. 95 Crores, which includes the proposed city-side recirculation ramp (left-side Ramp 1 and Ramp 3) comprising construction of Reinforced Earth Walls, Ramp 1 and Ramp 3, along with related MEPF and ICT works, amounting to around Rs. 21.4 Crores.

5.2.352 The proposed city-side recirculation ramp (left-side Ramp 1 and Ramp 3) comprising construction of Reinforced Earth Walls, Ramp 1 and Ramp 3, along with related MEPF and ICT works, was deferred to the subsequent control period. Accordingly, for the remaining scope of the package amounting to around Rs. 73.6 Crores, the cost was examined.

5.2.353 The item rates were reviewed with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted by BIAL and other available data. The indirect cost factor claimed by BIAL was also rationalised to avoid duplication of factors as some of the factors like CP&OH are already part of DSR rates.

5.2.354 Accordingly, the rationalization regarding the cost of MAR Recirculation Link was carried out as per the following:

- The package was considered only to the extent of components required during the Fourth Control Period.
- City-side recirculation ramps linked to future Terminal 3 / ECT-related traffic redistribution were deferred to a subsequent control period.
- The remaining scope was assessed after review of rates, market data and rationalisation of indirect cost factors.

5.2.355 Based on the above methodology, the total package cost works out to around Rs. 71 Crores, as against the cost of Rs. 95 Crores claimed by BIAL in the MYTP as per the table below:

Table 172: Cost Assessment for MAR Recirculation Link

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	95
Hard cost proposed to be considered by the Authority	71
Rationalization in cost	24

5.2.356 Accordingly, the Authority considered hard cost of Rs. 71 Crores towards the tenable scope of MAR Recirculation Link, subject to actual capitalisation, asset allocation and true-up.

C.11. MAR-SWR Interchange Upgrade

5.2.357 The Authority examined the proposal of BIAL for the MAR-SWR Interchange Upgrade. BIAL submitted that the existing road configuration near the Begur Junction / Trumpet Interchange involves right-side entry and exit ramps, resulting in weaving conflicts, abrupt lane-changing movements, safety concerns and operational inefficiencies. BIAL further submitted that such configuration is not aligned

with normal driver behaviour and that right-side entry / exit arrangements are generally discouraged under applicable road design principles.

Figure 28: Area where the MAR-SWR Interchange Upgrade is Proposed to be Built

5.2.358 The Authority noted that the concerns raised by BIAL may have merit from the perspective of traffic safety and road geometry. However, for the purpose of tariff determination and inclusion in the Regulatory Asset Base, the Authority is required to examine whether the proposed expenditure results in creation of a new airport asset, capacity augmentation, passenger facilitation, or an incremental aeronautical benefit that justifies recovery from airport users through aeronautical tariff.

5.2.359 The Authority observed that the MAR-SWR Interchange and associated airport access infrastructure were already developed, capitalised and considered as part of the airport access infrastructure in the earlier control period. The present proposal is not for development of a new access corridor, new terminal access facility or additional capacity infrastructure, but is primarily in the nature of modification / rectification of an existing road asset. The proposed works seek to correct or improve the geometric configuration of an already capitalised interchange, particularly the right-side entry and exit ramp arrangement.

5.2.360 In this context, the Authority is of the view that expenditure incurred for correcting design deficiencies, improving the layout, or undertaking corrective engineering of an existing capitalised asset cannot ordinarily be treated as a fresh capital addition for inclusion in the RAB. Allowing such expenditure as new capex would result in airport users bearing the cost of rectification of an already existing asset, even though the asset has previously been capitalised and returns on the same have already been considered for tariff determination.

5.2.361 The Authority further noted that BIAL had not demonstrated that the proposed MAR-SWR Interchange Upgrade is required for handling additional passenger traffic during the Fourth Control Period or that the existing interchange, without the proposed modifications, would materially constrain airport capacity or passenger processing. The proposal appears to address traffic safety and design optimisation issues of the existing interchange, rather than any incremental capacity requirement arising from the

Fourth Control Period traffic projections. In the present case, while the proposed works may improve road safety and traffic movement, the Authority does not find sufficient basis to treat the same as a new aeronautical capital addition to be included in the RAB for the Fourth Control Period.

5.2.362 Accordingly, the Authority did not consider the capital expenditure towards MAR-SWR Interchange Upgrade for inclusion in the RAB during the Fourth Control Period. The Authority is of the view that such expenditure, if undertaken by BIAL, may be treated appropriately in accordance with accounting and operational requirements, but the same shall not be loaded on airport users through aeronautical tariff as a fresh capital addition.

C.12. North Boundary Road / Landside North East Road

5.2.363 The Authority noted that BIAL proposed development of the North Boundary Road / Landside North East Road to provide access to the planned cargo, logistics and allied developments envisaged along the northern boundary of the airport under the updated Master Plan.

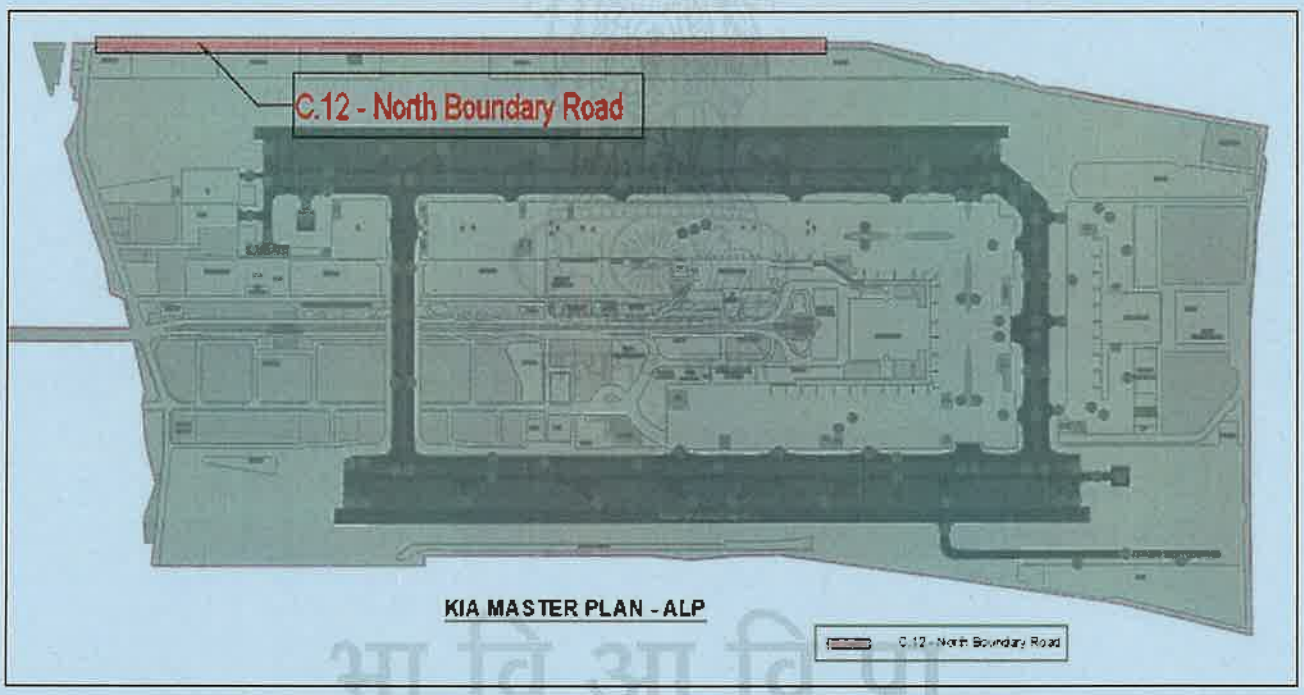


Figure 29: Location of the proposed North Boundary Road

5.2.364 The Authority observed that, while the Master Plan envisages cargo-focused and allied development zones along the northern boundary, the immediate requirement for the proposed road had not been adequately established. The Authority noted that no definitive development commitments, executed MoUs or firm implementation plans with prospective cargo, logistics, warehousing or allied infrastructure entities had been submitted by BIAL to demonstrate that such developments would materialise during the Fourth Control Period.

5.2.365 The Authority is of the view that creation of road infrastructure for a future development zone can be considered for inclusion in RAB only where the timing, phasing and operational demand for such infrastructure are reasonably certain. In the present case, the proposed road is primarily intended to serve future cargo and allied developments, the implementation of which remains uncertain at this stage. In the absence of committed users, confirmed development phasing and demonstrable traffic demand during the Fourth Control Period, the proposed expenditure may result in creation of an underutilised

asset, the cost of which would be borne by airport users through tariff without corresponding immediate benefit.

5.2.366 The Authority further noted that the proposed North Boundary Road does not have a direct and immediate nexus with passenger facilitation, terminal capacity augmentation or existing airport operations during the Fourth Control Period. The requirement appears to be contingent upon future commercial / cargo developments along the northern boundary. Therefore, the Authority is of the view that it would be prudent to defer this expenditure until the associated developments are firmed up and the operational requirement for the road is clearly established.

5.2.367 Accordingly, the Authority did not consider the capital expenditure towards the North Boundary Road / Landside North East Road for inclusion in the RAB during the Fourth Control Period. The project may be reconsidered in a subsequent control period, subject to BIAL demonstrating confirmed development commitments, implementation phasing, traffic demand, operational necessity and cost reasonableness.

Summary of Landside Access and Parking Works

Table 173: Summary of Landside Works proposed to be considered by the Authority at the Consultation Stage

(Rs. in Crore)

Project Code	Project	Hard Cost submitted by BIAL (previous)	Hard Cost proposed to be considered
C.1	Eastern Connectivity Tunnel	1,655	-
C.2.1	Airport Terminal Metro Station	278	252
C.2.2	KIA West Metro Station	143	-
C.4	T1 to T2 and Metro Connector Walkway	76	58
C.5	North-West Road Expansion	32	-
C.6	Cargo Avenue / NCR Expansion	12	9
C.7	T1 and T2 Departure and Arrival Recirculation	75	38
C.10	MAR Recirculation Link	95	71
C.11	MAR-SWR Interchange Upgrade	36	-
C.12	North Boundary Road	111	-
	Total Landside Works	**2,511**	**428**

5.2.368 Accordingly, the Authority considered hard cost of Rs. 428 Crores towards Landside Access and Parking Works for the Fourth Control Period.

(D) Capital Expenditure projects related to Other Works

D.1. Utilities

5.2.369 The Authority noted that BIAL proposed utility augmentation to support PAL-2 development, including potable water supply, non-potable water supply, wastewater management, stormwater management, firefighting systems, electrical systems and ICT / LV infrastructure.

5.2.370 The Authority reviewed the potable water, non-potable water, wastewater and stormwater requirements proposed by BIAL for supporting the PAL-2 development at KIAB. The Authority noted that certain capacities proposed by BIAL appeared to be on the higher side and were therefore rationalised based on the technical assessment. In particular, the potable water requirement was rationalised from 7.2 MLD to 2.52 MLD, the Water Treatment Plant ("WTP") capacity from 4 MLD to 2 MLD, and the rainwater harvesting pond capacity from 700 million litres to 600 million litres.

5.2.371 The Authority is of the view that the proposed new WTP, STP, associated storage, distribution systems and utility infrastructure are justified to support the proposed airport expansion, subject to the rationalised capacities. The Authority also reviewed the electrical and ICT works proposed under the Utility Package and noted that the same broadly appear aligned with the project requirements. However, considering that detailed engineering inputs for certain packages are limited at this stage, the cost and scope shall be subject to verification of actual capitalisation, reasonableness and asset allocation at the time of true-up.

5.2.372 The Authority, through MECON, examined the cost claimed by BIAL for the relevant package. BIAL had initially claimed a cost of around Rs. 570 Crores in the MYTP submission, which was subsequently revised to around Rs. 511 Crores.

5.2.373 The revised claimed cost of around Rs. 511 Crores was examined and rationalised. Rationalisation in potable water requirement capacity from 4 MLD to 2 MLD was carried out based on technical assessment, leading to a corresponding reduction in cost. The Authority further noted that multiple road crossings had been kept as provisional items in the scope and no substantial data or quantification of work had been provided by BIAL. Accordingly, the cost of such items was rationalised.

5.2.374 The item rates were reviewed with reference to CPWD DSRs and CPWD Plinth Area Rates. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted by BIAL and other available data. The indirect cost factor claimed by BIAL was also rationalised to avoid duplication of factors as some of the factors like CP&OH are already part of DSR rates.

5.2.375 Accordingly, the rationalisation regarding the cost of Utilities was carried out as follows:

- The proposed potable water requirement, WTP capacity and rainwater harvesting pond capacity were rationalised based on technical assessment.
- Provisional items such as multiple road crossings, without adequate supporting details or quantification, were rationalised.
- The remaining cost was assessed based on applicable schedule rates, market data and rationalisation of indirect cost factors.

5.2.376 Based on the above methodology, the total package cost works out to around Rs. 457 Crores, as against the original cost of Rs. 570 Crores claimed by BIAL in the MYTP as per the Table below:

Table 174: Cost Assessment for Utilities

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	570
Hard cost proposed to be considered by the Authority	457
Rationalization in cost	113

5.2.377 Accordingly, the Authority considered hard cost of Rs. 457 Crores towards Utilities, subject to actual capitalisation, asset allocation and true-up.

D.2. MMTH Enhancement

5.2.378 The Authority noted that BIAL proposed enhancement works for the Multi-Modal Transport Hub ("MMTH") located near Terminal 2. The proposed works include traffic-grade floor coating, RCC structures, glazing, canopy extension, elevators, MEPF works, landscaping and associated civil works.

5.2.379 The Authority noted that the MMTH enhancement works are intended to address functional and operational requirements relating to passenger movement, vehicular circulation and supporting infrastructure within the airport landside area. The proposed works are also aligned with the projected traffic growth and the expected modal shift arising from metro connectivity to the airport. Accordingly, the Authority considers the package to be broadly justified for implementation during the Fourth Control Period.

5.2.380 The Authority noted that BIAL has proposed the following scope of work towards MMTH Enhancement -

- Application of specialized traffic-grade floor coating in vehicular circulation zones
- RCC-framed structures, external glazing systems, and warm shell provisions at Level 1
- Extension of the existing canopy at Level 1
- Provision of additional elevators along with associated structural, civil, and MEP works
- Landscape and water feature works
- MEPF works in the Level 1 area
- B3 level civil works and associated services

5.2.381 The Authority, through MECON, examined the cost claimed by BIAL for the relevant package of around Rs. 37 Crores.

5.2.382 The claimed cost was examined and rationalised. The Authority noted that certain items had been kept on a provisional basis by BIAL, such as barricading works for view cutter, removing of existing MS structure, light fixtures and MEP works. Further, methodology works and removal of existing MS barricade and shifting to BIAL yard had been proposed on a lump sum basis. In respect of these items, no substantial justification or quantification of work had been provided by BIAL and, accordingly, the cost of such items was rationalised.

5.2.383 The item rates were reviewed with reference to CPWD DSRs and CPWD Plinth Area Rates. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted by BIAL and other available data. The Authority further noted that BIAL had considered a constraint factor of 5%; however, a constraint factor of 3% was considered as the same is found reasonable, primarily on account of some restricted working.

5.2.384 Accordingly, the rationalisation regarding the cost of MMTH Enhancement was carried out as follows:

- The project was considered as it supports passenger movement, vehicular circulation and modal integration with metro connectivity.
- Provisional / lump sum items such as barricading works, removal of MS structures, light fixtures, MEP works and related methodology works were rationalised due to inadequate justification.
- The constraint factor was rationalised considering the nature and extent of restricted working conditions.

5.2.385 Based on the above methodology, the total package cost works out to around Rs. 22 Crores, as against the cost of Rs. 37 Crores claimed by BIAL in the MYTP.as per the table below:

Table 175: Cost Assessment for MMTH Enhancement

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	37
Hard cost proposed to be considered by the Authority	22
Rationalization in cost	15

5.2.386 Accordingly, the Authority considered hard cost of Rs. 22 Crores towards MMTH Enhancement, subject to actual capitalisation, asset allocation and true-up.

D.3. Green Belt Development

5.2.387 The Authority, through MECON, examined the cost claimed by BIAL for the relevant package of around Rs. 18 Crores.

5.2.388 The Authority noted that only those components which directly contribute to green area development in line with the Environmental Clearance (EC) provisions were considered. In this regard, the Authority noted that components such as amphitheatre development, café and visitor centre facilities, dedicated parking and extensive hardscape features, which do not directly contribute to green area development and appear to be non-aeronautical in nature, account for around Rs. 10.7 Crores out of the total cost claimed by BIAL. Accordingly, the cost attributed to such components was not considered.

5.2.389 Accordingly, the Authority, through evaluation by its Independent Capex Consultant M/s MECON, formed the view that capex admissibility under the 4th Control Period should be restricted to core green belt and plantation-related works necessary for meeting Environmental Clearance conditions.

5.2.390 The balance scope of work amounting to around Rs. 7.3 Crores was examined by the Authority. The item rates were reviewed with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted by BIAL and other available data.

5.2.391 Accordingly, the rationalisation regarding the cost of Green Belt Development was carried out as per the following:

- Only components directly contributing to green area development and compliance with Environmental Clearance conditions were considered.
- Components such as amphitheatre, café, visitor centre, dedicated parking and extensive hardscape features were not considered, as they do not directly serve the core environmental mitigation objective.
- The tenable scope was assessed based on applicable schedule rates, market quotations and available supporting documents.

5.2.392 Based on the above methodology, the assessed value of the tenable scope works out to around Rs. 7 Crores, as against the total cost of Rs. 18 Crores claimed by BIAL in the MYTP, as set out in the table below.

Table 176: Cost Assessment for Green Belt Development

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	18
Hard cost proposed to be considered by the Authority	7

Particulars	Amount
Rationalization in cost	11

5.2.393 Accordingly, the Authority considered hard cost of Rs. 7 Crores towards Green Belt Development, limited to core green belt and environmental compliance works, subject to actual capitalisation, asset allocation and true-up.

D.4. Rainwater Harvesting Pond-1

5.2.394 The Authority noted that BIAL had proposed Rainwater Harvesting Pond-1 for harvesting stormwater runoff generated from airfield works area, North Boundary Road and North Airside Perimeter Wall and Road.

5.2.395 The Authority noted that the drainage study was reviewed and, based on the assessment, the rainwater harvesting pond capacity may be considered at 600 million litres instead of 700 million litres proposed by BIAL.

5.2.396 The Authority, through MECON, examined the cost claimed by BIAL for the relevant package of around Rs. 104 Crores.

5.2.397 The claimed cost was examined and rationalised. The Authority noted that there had been a reduction in pond capacity from 700 ML to 600 ML, leading to a corresponding reduction in cost.

5.2.398 The item rates were reviewed with reference to CPWD DSRs, KPWD / KPTCL Schedule of Rates, CPWD Plinth Area Rates and other applicable benchmarks. For items pertaining to market rates, considering the nature of the subject assignment, cost was assessed based on the quotations submitted by BIAL and other available data.

5.2.399 Accordingly, the rationalisation regarding the cost of Rainwater Harvesting Pond-1 was carried out as per the following:

- The proposed pond capacity was rationalised from 700 million litres to 600 million litres based on review of the drainage study.
- The cost was correspondingly rationalised to reflect the revised capacity.
- Item rates were reviewed with reference to applicable schedule rates, market quotations and other available supporting data.

5.2.400 Based on the above methodology, the assessed value works out to around Rs. 87 Crores, as against the total cost of Rs. 104 Crores claimed by BIAL in the MYTP for this package as per the table below:

Table 177: Cost Assessment for Rainwater Harvesting Pond-1

(Rs. in Crore)

Particulars	Amount
Hard cost submitted by BIAL	104
Hard cost proposed to be considered by the Authority	87
Rationalization in cost	17

5.2.401 Accordingly, the Authority considered hard cost of Rs. 87 Crores towards Rainwater Harvesting Pond-1, subject to actual capitalisation, asset allocation and true-up.

Summary of Other Works

Table 178: Summary of Other Works proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Project Code	Project	Hard Cost submitted by BIAL (previous)	Hard Cost proposed to be considered
D.1	Utilities	570	457
D.2	MMTH Enhancement	37	22
D.3	Green Belt Development	18	7
D.4	Rainwater Harvesting Pond-1	104	87
	Total Other Works	**729**	**573**

5.2.402 Accordingly, the Authority considered hard cost of Rs. 573 Crores towards Other Works for the Fourth Control Period.

Summary of Hard Cost proposed by the Authority at the Consultation Stage

5.2.403 Based on the project-wise examination above, the Authority considered hard cost of Rs. 8,046 Crores as against Rs. 12,190 Crores submitted by BIAL.

Table 179: Summary of Hard Cost proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Category	Hard Cost submitted by BIAL	Hard Cost proposed to be considered
Airfield Works	3,021	2,289
Passenger Terminal Works	5,928	4,756
Landside Access and Parking	2,511	428
Other Works	729	573
Total	**12,190**	**8,046**

5.2.404 The Authority noted that the reduction in hard cost is primarily on account of rationalisation of terminal area, deferment of certain projects, partial consideration of certain packages, review of BOQs, exclusion of non-essential / discretionary components, area-based rationalisation and adjustment of costs based on awarded values and comparable packages.

Indexation, Taxes, Soft Cost and IDC

Indexation

5.2.405 BIAL proposed indexation of Rs. 970 Crores based on year-wise phasing of the packages and WPI forecasts. BIAL has considered WPI of 2% for FY 2025-26 and 2.8% for each of FY 2026-27 to FY 2029-30.

5.2.406 The Authority, through MECON, examined the claim of BIAL towards indexation. The Authority noted that, for projects where purchase orders had already been placed, the cost is already finalised and is deemed to be inclusive of indexation / expected price escalation up to the date of award. Accordingly, the Authority did not consider separate indexation on the already awarded portion of such projects for the purpose of the present capex analysis.

5.2.407 For the unawarded and uncommitted packages, the year-wise phasing of project expenditure for each package was reviewed and accepted accordingly. Since these packages are yet to be executed, their costs need to be projected forward to the years in which the expenditure is likely to be incurred. For this purpose, an indexation factor representing expected inflation was applied to escalate the base costs to

the respective forecast years. In this regard, BIAL proposed inflation-based indexation rates of 2% for FY 2025-26 and 2.8% for each year from FY 2026-27 to FY 2029-30. The Authority examined these rates and finds them to be reasonable, being broadly aligned with prevailing inflation trends and forecasts. Accordingly, the indexation rates proposed by BIAL were accepted for the purpose of projecting the costs of unawarded and uncommitted packages.

5.2.408 Accordingly, the Authority considered indexation only on the unawarded / uncommitted packages. Based on the above methodology, the indexation considered by the Authority works out to around Rs. 509.20 Crores, as against Rs. 970 Crores claimed by BIAL. The Authority noted that this reduction is predominantly on account of non-consideration of indexation on the awarded portion in the present review.

Taxes

5.2.409 BIAL considered GST at 18%, cess at 1% and Input Tax Credit ("ITC") at 4% in its capex submission.

5.2.410 The Authority, through MECON, examined the above claim and noted that GST at 18% and cess at 1% are in order in line with the prevailing applicable rates / current guidelines. The Authority further noted that the ITC percentage had been considered by BIAL on an ad hoc basis. However, in the absence of precise package-wise data to ascertain the exact anticipated ITC that may be available across various packages of this voluminous nature, the Authority considered ITC at 4%, as claimed by BIAL.

5.2.411 Accordingly, considering GST at 18% and ITC at 4%, the Authority considered GST (net of ITC) at 14%. Further, cess at 1% was also considered. Based on the revised cost base, the Authority assessed GST (net of ITC) at Rs. 1,197.70 Crores, as against Rs. 1,842 Crores claimed by BIAL. Similarly, the value of cess works out to Rs. 85.50 Crores, as against Rs. 132 Crores claimed by BIAL.

Soft Cost

5.2.412 BIAL proposed soft costs of Rs. 1,816 Crores, equivalent to 12% of the project cost, comprising design consultancy and PMC at 5%, pre-operative expenses including ORAT at 4% and contingencies at 3%.

5.2.413 The Authority, through MECON, examined the above claim. The Authority noted that the percentages claimed regarding design, consultancy, PMC expenses and contingencies do not appear to be out of order in general. However, the pre-operative charges claimed by BIAL were perceived to be on the higher side and no authentic supporting documents had been provided to substantiate the same.

5.2.414 The Authority further noted that, in various earlier reports / determinations, total soft cost had been considered at around 8% for CSMIA, Mumbai during the Fourth Control Period, around 8% for Guwahati Airport during the Third Control Period, and around 9% for IGI Airport, Delhi by the independent capex consultant during the Second Control Period. The Authority observed that there cannot be any empirical formula for arriving at the percentage of soft cost and the same has to be assessed taking a holistic view of the nature and scale of works, general industry practice, the Authority's past orders and the prevailing external environment.

5.2.415 Considering the above factors on a broad basis, including the voluminous nature of the capital program and the continuing uncertainties in the external environment, the Authority considered soft cost of 10% for the unawarded scope, comprising design and PMC at 5%, pre-operative expenses at 2% and contingencies at 3%.

5.2.416 For the awarded packages, while design and PMC at 5% and pre-operative expenses at 2% were also considered appropriate, the Authority noted that the extent of applicability of contingencies may not be

fully ascertainable at this stage. At the same time, considering the voluminous nature of the works, possible scope changes / extra works and the prevailing external uncertainties, the Authority considered contingencies at 1.5% for the awarded packages. Accordingly, the total soft cost considered for the awarded scope is 8.5%.

5.2.417 Based on the above approach, i.e., soft cost of 10% on the unawarded scope and 8.5% on the awarded scope, the total soft cost considered by the Authority works out around Rs. 946.90 Crores, as against Rs. 1,816 Crores claimed by BIAL.

Interest During Construction

5.2.418 BIAL proposed IDC of Rs. 1,684.86 Crores for the PAL-2 capital expenditure programme.

5.2.419 The Authority noted that IDC had been computed for the unawarded / uncommitted packages based on the project phasing, debt-equity ratio of 70:30 and interest rate of 9%. Further, separate IDC had not been computed for the awarded portions due to the absence of precise construction progress and actual IDC data at this stage. The Authority is of the view that IDC for such awarded portions, if any, may be examined at the time of true-up based on actual debt utilisation, cost of debt, construction progress and capitalization.

5.2.420 Based on the above approach, the Authority considered IDC at Rs. 908.50 Crores as against Rs. 1,685 Crores submitted by BIAL.

Project-wise Capex including Hard Cost, Indexation, Taxes, Soft Cost and IDC

5.2.421 The project-wise total capex including hard cost, indexation, taxes, soft cost and IDC, as submitted by BIAL and considered by the Authority, is provided below:

Table 180: Package-wise Capex proposed by the Authority (excluding Sustaining Capex) at the Consultation Stage

(Rs. in Crore)

Cost Code	Project *	Total Capex submitted by BIAL (Rs. Cr)	Total Capex proposed to be considered (Rs. Cr)
A.1	West Cross Field Taxiway	1,567.33	1,224.90
A.2	Airfield works (Taxiway extension, Isolation bay etc)	571.85	501.70
A.3	T-2 Apron (9 +4 Stands)	307.72	260.80
A4	T-2 Phase 2 Apron (40 Stands)	906.87	754.90
A.5	Taxiway Z & Enabling works	125.44	106.70
A.7	Cargo West Apron (12 Stands)	201.76	133.90
A.8	North Airside Perimeter Wall & Perimeter Road	106.83	13.80
A.9	Taxiway B9 & Enabling Works	53.25	43.80
	Total Airfield Works	**3,841.05**	**3,040.50**
B.1	T1 Upgrade	1,129.95	892.60
B.2	T2 Enhancement	87.56	68.50
B.3	T2 Phase 2	7,480.47	5,713.00
B.4	T1/T2 Connectivity - Pier Expansion	399.21	204.00
B.6	Airport Staff Parking & Cafeteria	174.49	135.80
B.7	Contingency Facility	44.20	37.10
B.8	New Air Traffic Control Tower (ATCT)	170.24	130.80
	Total Passenger Terminal Works	**9,486.23**	**7,181.80**

Cost Code	Project *	Total Capex submitted by BIAL (Rs. Cr)	Total Capex proposed to be considered (Rs. Cr)
C.2.1	Airport Terminal Metro Station (ATMS)	462.55	354.80
C.4	T1 to T2 & Metro Connector (walkway)	109.74	80.00
C.6	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	16.99	12.90
C.7	T1 & T2 Departure and arrival recirculation	108.56	54.10
C.10	MAR Recirculation Link	138.21	100.30
	Total Landside Access and Parking	**880.06**	**602.10**
D.1	Utilities	923.33	696.90
D.2	MMTH Enhancement	53.56	29.70
D.3	Green Belt Development	31.19	10.90
D.4	Rainwater Harvesting Pond-1	164.22	131.90
		1,172.29	**869.40**
	Grand Total	**15,379.52**	**11,693.80**

*This excludes the 7 projects decided to not be considered by the Authority namely T2 Phase 2 West Apron, Eastern Connectivity Tunnel, KIA West Metro Station, MAR SWR Interchange Upgrade., Landside Northeast Road, Northwest Road Expansion, and GA Terminal. This table also excludes Sustaining Capex.

Total Capex proposed by the Authority at the Consultation Stage

5.2.422 Based on the assessment of hard cost, indexation, taxes, soft cost and IDC, the Authority considered total capital expenditure of Rs. 11,693.80 Crores as against Rs. 18,635 Crores submitted by BIAL for the PAL-2 program.

Table 181: Comparison of cost submitted by BIAL vis a vis Cost proposed by the Authority at the Consultation Stage

		As submitted by BIAL				Proposed to be considered by the Authority			
Cost Code	Program / Projects	Cost including Indexation and Taxes	Soft Cost	IDC	Total Cost	Cost including Indexation and Taxes	Soft Cost	IDC	Total Cost
				Airfield Works					
A.1	West Cross Field Taxiway	1,391.00	167.00	132.00	**1,690.00**	1,124.60	96.30	4.00	**1,224.90**
A.2	Airfield works (Taxiway extension, Isolation bay etc)	547.00	66.00	66.00	**678.00**	453.70	39.60	8.40	**501.70**
A.3	T-2 Apron (9 +4 Stands)	281.00	34.00	37.00	**352.00**	235.20	20.60	5.00	**260.80**
A.4	T-2 Phase 2 Apron (40 Stands)	706.00	85.00	60.00	**851.00**	631.40	63.10	60.40	**754.90**
A.5	Taxiway Z & Enabling works	130.00	16.00	2.00	**149.00**	96.90	8.50	1.30	**106.70**

		As submitted by BIAL				Proposed to be considered by the Authority			
Cost Code	**Program / Projects**	**Cost including Indexation and Taxes**	**Soft Cost**	**IDC**	**Total Cost**	**Cost including Indexation and Taxes**	**Soft Cost**	**IDC**	**Total Cost**
A.6	T2 Phase 2 West Apron (18 Stands)	379.00	46.00	23.00	**448.00**	-	0.00	0.00	**0.00**
A.7	Cargo West Apron (12 Stands)	162.00	20.00	9.00	**192.00**	113.90	11.40	8.70	**133.90**
A.8	North Airside Perimeter Wall & Perimeter Road	86.00	10.00	5.00	**102.00**	12.00	1.20	0.60	**13.80**
A.9	Taxiway B9 & Enabling Works	44.00	5.00	2.00	**51.00**	38.60	3.90	1.30	**43.80**
	Total Airfield	**3,727.00**	**447.00**	**337.00**	**4,512.00**	**2,706.20**	**244.60**	**89.80**	**3,040.60**
B	**Passenger Terminal**								
B.1	T1 Upgrade	969.00	116.00	20.00	**1106.00**	806.00	70.50	16.20	**892.60**
B.2	T2 Enhancement	71.00	9.00	4.00	**84.00**	62.30	5.50	0.70	**68.50**
B.3	T2 Phase 2	5,631.00	676.00	870.00	**7176.00**	4586.80	458.70	667.50	**5,713.00**
B.4	T1/T2 Connectivity - Pier Expansion	330.00	40.00	25.00	**395.00**	174.50	17.40	12.10	**204.00**
B.5	GA Terminal	43.00	5.00	3.00	**51.00**	-	0.00	0.00	**0.00**
B.6	Airport Staff Parking & Cafeteria	146.00	18.00	12.00	**176.00**	116.20	11.60	8.00	**135.80**
B.7	Contingency Facility	38.00	5.00	2.00	**45.00**	32.20	3.20	1.70	**37.10**
B.8	New Air Traffic Control Tower (ATCT)	146.00	17.00	12.00	**175.00**	111.90	11.20	7.80	**130.80**
	Total Terminal	**7,375.00**	**885.00**	**948.00**	**9,208.00**	**5889.80**	**578.10**	**713.90**	**7,181.80**
C	**Landside Access and Parking**								
C.1	Eastern Connectivity Tunnel (ECT)	2,069.00	248.00	255.00	**2,573.00**	0.00	0.00	0.00	**0.00**
C.2.1	Airport Terminal Metro Station (ATMS)	332.00	40.00	23.00	**395.00**	301.60	30.20	23.00	**354.80**
C.2.2	KIA West Metro	172.00	21.00	13.00	**204.00**	-	0.00	0.00	**0.00**

		As submitted by BIAL				Proposed to be considered by the Authority			
Cost Code	**Program / Projects**	**Cost including Indexation and Taxes**	**Soft Cost**	**IDC**	**Total Cost**	**Cost including Indexation and Taxes**	**Soft Cost**	**IDC**	**Total Cost**
	Station (KWMS)								
C.4	T1 to T2 & Metro Connector (walkway)	91.00	11.00	4.00	**106.00**	69.50	6.90	3.60	**80.00**
C.5	North West Road Expansion (2+2 Lane)	38.00	5.00	2.00	**44.00**	0.00	0.00	0.00	**0.00**
C.6	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	14.00	2.00	1.00	**17.00**	11.00	1.10	0.80	**12.90**
C.7	T1 & T2 Departure and arrival recirculation	92.00	11.00	3.00	**106.00**	46.60	4.70	2.90	**54.10**
C.10	MAR Recirculation Link	115.00	14.00	5.00	**134.00**	86.40	8.60	5.30	**100.30**
C.11	MAR-SWR Interchange Upgrade	46.00	6.00	4.00	**56.00**	-	0.00	0.00	**0.00**
C.12	North Boundary Road (Landside North East Road)	138.00	17.00	15.00	**170.00**	-	0.00	0.00	**0.00**
	Total Landside	**3,107.00**	**373.00**	**324.00**	**3,804.00**	**515.10**	**51.50**	**35.60**	**602.10**
D					**Others**				
D.1	Utilities	724.00	87.00	58.00	**869.00**	581.00	58.10	57.90	**696.90**
D.2	MMTH Enhancement	43.00	5.00	2.00	**50.00**	25.80	2.60	1.40	**29.70**
D.3	Green Belt Development	22.00	3.00	4.00	**29.00**	8.60	0.90	1.40	**10.90**
D.4	Rainwater Harvesting Pond-1	134.00	16.00	13.00	**163.00**	112.10	11.20	8.50	**131.90**
	Total others	**924.00**	**111.00**	**76.00**	**1111.00**	**727.50**	**72.70**	**69.20**	**869.40**
	Grand total	**15134.00**	**1816.00**	**1685.00**	**18635.00**	**9838.60**	**946.90**	**908.50**	**11693.80**

Table 182: Overall Capex proposed by the Authority (based on assessment conducted upon MYTP submission by BIAL) at the Consultation Stage

(Rs. in Crore)

Particulars	Submitted by BIAL (MYTP)	Proposed by Authority
Hard Cost	12,181.0	8,046.0

Particulars	Submitted by BIAL (MYTP)	Proposed by Authority
Indexation	970.0	509.20
GST @ 14%, net of ITC	1,842.0	1,197.7
Cess @ 1%	132.0	85.5
Cost including Indexation and Taxes	**15,134.0**	**9,838.4**
Soft Cost	1,816.0	946.9
Total including Soft Cost	**16,950.0**	**10,785.3**
IDC	1,685.0	908.5
Total including IDC	**18,635.0**	**11,693.8**

5.2.423 The Authority further noted that the above capex represents total project cost considered. The aeronautical portion of the capital expenditure for inclusion in RAB shall be determined separately based on asset classification and allocation principles.

(E) Others/ Non-PAL-2 Capital Expenditure including Sustaining Capex

5.2.424 The Authority noted that BIAL, vide its additional submission dated 17.04.2026, submitted updated details of Non-PAL-2 capital expenditure proposed for the Fourth Control Period. The Authority examined the item-wise details submitted by BIAL in respect of sustaining capital expenditure, safety and security related capital expenditure, technology upgradation, capacity / operational enhancement and customer experience related works.

5.2.425 The Authority noted that Non-PAL-2 capex is distinct from the PAL-2 expansion programme. While the PAL-2 programme is primarily linked to major capacity augmentation and master plan development, the Non-PAL-2 capex largely relates to sustaining and general capital expenditure required for continued safe, secure, efficient and reliable airport operations. Such expenditure includes replacement of assets reaching end of life, safety and security systems, statutory / regulatory compliance works, operational efficiency improvements, ICT and digital infrastructure, and passenger service related improvements.

5.2.426 The Authority noted that BIAL had originally submitted Non-PAL-2 capex of Rs. 1,184 Crores in its MYTP. BIAL had also separately indicated that certain security infrastructure related capex may be required based on BCAS guidelines / directions. In its updated submission, BIAL included such security infrastructure requirements and revised the Non-PAL-2 capex estimates based on updated project identification and revised estimates. The updated Non-PAL-2 capex proposed by BIAL is Rs. 1,859.20 Crores for the Fourth Control Period.

5.2.427 The Authority examined the updated Non-PAL-2 capex under the following heads:

- End of life replacement;
- Capacity / operational enhancement;
- Safety, Security and Compliance;
- Technology update; and
- Customer Experience.

End of Life Replacement

5.2.428 The Authority noted that BIAL proposed Rs. 494.28 Crores towards end of life replacement during the Fourth Control Period. The proposed works include replacement / refurbishment of critical airside,

terminal, landside and utility assets which are either nearing the end of their useful life, have reached end of support from OEMs, or require replacement to maintain serviceability and operational reliability.

5.2.429 The Authority reviewed the major items proposed under this head, including replacement of Crash Fire Tenders, replacement of T2 FOH lights, provision of new fixtures for AGL system for South Runway taxiways, refurbishment of guidance signages, replacement of potable and non-potable water supply systems, replacement of BDDS equipment, replacement of T1 screw chillers and associated systems, replacement of T1 Passenger Boarding Bridges, relaying of runway / taxiway pavement, replacement of runway sweepers and replacement / upgrade of fire alarm systems.

Capacity / Operational Enhancement

5.2.430 The Authority noted that BIAL proposed Rs. 435.77 Crores towards capacity / operational enhancement. The proposed works include, inter alia, upgradation / replacement of AVDGS, reconstruction of airside airlines building, interior works for BIAL corporate office, landside fire station, training and process improvement facility, rooftop solar plant on Terminal 1, upgradation of existing STP, rescue stairs, perimeter road overlay / widening, AOCC expansion, road recarpeting, traffic lights at apron service roads, terminal clinics and other operational improvement works.

5.2.431 The Authority noted that these works are required to support the expanded scale of operations at KIAB, improve operational efficiency, strengthen support infrastructure and ensure preparedness for higher passenger, aircraft and cargo volumes during the Fourth Control Period. The proposed works also support safety, sustainability, training, emergency response, airside monitoring and landside operational requirements.

Safety, Security and Compliance

5.2.432 The Authority noted that BIAL proposed Rs. 424.01 Crores towards safety, security and compliance related works. This includes expenditure towards CTX machines for replacement of dual-view X-ray machines, body scanners, radiological detection equipment, QRT equipment, FOD detection system, automated runway incursion warning system, CISF requirements, dog squad enhancement, under vehicle scanners, perimeter wall height enhancement and other security / compliance related requirements.

5.2.433 The Authority noted that a significant portion of this capex is linked to BCAS guidelines / directions and security infrastructure requirements. The Authority further noted that security systems such as CTX machines, body scanners and radiological detection equipment are critical for aviation security and passenger screening. Such expenditure is not discretionary in nature and is required to ensure compliance with applicable security requirements.

Technology Update

5.2.434 The Authority noted that BIAL proposed Rs. 431.39 Crores towards technology update during the Fourth Control Period. The proposed works include servers and network refresh, licences and software refresh, end-user asset refresh, network refresh, data centre modernisation, AODB replacement, cybersecurity upgrade, Digital Twin, IoT-based asset tracking, Total Airport Management, AI enablement, Digital and ESG projects, virtual lab environment and innovation / pioneer projects.

5.2.435 The Authority noted that airports of the scale of KIAB are increasingly dependent on ICT systems for passenger processing, airport operations, asset management, safety, security, surveillance, coordination, cyber resilience and service quality. Replacement and upgradation of technology systems are necessary to ensure continuity, reliability and cyber security of airport operations.

Customer Experience

5.2.436 The Authority noted that BIAL proposed Rs. 73.75 Crores towards customer experience related capex. The proposed works include replacement of customer seating, flooring works, queue managers and other passenger facilitation / service quality improvement works.

5.2.437 The Authority noted that these works are relatively smaller in value compared to the overall Non-PAL-2 capex and are aimed at maintaining passenger convenience, service quality and terminal ambience.

Table 183: Other/Non-PAL-2 Capex submitted by BIAL

(Rs. in Crore)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
End of life replacement	65.54	114.44	84.80	136.72	92.78	494.28
Capacity / operational enhancement	93.78	110.70	89.07	101.47	40.75	435.77
Safety, Security and Compliance	31.71	31.53	33.64	161.73	165.40	424.01
Technology update	35.56	76.21	147.08	100.77	71.77	431.39
Customer Experience	25.05	17.63	16.81	6.78	7.48	73.75
Total Non-PAL-2 Capex	**251.65**	**350.49**	**371.40**	**507.47**	**378.18**	**1,859.20**

5.2.438 The Authority further noted that BIAL had incurred sustaining capital expenditure of Rs. 545.45 Crores as against the Authority approved sustaining capital expenditure of Rs. 929.16 Crores for the Third Control Period, i.e., 58.70% of the approved capital expenditure.

5.2.439 The Authority also noted that BIAL has historically projected sustaining capital expenditure on the higher side and was able to expense only a part of it.

5.2.440 Further, BIAL earmarked a portion of sustaining capital expenditure for body scanners which is linked to the commissioning of the new terminal building. The Authority observed that such capital expenditure will be incurred either at the end of the Control Period or at the beginning of the next Control Period. Therefore, the Authority did not consider it as part of the Fourth Control Period and may consider the same at the time of the true-up exercise subject to actual incurrence of the same.

5.2.441 Based on the discussions above, the Authority restricted the sustaining capital expenditure for the Fourth Control Period to 65% of the proposed capital expenditure. Accordingly, the Authority considered sustaining capital expenditure at Rs. 1,208.48 Crores for the Fourth Control Period as given in the table below:

Table 184: Capital Expenditure considered by the Authority at the Consultation Stage

(Rs. in Crore)

S. No.	Particulars	Proposed capex as per BIAL's MYTP submission for FoCP (1)	Revised proposed capex as per BIAL for FoCP (2)	Proposed capex as per Authority (3)	Difference (4=3-2)
C	Sustaining capital expenditure	1,180.33	1,859.20	1208.48	-650.72

Summary of Capital Expenditure Analysis

5.2.442 In view of the comprehensive analysis as detailed above, the Authority considered the respective costs for different categories of capital expenditure heads as summarized in the table below:

Table 185: Summary of Capex submitted by BIAL (as per submission dated May 21, 2026) and proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

S. No.	Particulars	Capex submitted by BIAL (A)	Capex proposed to be considered by the Authority (B)	Variation (C=B-A)
A	Airfield Works	4,300.46	3,040.50	(1,259.96)
B	Passenger Terminal Works	9,492.97	7,181.80	(2,311.17)
C	Landside Access and Parking	4,095.57	602.10	(3,493.47)
D	Others	1,172.29	869.40	(302.89)
E	Other works/ Non-PAL-2 Capex including sustaining capex	1,859.20	1,208.48	(650.72)
	Total	**20,920.49**	**12,902.28**	**(8,018.21)**

5.2.443 The reduction of Rs. 8,018.21 Crore is mainly attributable to three factors as listed below:

i. Non-consideration of 7 CAPEX projects proposed by BIAL for the Fourth Control Period.

ii. Reduction of Sustaining Capex proposed by BIAL.

iii. Rationalisations in total cost of the considered projects.

Table 186: CAPEX Items not considered by the Authority as proposed by BIAL for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

Project code.	Projects not considered	Capex submitted by BIAL
A.6	T2 Phase 2 West Apron (18 Stands)	459.41
B.5	GA Terminal	6.85
C.2.1	Eastern Connectivity Tunnel (ECT)	2772.04
C.2.2	KIA West Metro Station(KWMS)	213.82
C.1.1	MAR-SWR Interchange Upgrade	56.265
C.1.2	North Boundary Road (Landside North East Road)	171.46
C.5	North West Road Expansion (2+2 Lane)	45.93
		3,725.77

5.2.444 The Authority proposed to reduce 1% of the uncapitalized project cost from the ARR / target revenue as re-adjustment in case any particular capital project is not completed / capitalized as per the approved capitalization schedule. It is further proposed that if the delay in completion of the project is beyond the timeline given in the capitalization schedule, 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 the next Control Period. The re-adjustment in the ARR / Target Revenue is intended to protect the interest of the stakeholders who are paying for services provided by BIAL and also to encourage BIAL to commission / capitalize the proposed assets as per the approved CAPEX plan / schedule.

5.3. Aeronautical Allocation of Capex for the Fourth Control Period

BIAL's submissions on Asset Allocation methodology for the Fourth Control Period

5.3.1. In its MYTP submission, BIAL has considered the asset allocation ratio for the assets proposed for the Fourth Control Period as per the table below:

Table 187: Asset category wise allocation ratio basis applied by BIAL for the 4th Control Period

S. No.	Asset / Project Category	Aeronautical Ratio / Basis of Allocation
1.	Airside Projects	Considered fully Aeronautical (100%)
2.	Terminal 2 – Phase 2 assets and other Terminal-related asset additions	Allocated as per Terminal 2 – Phase 1 Aeronautical floor ratio (87.66%)
3.	Other Common Projects	Allocated based on the overall Terminal Building Ratio of 87.1%
4.	Capital Expenditure other than PAL-2 assets	Aeronautical ratio of 90% considered

5.3.2. BIAL has furnished the following calculations in support of terminal areas ratios applied:

Table 188: Terminal Building Ratio computation submitted by BIAL

S. No.	Particulars	Unit of measurement	Value
1	**For Terminal 1**		
	Aeronautical Area (A)	m^2	101,000.00
	Common Area (B)	m^2	46,094.00
	Non-Aeronautical Aera (C)	m^2	16,441.00
	Total Area (A+B+C)	m^2	**163,535.00**
	Terminal Building Ratio for T1 (A / (A+C))	%	***86.00%***
2	**Terminal 2 – Phase I**		
	Aeronautical Area (D)	m^2	190,997.80
	Common Area (E)	m^2	37,764.00
	Non-Aeronautical Aera (F)	m^2	26,883.00
	Total (D+E+F)	m^2	**255,644.80**
	Terminal Building Ratio for T2 – Phase I (D/(D+F))	%	***87.66%***
3	**Overall Terminal Building Ratio ((A+D)/(A+C+D+F)**	%	***87.10%***

5.3.3. BIAL has computed two separate terminal area ratios for each of its two terminals and an overall terminal area ratio based on the total aeronautical to non-aeronautical area considered by BIAL.

5.3.4. BIAL has further submitted the following asset-wise aeronautical allocation ratios

Table 189: Project-wise Aeronautical Allocation Ratios submitted by BIAL for the Fourth Control Period

Capital Asset Proposed by BIAL for the 4th Control Period	Allocation Ratio applied
West Cross Field Taxiway	100.00%
Airfield works (Taxiway extension, Isolation bay etc)	100.00%
T-2 Apron (9 +4 Stands)	100.00%
T-2 Phase 2 Apron (40 Stands)	100.00%
Taxiway Z & Enabling works	100.00%
Cargo West Apron (12 Stands)	100.00%
North Airside Perimeter Wall & Perimeter Road	100.00%
Taxiway B9 & Enabling Works	100.00%
T1 Upgrade	87.10%
T2 Enhancement	87.66%
T2 Phase 2	87.66%
T1/T2 Connectivity - Pier Expansion	87.10%
GA Terminal	87.10%
Airport Staff Parking & Cafeteria	94.00%

Capital Asset Proposed by BIAL for the 4th Control Period	Allocation Ratio applied
Contingency Facility	87.10%
New Air Traffic Control Tower (ATCT)	100.00%
Airport Terminal Metro Station (ATMS)	87.10%
T1 to T2 & Metro Connector (walkway)	100.00%
Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	100.00%
T1 & T2 Departure and arrival recirculation	87.10%
MAR Recirculation Link	100.00%
Utilities	100.00%
MMTH Enhancement	34.50%
Green Belt Development	87.10%
Rainwater Harvesting Pond-1	100.00%
Sustaining CAPEX	90.00%
Capex Interiors (BP2)	94.00%

Project-wise allocation ratios applied by BIAL

5.3.5. **Assets allocated at 100% Aeronautical:** The Authority noted that this category encompasses both airside operational assets and certain landside connectivity assets (such as MAR-SWR Interchange upgrade) that BIAL had classified as wholly aeronautical in nature.

5.3.6. **Assets allocated at 87.66% (Terminal 2 – Phase 1 Ratio):** The Authority observed that BIAL has applied the Terminal Building Ratio of Terminal 2 – Phase 1 to the following assets: T2 Enhancement, and T2 Phase 2. It is observed that BIAL extended the existing Terminal 2 – Phase 1 floor ratio to the upcoming phases of Terminal 2.

5.3.7. **Assets allocated at 87.10% (Overall Terminal Building Ratio):** The Authority observed that BIAL has applied the overall weighted average Terminal Building Ratio to the following assets: T1 Upgrade, T1/T2 Connectivity – Pier Expansion, General Aviation (GA), Terminal, Contingency Facility, Airport Terminal Metro Station (ATMS), T1 & T2 Departure and Arrival Recirculation, and Green Belt Development. The Authority observed that this ratio has been applied to projects identified by BIAL as serving both Terminal 1 and Terminal 2 or as supporting overall terminal operations.

5.3.8. **Assets allocated at 94.00%:** The Authority observed that BIAL has applied an aeronautical ratio of 94.00% to Airport Staff Parking & Cafeteria and Capex Interiors (BP2).

5.3.9. **Assets allocated at 90.00%:** The Authority observed that BIAL has applied an aeronautical ratio of 90.00% to Sustaining CAPEX. However, BIAL did not provided a detailed elaboration as to why the allocation for sustaining CAPEX should be weighted more towards aeronautical usage, when BIAL has classified several sustaining capex items as landside and terminal side also.

5.3.10. **Asset allocated at 34.50% – MMTH Enhancement:** The Authority observed that BIAL has applied an aeronautical ratio of 34.50% to the Multi-Modal Transit Hub (MMTH) Enhancement (the Authority had previously established the allocation ratio for MMTH Phase -I as 31.53% in the Tariff Order for the Third Control Period – Order No. 11/2021-22 dated August 28, 2021) . BIAL had provided the following calculation basis for arriving at the 34.50% allocation ratio for MMTH Phase I

Table 190: Allocation ratio computation for MMTH Phase I as submitted by BIAL

Area description	Area (in m^2)	Classification	Aero Share (%)	Resultant Area forming part of Aero	BIAL's remarks
MULTI LEVEL CAR PARKING AREA DESCRIPTION	**150,865.27**			**52,030.30**	
BASMENT 3 OVER ALL AREA	**4,926.20**			**4,926.20**	
Baggage sort and Conveyor	4,735.00	Aero	100%	4,735.00	
Staircase, Lift	191.20	Aero	100%	191.20	
BASMENT 2 OVER ALL AREA	**32,876.24**			**2,081.56**	
Staircase, Lift, Escalator	1,012.11	Aero	100%	1,012.11	*As the airport grows in size, a surface car park is not feasible as it will increase walking distances. From a security perspective, no car park can be located within 100 metres of terminal facade. Hence a multi-level car park is necessary. Staircases, Lifts and escalators serve the passengers (including Passengers with reduced mobility) to reach the Terminal (for departing passengers using the car park) as well as arriving passengers - many of whom may be carrying bag(s)/Trolleys. Accordingly, staircase, lift, escalator zones as essential and classified as Aeronautical*
Lift and Staircase Lobby	873.97	Aero	100%	873.97	
Public Toilets	195.48	Aero	100%	195.48	*Toilets are serving the passengers arriving and departing to Terminal 2. Given the distance between KIAB and the city and a well understood fact that travelers can take nearly 2 hours or more to reach their destination, provisioning toilets is essential. Hence, this is classified as Aeronautical*
Car Parking	16,012.67	Non-Aero	0%	0.00	
6M wide driveway	14,141.70	Non-Aero	0%	0.00	
Ramps	640.31	Non-Aero	0%	0.00	
BASMENT 1.5 OVER ALL AREA	**13,357.91**			**13,357.91**	

Area description	Area (in m^2)	Classification	Aero Share (%)	Resultant Area forming part of Aero	BIAL's remarks
Bus Kerb Area	3,979.44	Aero	100%	3,979.44	
Bus Driveway and Bus Parking for 18 buses	7,745.57	Aero	100%	7,745.57	
Loading Dock, Garbage service zone	1,091.02	Aero	100%	1,091.02	
Staircase, Lift, Escalator	367.38	Aero	100%	367.38	*Staircases, Lifts and escalators serve as common travel cores connecting all the basements, facilitating passenger movement. Accordingly considered as Aero.*
Public Toilets	174.50	Aero	100%	174.50	*Toilets are serving the passengers arriving and departing to Terminal 2. Accordingly considered as Aero*
BASEMENT 1 OVER ALL AREA	**33,235.84**			**15,203.89**	
Pick up Zone: Road, kerb and public walkway	11,006.94	Aero	100%	11,006.94	*Terminal 2 Arrivals pick up zone has been constructed as part of the B1 of MMTH due to level differences and provide walkway at Level 0 to the Metro station. The zone is available to all passengers free of charge (independent of use of car parking).* *The zone comprises of 4 lanes for vehicular traffic along with pick up kerbs for passengers (with trolleys/bags) to board their vehicles.*
Public Toilets	109.97	Aero	100%	109.97	*Toilets are serving the passengers arriving at Terminal 2. Given the distance between KIAB and the city and a well understood fact that travelers can take nearly 2 hours or more to reach their destination, provisioning toilets is essential. Accordingly, classified as aeronautical.*
Staircase, Lift, Escalator	1,032.70	Aero	100%	1,032.70	*Staircases, Lifts and escalators serves as common*

Area description	Area (in m^2)	Classification	Aero Share (%)	Resultant Area forming part of Aero	BIAL's remarks
Central Lift Lobby	1,108.11	Aero	100%	1,108.11	*travel cores connecting all the basements, facilitating passenger movement and accordingly, considered as Aero.*
Car Parking 336 slots	6,250.01	Non Aero	0%	0.00	
Drive way incl. Entry and exit points	11,144.17	Non aero	0%	0.00	
Ramps	1,946.17	Aero	100%	1,946.17	*The ramps leading to B1 are used by vehicles arriving to pick up passengers (who don't use the car park). Accordingly, ramps leading upto B1 considered Aero.*
Bike Parking	637.77	Non Aero	0%	0.00	
LEVEL 0 OVER ALL AREA	**46,490.86**			**11,530.33**	
Terminal 2 Metro connection zone	11,803.20	Aero	45.75%	5,400.00	*This is the central walkway leading from terminal 2 arrival zone to the airports terminal metro station. The walkway is 150 meters in length and 36 metres wide. Of the total area of 11,803 sqm, 5400 sqm considered as Aero.*
Public Toilets	490.53	Aero	100%	490.53	*KIAB is located 35 km from city centre. Since travel times can exceed 2 hours to some parts of the city, this is an essential service. Toilets are serving the passengers arriving at Terminal 2. Hence classified as Aero.*
Landscape	4,390.21	Aero	100%	4,390.21	*This is the Landscape designed for the passengers arriving and departing to Terminal 2, this is the main space across MMTH connecting from the Metro Station to Terminal 2. Accordingly considered as Aero*
Staicase, Lift, Escalator	1,249.59	Aero	100%	1,249.59	*Staircases, Lifts and escalators serves as common travel cores connecting all the basements, facilitating passenger movement. Hence considered as Aero.*
Car park zone	5,641.08	Non-Aero	0%	0.00	
App taxi kerb area	5,652.81	Non-Aero	0%	0.00	
Driveway	13,185.71	Non-Aero	0%	0.00	

Area description	Area (in m²)	Classification	Aero Share (%)	Resultant Area forming part of Aero	BIAL's remarks
Retail	4,077.73	Non-Aero	0%	0.00	
Retail circulation zone		Non-Aero	0%	0.00	
LEVEL 1 OVER ALL AREA	**5,682.16**			**0.00**	
Staicase, Lift, Escalator	113.94	Non-Aero	0%	0.00	
Metro Connection Zone	271.40	Non-Aero	0%	0.00	
Open Terrace	5,296.82	Non-Aero	0%	0.00	
Total area excluding MEPF area	**136,569.21**			**47,099.89**	
% of AERO Area				0.34	
NON AERO (Excl MEPF)					
Total MEPF area	14,296.06	Common	34.49%	4,930.41	*MEPF proposed to be split as per total area usage of building*
Total area including MEPF Area	**150,865.27**		**34.49%**	**52,030.30**	

Authority's Examination on asset allocation methodology for the Fourth Control Period at the Consultation Stage

5.3.11. The Authority noted that BIAL had submitted an area statement for Terminal 2 Phase I (certified by STUP Consultants PL) dated 21.02.2025. The Authority considered the same to compute the resulting terminal area ratio for the terminal which matches with the ratio submitted by BIAL.

5.3.12. For Terminal 1, the Authority relied on an Area Statement submitted by BIAL dated 05.03.2021 certified by Sundaram Architects PL vide an emailed response dated November 18, 2025. BIAL clarified that the same area analysis was prevailing as of March 2025, which was however subject to change following the closure and commissioning of BIAL's T1 upgrade programme.

5.3.13. The following table illustrated the resulting terminal-wise and overall aeronautical allocation ratio as proposed by the Authority based on the data presented in the afore-stated area statements

Table 191: Terminal Building Ratio computation considered by the Authority

S. No.	Particulars	Unit of measurement	Value
1	**For Terminal 1**		
	Aeronautical Area (A)	m²	100,717.00
	Common Area (B)	m²	45,575.00
	Non-Aeronautical Aera (C)	m²	17,243.00
	Total Area (A+B+C)	m²	163,535.00
	Terminal Building Ratio for T1 (A/(A+C))	%	**85.38%**
2	**Terminal 2 – Phase I**		

S. No.	Particulars	Unit of measurement	Value
	Aeronautical Area (D)	m^2	190,997.80
	Common Area (E)	m^2	37,764.00
	Non-Aeronautical Aera (F)	m^2	26,883.00
	Total (D+E+F)	m^2	255,644.80
	Terminal Building Ratio for T2 – Phase 1 **(D/(D+F))**	%	**87.66%**
3	**Overall Terminal Building Ratio ((A+D)/(A+C+D+F)**	%	**86.86%**

5.3.14. The Authority examined the project-wise aeronautical allocation ratios applied by BIAL in respect of the capital expenditure proposed for the Fourth Control Period and proposed the following ratios:

Table 192 Project-wise Aeronautical Allocation Ratios proposed by the Authority for the Fourth Control Period

Capital Asset Proposed by BIAL for the 4th Control Period	Allocation Ratio proposed by Authority
West Cross Field Taxiway	100.00%
Airfield works (Taxiway extension, Isolation Bay etc.)	100.00%
T-2 Apron (9 +4 Stands)	100.00%
T-2 Phase 2 Apron (40 Stands)	100.00%
Taxiway Z & Enabling works	100.00%
Cargo West Apron (12 Stands)	100.00%
Taxiway B9 & Enabling Works	100.00%
T1 Upgrade	86.86%
T2 Enhancement	87.66%
T2 Phase 2	87.66%
T1/T2 Connectivity - Pier Expansion	86.86%
GA Terminal	86.86%
Airport Staff Parking & Cafeteria	86.86%
Contingency Facility	86.86%
New Air Traffic Control Tower (ATCT)	100.00%
Airport Terminal Metro Station (ATMS)	86.86%
T1 to T2 & Metro Connector (walkway)	86.86%
Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	100.00%
T1 & T2 Departure and arrival recirculation	86.86%
MAR Recirculation Link	86.86%
Utilities	86.86%
MMTH Enhancement	31.53%
Green Belt Development	86.86%
Rainwater Harvesting Pond-1	100.00%
Sustaining CAPEX	86.86%
Capex Interiors (BP2)	86.86%

5.3.15. The Authority noted that BIAL submitted an area statement for Terminal 2 Phase I (certified by STUP Consultants PL) dated 21.02.2025. The Authority considered computing the resulting terminal area ratio for the terminal which is in line with the ratio submitted by BIAL.

5.3.16. The Authority proposed that, in respect of airside infrastructure assets (such as taxiways, aprons, perimeter works, ATC Tower), the 100% aeronautical allocation submitted by BIAL be retained. In

respect of Terminal 2 – Phase 1 linked assets (T2 Enhancement and T2 Phase 2), the ratio of 87.66% be retained.

5.3.17. The deviations considered by the Authority arise primarily from two factors:

- substitution of the Overall Terminal Building Ratio from 87.10% to the updated 86.86% for common terminal-linked assets, and
- reclassification of certain assets originally proposed at 94%, 90% or 100% as common terminal-linked assets to be allocated at 86.86%, given their expected shared aeronautical and non-aeronautical usage.

5.3.18. A consolidated summary of the deviations proposed by the Authority at the Consultation Stage is presented below:

Table 193: Deviations proposed by the Authority in project-wise asset allocation ratios at the Consultation Stage

S.No.	Project Code	Category	Proposed Asset	Allocation Ratio - Considered by BIAL	Allocation Ratio - Considered by the Authority	Rationale by Tariff Consultant
1.	A.1	Airfield Works	West Cross Field Taxiway	100.00%	100.00%	Considered as 100% aeronautical assets
2.	A,2		Airfield works (Taxiway extension, Isolation Bay etc.)			
3.	A.3		T-2 Apron (9 +4 Stands)			
4.	A.4		T-2 Phase 2 Apron (40 Stands)			
5.	A,.5		Taxiway Z & Enabling works			
6.	A.6		Cargo West Apron (12 Stands)			
7.	A.8		North Airside Perimeter Wall & Perimeter Road			
8.	A.9		Taxiway B9 & Enabling Works			
9.	B.1	Passenger Terminal	T1 Upgrade	87.10%	85.38%	Terminal area ratio computed for T1
10.	B.2		T2 Enhancement	87.66%	87.66%	Terminal area ratio computed for T2 Phase I
11.	B.3		T2 Phase 2			
12.	B.4		T1/T2 Connectivity - Pier Expansion	87.10%	86.86%	Common terminal-linked asset allocated on overall airport terminal area ratio
13.	B.6		Airport Staff Parking & Cafeteria	94.00%		
14.	B.7		Contingency Facility	87.10%	86.86%	
15.	B.8		New Air Traffic Control Tower (ATCT)	100.00%	100.00%	Considered as 100% aeronautical
16.	C.2.1	Landside Access	Airport Terminal Metro Station (ATMS)	87.10%	86.86%	Common terminal-
17.	C.4		T1 to T2 & Metro Connector Walkway	100.00%	86.86%	

S.No.	Project Code	Category	Proposed Asset	Allocation Ratio - Considered by BIAL	Allocation Ratio - Considered by the Authority	Rationale by Tariff Consultant
		and Parking				linked asset allocated on overall airport terminal area ratio
18.	C.6		Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	100.00%	86.86%	Common terminal-linked asset allocated on overall airport terminal area ratio
19.	C.7		T1 & T2 Departure and arrival recirculation	87.10%		
20.	C.10		MAR Recirculation Link	100.00%		
21.	D.1	Others	Utilities	100.00%		
22.	D.2		MMTH Enhancement	34.50%	31.53%	As decided by the Authority for MMATH-Phase I during the Third Control Period
23.	D.3		Green Belt Development	87.10%	86.86%	Common terminal-linked asset allocated on overall airport terminal area ratio
24.	D.4		Rainwater Harvesting Pond-I	100.00%		
25.	-		Sustaining CAPEX	90.00%		

5.3.19. In accordance with the allocation methodology adopted by the Authority, the table below sets forth the project-wise aeronautical asset additions (Aero Capex) resulting from application of project-wise respective allocation ratios on the rationalized project costs (as provided in Table 181) proposed by the Authority for the Fourth Control Period:

Table 194: Aeronautical capital asset additions proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

S.No.	Proposed Asset	Total Addition	Aero Allocation Ratio (%)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total Aero Cost
A.1	West Cross	1,224.90	100.00 %	-	1,224.90	-	-	-	1,224.90

CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

S.No.	Proposed Asset	Total Addition	Aero Allocation Ratio (%)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total Aero Cost
	Field Taxiway								
A.4	T-2 Phase 2 Apron (40 Stands)	754.90	100.00 %	-	-	-	754.90	-	754.90
B.3	T2 Phase 2	5,713.00	87.66 %	-	-	-	5,008.11	-	5,008.11
B.2	T2 Enhancement	68.5	87.66 %	60.05	-	-	-	-	60.05
A,2	Airfield works (Taxiway extension, Isolation bay etc)	501.70	100.00 %	-	501.70	-	-	-	501.70
A.3	T-2 Apron (9 +4 Stands)	260.80	100.00 %	260.80	-	-	-	-	260.80
A,.5	Taxiway Z & Enabling works	106.70	100.00 %	106.70	-	-	-	-	106.70
A.6	Cargo West Apron (12 Stands)	133.90	100.00 %	-	133.90	-	-	-	133.90
A.8	North Airside Perimeter Wall & Perimeter Road	13.80	100.00 %	-	13.80	-	-	-	13.80
A.9	Taxiway B9 & Enabling Works	43.80	100.00 %	-	43.80	-	-	-	43.80
B.1	T1 Upgrade	892.60	85.38 %	762.12	-	-	-	-	762.12
B.4	T1/T2 Connectivity - Pier Expansion	204.00	86.86 %	-	-	-	177.20	-	177.20
B.6	Airport Staff Parking & Cafeteria	135.80	86.86 %	-	117.96	-	-	-	117.96
B.7	Contingency Facility	37.10	86.86 %	32.23	-	-	-	-	32.23
B.8	New Air Traffic Control	130.80	100.00 %	-	-	130.80	-	-	130.80

S.No.	Proposed Asset	Total Addition	Aero Allocation Ratio (%)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total Aero Cost
	Tower (ATCT)								
C.2.1	Airport Terminal Metro Station (ATMS)	354.80	86.86 %	-	308.18	-	-	-	308.18
C.4	T1 to T2 & Metro Connector (walkway)	80.00	86.86 %	-	69.49	-	-	-	69.49
C.6	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	12.90	100.00 %	-	11.21	-	-	-	11.21
C.7	T1 & T2 Departure and arrival recirculation	54.10	86.86 %	-	46.99	-	-	-	46.99
C.10	MAR Recirculation Link	100.30	86.86 %	-	87.12	-	-	-	87.12
D.1	Utilities	696.90	100.00 %	-	-	-	605.33	-	605.33
D.2	MMTH Enhancement	29.70	31.53 %	9.36	-	-	-	-	9.36
D.3	Green Belt Development	10.90	86.86 %	-	-	-	9.47	-	9.47
D.4	Rainwater Harvesting Pond-1	131.90	86.86%	-	-	-	114.57	-	114.57
	Sub Total – Projects Proposed in 4th CP			1,231.26	**2,559.05**	130.80	6,669.58	0.00	**10,590.68**
B	Sustaining Capex	1,208.48	86.86%	**142.08**	**197.89**	**209.69**	**286.52**	**213.52**	**1,049.78**
	Total			1,373.34	2,756.93	340.49	6,956.09	213.52	**11,640.38**

Depreciation

5.4. Depreciation for the Fourth Control Period

BIAL's submission regarding Depreciation for the Fourth Control Period

5.4.1. BIAL, in its MYTP submission for the Fourth Control Period, submitted that the useful lives of assets adopted for computing depreciation **for the Fourth Control Period are based on asset-wise useful lives as presented below-**

Table 195: Asset-wise useful lives applied by BIAL in determination of depreciation for the Fourth Control Period

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

5.4.2. BIAL, in its MYTP submission, bifurcated the total aeronautical depreciation projected for the Fourth Control Period into two distinct components, namely

(i) Depreciation on the Regulatory Asset Base (RAB), and

(ii) Depreciation on the Financing Allowance capitalized on the underlying assets.

The depreciation, as submitted by BIAL, is set out in the table below-

Table 196: Depreciation on RAB and Financing Allowance as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

Particulars	2027	2028	2029	2030	2031	Total
Depreciation (A)	801.61	985.84	1,150.25	1,664.59	2,174.64	6,776.93
Depreciation on Financing Allowance (B)	42.63	43.34	48.07	62.85	77.65	274.54
Total Depreciation (C = A + B)	**844.24**	**1,029.18**	**1,198.32**	**1,727.44**	**2,252.29**	**7,051.47**

Authority's examination regarding Depreciation for the Fourth Control Period at the Consultation Stage

5.4.3. The Authority noted BIAL's submission regarding the consideration of useful lives for various asset categories and proposes to revise the useful life of the assets based on Order No. 35/2017-18 applicable from 01.04.2018 onwards, for the Fourth Control Period.

5.4.4. The Authority analysed BIAL's observations and proposed the following revisions:

a) Asset Class – Plant and Machinery (Aerobridges, Airport Communication, Baggage Handling, Escalators/ Elevators, HVAC Equipment, Other Airport Equipment and Security/ Safety Equipment) – Revised from 7.5 years to 15 years

b) Asset Class – Intangibles – Revised to 30 years

5.4.5. The Authority therefore proposed to retain the useful lives of assets as per Order No. 35/2017-18, which are reproduced hereunder:

Table 197: Useful Lives proposed by the Authority for the Fourth Control Period at the Consultation Stage

Asset Category	Useful Life as per BIAL (years)	Useful Life as per Authority (years)
Buildings & Civil Works	30	30
Computers and Accessories	6	6
Electrical Installation & Equipment	10	10
Furniture and Fixtures	7	7
Intangible assets	5	30
Office Equipment	5	5
Plant and Equipment	7.5	15
Roads, Boundary Wall, Security Fencing	5	5
Runway, Taxiway, Apron	30	30
Vehicles	8	8

5.4.6. The Authority recomputed the total depreciation based on the revised useful life of assets and revised asset addition. The Authority proposed to apply the proportion of the aeronautical assets on total depreciation to determine the depreciation on aeronautical assets. The Authority noted that the proportion of the aeronautical assets is varying on a year-on-year basis since BIAL has undertaken expansion of the airport facilities. Therefore, the Authority proposed to apply the proportion of the aeronautical assets of a particular year to the depreciation amount of the respective year.

5.4.7. Based on the changes suggested above, the depreciation proposed by the Authority for the Fourth Control Period at the Consultation Stage is given in the table below:

Table 198: Depreciation proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

Particulars	2027	2028	2029	2030	2031	Total
Depreciation (A)	617.95	730.53	816.97	980.90	1,148.58	4,294.93

5.4.8. The Authority noted that the depreciation would change based on the changes in the asset additions and the date of capitalization. The Authority proposed to true-up the depreciation of the Fourth Control Period based on the actual asset additions and the actual date of capitalization

5.5. RAB for the Fourth Control Period

BIAL's submission regarding RAB for the Fourth Control Period

5.5.1. Based on the aeronautical opening RAB, additions for the current control period, applying allocation ratio and after considering depreciation, the aeronautical RAB for the Fourth Control Period as projected by BIAL is given in table below:

Table 199: RAB proposed by BIAL as per its MYTP submission for the Fourth Control Period

(Rs. in Crore)

Particulars	2027	2028	2029	2030	2031	Total
Opening RAB (A)	8,690.06	9,228.2[illegible]	12,601.43	12,182.41	22,758.85	
Add: Asset addition (B)	1,357.30	4,160.53	[illegible]31.25	11,998.85	868.91	19,366.64

Particulars	2027	2028	2029	2030	2031	Total
Add: Additional for Financing Allowance (C)	25.14	42.03	(1.94)	305.02	(7.7)	362.55
Less: Disposals (D)	0	0	0	0	0	0
Less: Depreciation (E)	801.61	985.84	1,150.25	1,664.59	2,174.64	6,776.93
Less: Depreciation on Financing Allowance (F)	42.63	43.34	48.07	62.85	77.65	274.54
Closing RAB (G = A + B + C -D – E-F)	**9,228.25**	**12,601.43**	**12,182.41**	**22,758.85**	**21,367.78**	
Average RAB (H = (A+G) / 2)	**8,959.16**	**10,914.84**	**12,391.92**	**17,470.63**	**22,063.32**	

Authority's examination regarding RAB for the Fourth Control Period at the Consultation Stage

5.5.2. Based on the discussions in the previous sections on aeronautical asset addition and Aeronautical Depreciation, the Authority proposed the RAB for the Fourth Control Period as given in table below:

Table 200: RAB proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs in Crore)

Particulars	2027	2028	2029	2030	2031	Total
Opening RAB (A)	8,948.50	9,703.89	11,730.29	11,253.81	17,229.01	
Add: Asset additions (B)	1,373.34	2,756.93	340.49	6,956.09	213.52	11,640.38
Less: Depreciation (C)	617.95	730.53	816.97	980.90	1,148.58	4,294.93
Closing RAB (D = A + B -C)	**9,703.89**	**11,730.29**	**11,253.81**	**17,229.01**	**16,293.95**	
Average RAB (E = (A+D) / 2)	**9,326.19**	**10,717.09**	**11,492.05**	**14,241.41**	**16,761.48**	

5.6. Stakeholders' Comments regarding CAPEX, Depreciation and Regulatory Asset Base (RAB) for the Fourth Control Period

5.6.1. During Stakeholders' Consultation Process, the Authority has received comments/ views from various stakeholders like BIAL, GoK, AAI, IATA, AOC, BAOA etc. in response to the proposals of the Authority with regard to the Capex, Depreciation and RAB for the Fourth Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below:

5.6.2. **BIAL's Comment regarding Terminal 2 Phase 2's Sizing in terms of Total Terminal Area is as mentioned below:**

"Estimate for Capital Expenditure:

BIAL has carefully reviewed the report issued by MECON and Authority's analysis as part of the Consultation Paper.

BIAL has divided its response on proposals put forth by the Authority on Capital Expenditure Program into 4 parts:

1) *Specific submission relating to Terminal 2 Phase 2 – Sizing and Cost*
2) *Request for consideration of items pertaining to Indexation, Constraint factor, GST, Pre-Operative Expenditure, Contingency and Interest During Construction, as these apply to the overall Capital Expenditure program*
3) *Specific requests pertaining to projects included as part of the capital expenditure program filed with AERA.*
4) *Appendices relating to the above (enclosed as Annexure 11)*

BIAL has included its response on costs capitalized in Third Control Period in Para 3.3.5 and requests AERA to consider the same, in considering estimate of PAL-2 for the Fourth Control Period.

1. Terminal 2 Phase 2– Sizing and Cost

BIAL's response to the proposal for T2 Phase 2 is split into 2 parts:

- *Area justification for the submitted area of 271,087 sqm*
- *Capex: Requesting inclusion of items not included in capex assessment by MECON*

1.1 Justification for Area

*In the Consultation Paper 01/2026-27 for tariff determination for BIAL, the Authority has proposed (basis inputs from its technical consultant) that the appropriate sizing of Terminal 2 at a norm of **37sqm/PHP** with a normative PHP of 13,500 should be 499,500 sqm and consequently Terminal 2 Phase 2 should be **243,855 sqm** in area.*

Extract of the order is reproduced below:

Table 149: Area proposed to be considered for Terminal 2 Phase 2

Particulars	Value
Integrated Terminal 2 Capacity	45 MPPA
PHP considered	13,500
Area per PHP recommended by MECON	37 sqm/PHP
Integrated Terminal 2 area considered	4,99,500 sqm
Less: Existing Terminal 2 Phase 1 area	2,55,645 sqm
Terminal 2 Phase 2 area proposed to be considered	2,43,855 sqm
Terminal 2 Phase 2 area proposed by BIAL after revision	2,71,087 sqm
Reduction in area proposed to be considered	27,232 sqm

BIAL's Response

BIAL appreciates the detailed assessment undertaken by AERA & its consultants while assessing the area for Terminal 2 Phase 2. BIAL agrees with AERA's approach that Terminal 2 should be viewed as an integrated terminal instead of evaluating Phase 2 as a separate development.

BIAL's submission for the terminal area sizing was arrived on the basis of the following:

1) *Master plan Update undertaken by NACO in 2024 which considered the existing passenger traffic being handled by Terminal 2 as well as data around realized peaks (combined and segregated) as well as traffic growth projected for future years*
2) *Basis the sizing for Terminal 2 developed by NACO, SOM (Skidmore, Owing & Merrill) – leading terminal design agency was engaged to develop a concept plan for Terminal 2 Phase 2 (T2P2)*
3) *The concept has been detailed out into schematic and detailed designs by Assystem (STUP)*

When the terminal sizing and the consequent schematic and detailed designs were being developed, some key factors that were kept in mind were:

a) *Need to have dedicated transfer zones with growth of transfer passengers (~15% of total passenger traffic handled at Terminal 2 Phase 1 is already transfer traffic and this is expected to grow further)*
b) *Larger number of aerobridges on account of passenger convenience and demand from airlines (Usage of aerobridges helps reduce minimum connect time – a key factor for driving transfer passengers and consequently hub airport)*

c) Adhere to policy & guidelines issued by various statutory/regulatory bodies including Ministry of Civil Aviation, Airports Economic Regulatory Authority, Bureau of Civil Aviation Security and Directorate General of Civil Aviation.

The resultant area of 271,087 sqm has therefore been arrived at after sufficient detailing and benchmarking against norms of other metro airports in India as well as IATA norms. Key factors that have influenced the proposed area are highlighted below:

A1 – Phase 1 of Terminal 2 (T2P1) is an efficiently designed terminal but falls short of the present-day expectations of large terminal buildings

The design for T2 P1 was completed in 2017-18 and the terminal was constructed & operationalized in December 2022 (as against the target date of March 2021with delay on account of Covid Pandemic).

At the time when Terminal 2 was designed, transfer passenger volumes at KIAB were quite low and Indian carriers had not demonstrated any active steps towards developing hub and spoke networks at key airports. As a matter of fact, Government of India, for the first time in 2023, came up with an Aviation Hub strategy for India with the report titled "Aviation Hub Strategy – Making India a successful global aviation hub by 2047".

With the changing nature of civil aviation led by policy moves (focus on regional connectivity. UDAN scheme, focus on airport development by states) and market forces (Indian carriers placing the largest aircraft orders in the history of Indian aviation), the norm for sizing of terminals has also undergone a major shift.

*Integrated passenger terminals sized for handling 20 MPPA currently are sized at about 225,000 sqm or more. Consequently, a 25 MPPA terminal today would be sized closer to 280,000 sqm. (0.035% of 25 Million capacity * 32 sqm/PHP). This clearly shows that T2P1 is approximately 24,355 sqm short of what it would be, if it was built today. The reduced of T2P1 area can be attributed to the lack of transfer facilities planned in Phase 1 of the terminal as well as proportion of aerobridges in the terminal (11 Fixed link bridges and 21 aerobridges).*

The terminal design for Terminal 1 Phase 1 has also been compared with the Combined Passenger Impact Ratio (CPIR) norm laid out by IATA. The CPIR metric helps check that space optimization (during development) has been achieved when international and domestic passenger peaks do not overlap.

$$CPIR = \frac{\text{Combined Peak (Domestic + International Passengers)}}{\text{Sum of Separate Peaks (Domestic Peak + International Peak)}}$$

CPIR for a terminal may range from 6% to 34%. Using the PHP data of FY26, T2P1 has a CPIR of 25% suggesting an efficient terminal & optimal space utilization.

A2 – The pressing need to have specific zones for handling of transfer passenger traffic

Terminal 2 Phase 1 does not have a delineated processing zone for Domestic to Domestic (D-D) passengers as well as International to Domestic (I-D)/ Domestic to International (D-I) passengers.

Considering the above and the projected traffic for the 4th control period, there is a need to create dedicated Transfer facilities in Terminal 2 Phase 2 as per below table, to cater the Transfer passenger requirements.

The transfer zone to be created will cater to 4 distinct passenger flows:

1) *Domestic to Domestic i.e., Domestic arriving passengers departing on another domestic flight*
2) *Domestic to International i.e., Domestic arriving passengers departing on an international flight.*
3) *International to Domestic i.e., International arriving passengers departing on an domestic flight.*
4) *International to international i.e., international arriving passengers departing on an international flight.*

Schematic layout of the proposed transfer zone

Transfers

An increase in the transfer facilities is required with the growth of the two hub carriers

I to I

The existing I to I facility has seen overcrowding and should be expanded in a way that enhances the passengers experience. Several options are provided for potential future expansion of the existing Phase 1 I to I facility. Additionally a new facility in Phase 2 portion of the building is provided as the passenger flows are meant to be split into two locations to reduce walking distances.

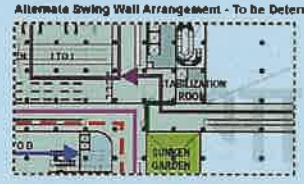
I to D

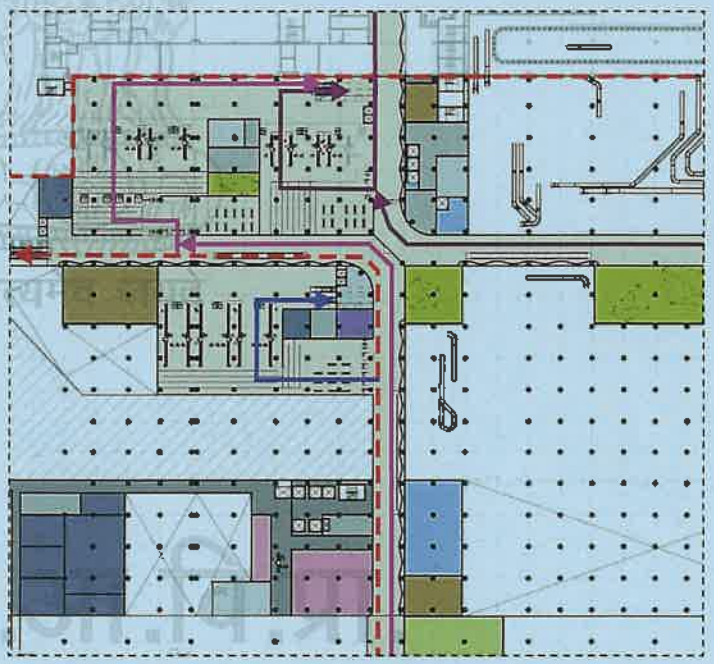
Recheck will need to be reconfigured to accommodate the increased requirements for customs. It will need to shift to the south side of the arrivals hall with a new BHS connection. Additional counters and bag screening will be required. Two alternates with unique advantages and disadvantages are included in this Design Report.

D to D / D to I

With the increase of hubbing there was an increase in domestic passengers transferring D to D and D to I. The Phase 1 concept of operations is not suited to meet the level of activity that will be seen in Phase 2. A centrally located facility is proposed that minimizes walking distances and is expandable in the future with additional D to D MCT facility for bus arrivals passengers in the South Pier.

Alternate Swing Wall Arrangement - To be Determined By BIAL OPS





The creation of Transfer facilities is especially important considering that KIAB envisions to be a hub airport with Air India and Indigo being the primary anchors. It is pertinent to note that Air India and BIAL have entered into an agreement to develop Bengaluru as a premier aviation hub for southern India, with an aim to boost air travel connectivity to and from India over the next few years. Air India'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 at KIAB. A similar agreement with Indigo has also been executed with the latter building its wide body maintenance base at KIAB.

*With the volume of transfer passengers set to rise, a dedicated zone has to be created as part of Terminal 2 Phase 2 which will process D-D, I-D, D-I, and I-I passengers. In addition to the creation of the transfer facilities (**11,025 sqm**), there is also a need to have walkways, vertical movements for passengers, toilet facilities and back of the house corridors for movement of airport staff, airline staff,*

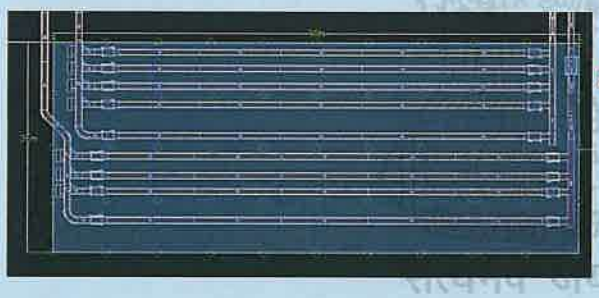
staff of statutory bodies (e.g., CISF, Customs, Immigration), and Early Bag Storage (EBS) which results in additional built-up area requirements within the envelope of Terminal 2 Phase 2 building.

Summary:

Hub Facility	***Area in Sqm***	***Remarks***
Hub at L1	*11,025*	*@ 6211 PHP at 1.6 sqm per Pax – IATA LOS-C table in Passport/Hold*
Government Facilities associated with the HUB + Passenger Toilet Facilities	*700*	*IATA – 3.3.3.2.2*
EBS at L0	*3,900*	*0.3 to 0.5 EBS storage slots per transfer passenger.*
Total Area	***15,625***	

Schematic layout of the proposed Early baggage storage system

Early Bag store which is space with manual racks of 500 bags capacity in phase 1 is getting replaced and expanded to automated lane based Early bag store of 2000 bags capacity in the Phase 2 works.



It is worth noting that IATA ADRM 3.3.3.2.2 grants extra infrastructure for Hub/Transfer options including a special note on consideration of combined peak transfer PHP to size facilities.

Calculations for "Hub terminal" & impact on areas:

1) *Transfer Facilities - Transfer PAX area per sqm = 1.8 sqm per person - same as Check-in area as per LOS-C.*
2) ***Landside Facilities:*** *About* ***~20% reduction*** *in ticketing and baggage claim floor space.*
3) ***Airside Facilities :*** *A* ***~20% + increase*** *in concourse width, gate seating, and retail to handle the extra transfer dwell load including baggage services with Early Bag Storage.*
4) ***Transfer Penalty: 100% new space added*** *for airside-to-airside security screening lanes and connection desks that a pure O&D airport does not require.*

A "Hub terminal design" therefore despite factoring in the CPIR will be larger as the net-new transfer infrastructure and larger airside concourses will lead to a 5% - 10% larger size than a pure O&D airport processing at the same volume.

Comparison of BIAL's T2 with DIAL and MIAL's existing terminals

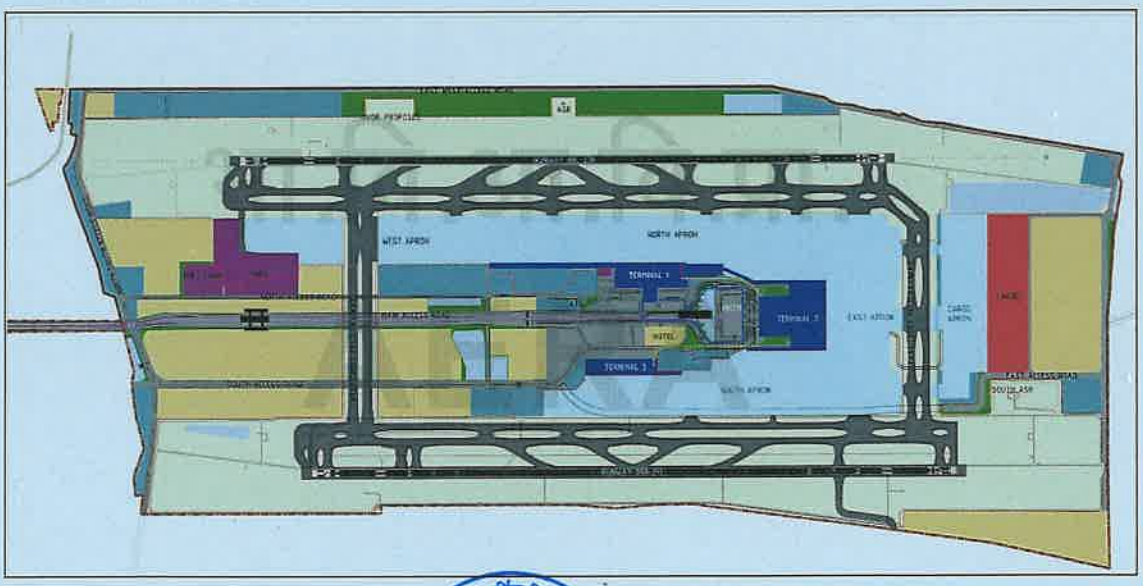
The Authority's consultants have compared BIAL's terminal area with DIAL's Terminal 3 and MIAL's Terminal 2. As per the extract of the report, the area norm proposed by BIAL was in between the sqm/PHP norms of these 2 terminals.

Sl. No.	Airport	Bengaluru T2	Delhi T3	Mumbai T2
A	Annual Design Capacity (MPPA)	45	45	40
B	Area of Terminal (sqm)	5,26,732	5,53,193	4,48,432
C	PHP (@ 0.03% of A)	13,500	13,500	12,000
D	AREA as per IMG & AAI (sqm) (25 X A)	3,37,500	3,37,500	3,00,000
E	Excess area(sqm)(B-D)	1,89,232	2,15,693	1,48,432
F	Excess percentage	**36%**	**39%**	**33%**
G	AREA as per IATA (sqm) (30 X A)	4,05,000	4,05,000	3,60,000
H	Excess/ Deficit area(sqm) (B-G)	1,21,732	1,48,193	88,432
I	Excess percentage	23%	27%	20%
J	Area Per passenger (sqm)	**39.02**	**40.98**	**37.37**

As can be seen BIAL's area filed on a per sqm was the median value of DIAL's Terminal 3 and MIAL's terminal 2.

A3: Number of Passenger Boarding Bridges (PBBs)

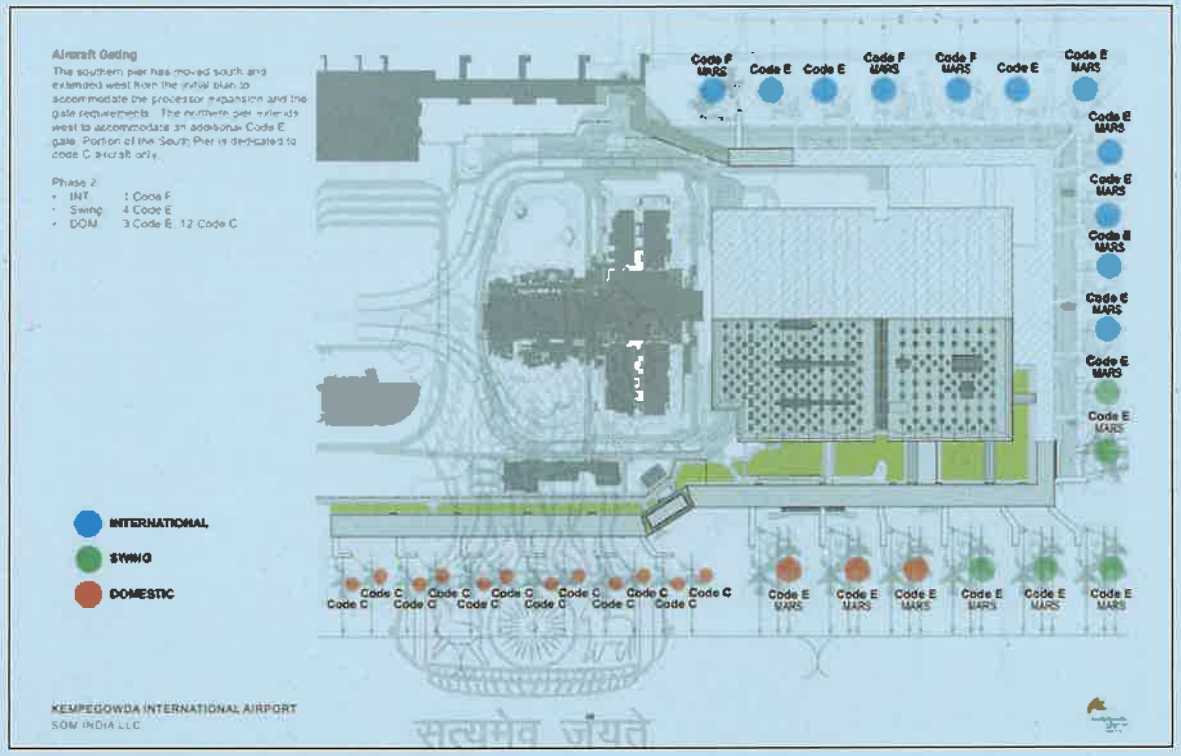
Terminal 2 was envisaged to be built in 2 phases and the Phase 2 was intended to be a mirror image of Phase 1 as shown below:



Source: BIAL Master Plan - September 2019

When BIAL undertook the master plan update in 2024, based on feedback from carriers, the proportion of 11 fixed linked bridges and 21 aerobridges of Terminal 2 Phase 1 was found to be low. Accordingly, the length of the South Pier was increased to accommodate a higher number of passenger boarding

*bridges with a planning guideline that **90% of international aircraft and 80% of domestic aircraft movements can be handled by aerobridges (based on the ability to meet 90% of airline requests).***



Source: BIAL Master Plan; SOM Design concept

Passenger Boarding Bridges – Comparison of key Indian airports

*Pursuant to Phase 2 expansion, BIAL's Terminal 2 (with a capacity of 45 MPPA) will have 22 MARS stands and 3 Code E Stands with a total of **50 aerobridges**. In comparison, Delhi airport's Terminal 3 for a 34 MPPA (now revised to 45 MPPA) terminal had **78 aerobridges** at the time of its commissioning in 2010. Mumbai's Terminal 2 with a capacity of 40 MPPA had **52 aerobridges** at the time of commissioning. Hence the number of aerobridges & hence pier length and area being proposed as part of Terminal 2 Phase 2 and overall Terminal 2 has already been optimized.*

AERA's Consultation Paper on Performance Standards

*It is pertinent to point out that in the recently published consultation paper by AERA on "**Formulation of Performance Standards of Major Airports relating to Quality, Continuity and Reliability of Service and Associated Activities**", AERA has emphasized on the need of passenger boarding bridges. The performance standard also goes on to propose tariff rebates if Airports are not able to ensure 90% as target for **% of aircraft movements served to meet airline request**. Further, there is also a proposed rebate for "Time taken from on block to entry in the terminal building for 95% of domestic/international flights". Adhering to these norms therefore requires BIAL to invest in a larger capacity of aerobridges as 15 minutes may not be achievable for remote stands (as bussing times may be impacted by distance of aircraft stand from terminal, requirement to cross live taxiways).*

O6(a)	Passenger Arrival (Domestic)	Time taken from on-block to entry in the terminal building for 95% of domestic flights	First Passenger: 95% < 15 mins	First Passenger: 95% < 15 mins	0.15%
O6(b)	Passenger Arrival (International)	Time taken from on-block to entry in the terminal building for 95% of international flights	First Passenger: 95% < 15 mins	First Passenger: 95% < 15 mins	0.15%
Airport Facilities					
O10	Availability of Passenger Boarding Bridges (Domestic / International)	% of aircraft movements served to meet airline request	90%	90%	0.15%

The creation of passenger boarding bridges / contact stands would also lead to faster aircraft turnaround time and improve safety in the apron area, resulting in improved operational efficiency on the airside. A higher number of PBBs will reduce the on ground Scope 3 emissions emanating from the vehicles used by Airlines and the ground handling agencies by reduction in bussing and also facilitate handling of transfer traffic as well as reduce minimum connect times.

As per the Arthur D Little report sponsored by Ministry of Civil Aviation, some of the key initiatives identified to be implemented by airports are as given below:

- *Increase in both intra- and inter-terminal connectivity for passengers and baggage.*
- *Development of Baggage Handling System (BHS) capacity in line with total traffic and 10-20% storage capacity in BHS depending on the share of connecting traffic.*
- ***Appropriate mix of widebody (WB) and Multiple Aircraft Ramp System (MARS)stands, with a significant share of contact stands as per hub typology.***

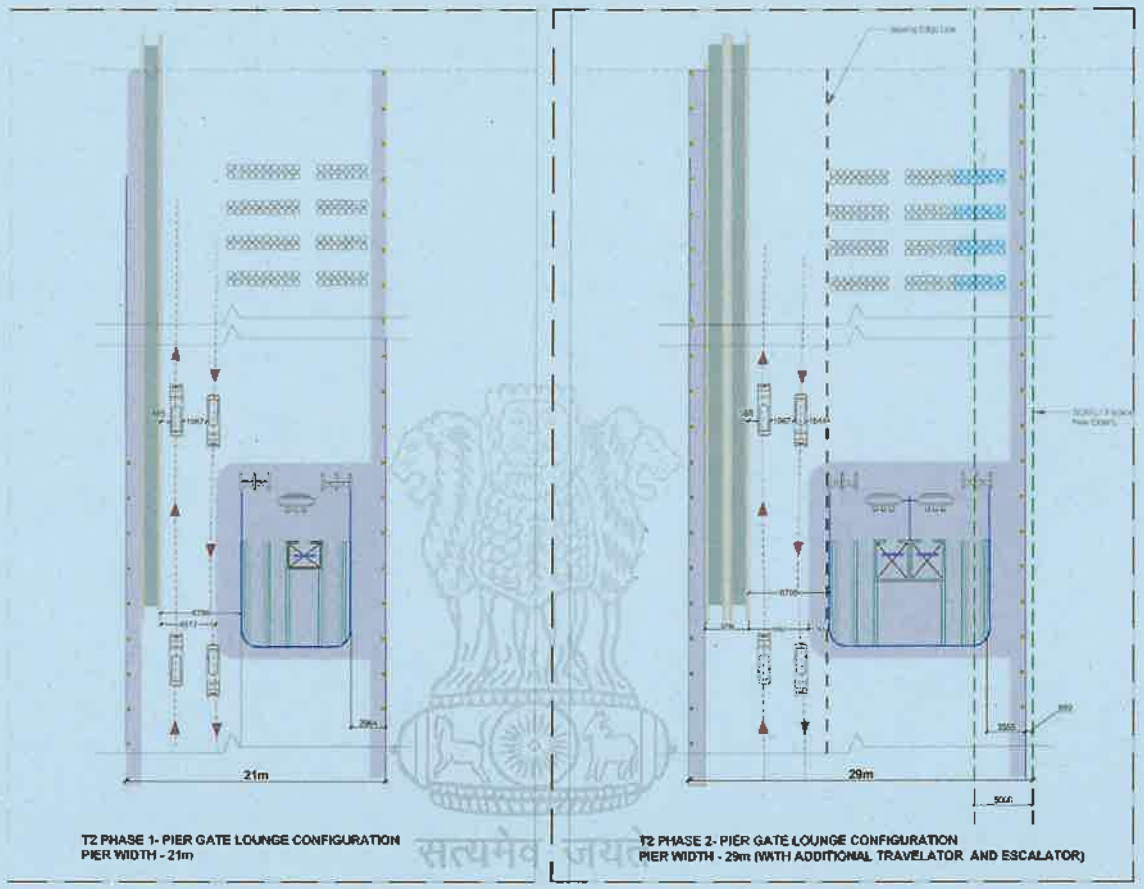
Therefore, the need for additional contact stands go hand in hand with BIAL's vision of KIAB as a "Hub Airport".

- **BIAL intends to add 29 aerobridges in Phase taking total aerobridge count to 50**
- **The requirement is sized to be able to cater to 90% of international aircraft and 80% domestic aircraft.**

A4: Specific focus on sizing of departure gates

When BIAL had designed Terminal 2 Phase 1, the boarding gates were designed with seating compliant with 180 seater which implied that adopting a 70% norm, the number of seating was 126 seats.
The average deployment of 222/232 seater aircraft on domestic sector has increased to nearly 50% of fleet deployed by key carriers such as Indigo and Air India Express. Hence the seating requirement and consequently gate sizing has accordingly increased per contact bridge. Further, on account of larger number of aerobridges contributing to a longer pier, the pier has 2 way travellators (which was not the case in T2P1).

The layout of the pier of existing Terminal 2 Phase 1 and Terminal 2 Phase 2 is shown below:



As can be seen, due to the longer pier, there is a requirement to have 2 way travellators which in turn has led to increase of pier width by 8 metres. Further, the number of seats at each gate are also planned to be increased (highlighted in blue) to ensure that we maintain a 70% seat ratio at dedicated gates for larger aircraft. Both these items have been proposed keeping passenger comfort in mind and have led to an area increase of nearly 6,000 sqm.

There is an increase of 6,000 sqm due to a wider pier as well as increased seating for passengers as per the larger domestic aircraft size

A4: Impact of BCAS Circulars

Vide AVSEC circular No 2/2024 dated 30th March 2024 (Annexure 12), BCAS has mandated all airport operators to create a pre-designated area to accommodate passengers on-board aircraft which are affected by weather related delays, technical issues or death of someone on-board, are facilitated to return back to SHA of the Terminal building through a pre-designated area. The pre-designated area shall be located preferably in the Security Hold Area (SHA) or in airside or adjacent to bus boarding gates to screen the passengers before they enter back into SHA.

This requirement was not there at the time of designing / commissioning of Terminal T2 Phase 1 and hence this area needs to be created in Terminal T2 Phase 2 to cover the overall needs of Terminal 2.

Further, BCAS has codified norms for queue area at zones like security check point, immigration and emigration zones. BIAL has also attempted to accommodate the requirements in the terminal design.

Summary

In summary, BIAL would like to reiterate that the area for T2P2 (& consequently Terminal 2) has been arrived at after due internal scrutiny and benchmarking with existing norms, comparison with peer terminals of similar size while trying to address potential shortfalls that exist in Terminal 2 Phase 1. This includes multiple levels of review by expert agencies (NACO SOM, Assystem) followed by scrutiny of BIAL board (which is chaired by the Chief Secretary of Government of Karnataka) and the Airport Users consultative committee.

The incremental area that BIAL needs to build as part of Terminal 2 Phase 2 has 4 broad elements:

1) *Shortfall of area in Terminal 2 Phase 1 – 24, 355 sqm.*
2) *Incremental area for Transfer infrastructure – 15,625 sqm*
3) *Increase in gate seating area & wider pier to allow for 2 way travellators – 6,000 sqm*
4) *Increase in area to comply with requirement of an IROP zone as well as queue areas at processors*

Based on the detailed designs, BIAL has completed the tendering process and is awaiting the tariff order so that the EPC contract can be awarded. A change in area of the terminal would push back the infrastructure development exercise by nearly 6- 8 months as optimizing the Terminal by ~27,000 m2 would necessitate a redesign of the whole terminal. This would be followed by another 3-4 months for EPC tender.

Post the issuance of Tariff Order, BIAL plans to commence discussions with the shortlisted EPC contractor and expects the contract execution to happen by end September. The Notice to Proceed (NTP) to the Contractor shall happen after the relevant Conditions Precedent as mentioned in the contract are complied with. Considering the above, the date of issuance of NTP is expected by 15th October 2026. Therefore, the date of completion of Terminal 2 – Phase 2 is being shifted by 3 months to 31st March 2030.

***We request the Authority to consider the submissions favorably and approve the area proposed by BIAL and the revised date of 31st March 2030 together with revised cost estimate* as submitted.**

5.6.3. ***Terminal 2 Phase 2's Costing in terms of Total Terminal Area* is as mentioned below:**

"Terminal Area Cost

The primary rate assessment by MECON considers that T2 Phase 2 is essentially a mirror image of T2 Phase 1. Accordingly, against the claimed per sqm rate of ₹ 1,55,520 (Excluding GST and Cess), per Sqm , ₹ 1,50,000 (Excluding GST and Cess) per Sqm as of 31st March 2025 has been proposed by the Authority.

BIAL requests the Authority to apply the indexation rate on the base rate of Rs 150,000/sqm (pre GST & Cess) as mentioned in Table 150.

While we appreciate the benchmarking approach adopted by AERA, we would like to respectfully submit that the ***Terminal 2 Phase–II project involves certain unique and critical factors*** *that were not part of Terminal 2 Phase–I and therefore are not fully captured in the MECON's recommended costs. These additional factors require consideration for approval of incremental capital expenditure and are listed below:*

Key Components not considered in the capex report by MECON

A. *BHS Connectivity Between ATMS to T2 phase2*
B. *Execution Constraints in Brownfield Environment (Critical Factor)*
C. *Integration Costs Between Phase–I and Phase–II*

A. BHS Connectivity Between ATMS to T2 phase2 (₹ 87.60 Cr):

*The Phase–II development includes a **Baggage Handling System (BHS) connector** linking the airport terminal metro station to Terminal 2. This system integration was not part of Phase–I and involves complex design, installation, and interfacing costs, which are essential for seamless airport operations.*

Baggage Handling system (BHS) for T2P1 was designed and delivered for 25mppa and expandable to meet Phase 2 for 45mppa with additional features (which are not part of Phase 1) such as Bags connecting through Airport Terminal Metro station (ATMS) check in to Terminals (T2 & T1), Automated Early baggage system, conveyable OOG for departure bags. Such automated features become a necessity and a must for larger scale airports handling 35mppa and above capacity where manual handling becomes most cumbersome, inefficient and laborious task.

The planned deployment of BHS for T2 P2 includes Metro check-in which involves 20 nos. of Check in positions (16nos. of Self bag drop and 4nos. conventional check in desks), baggage security screening (as required by BCAS) system, self-check in kiosks, IT systems such as FIDS and other support services from metro station concourse (+4mts) of conveying system of around 950 metres connecting to T2 BHS at Basement (-5.5mts) Terminal 2 through MMTH basement B3 (-12.5mts). In the AERA approval the area space for BHS from ATMS through MMTH basement B3 Baggage sorting area of 6555 sq.m is already part of the MMTH (as per Table 23 of the Consultation Paper)

Similarly for the Terminal 2 Phase 2 BHS, the conveyable Out of Gauge lines of around 700metres including security screening system and automated Early baggage store of approximate 2500 metres of conveyor and associated sorting devices are additional features and these are not a part of Terminal 2 Phase 1 BHS costs. Therefore, BIAL requests consideration and inclusion of additional cost in AERA's estimate for T2P2.

The estimated impact of these additional features in BHS is Rs 87.61 crs (based on AERA approved area for Baggage sorting area of 6555 Sq mtr).

This has been submitted by BIAL to MECON and AERA previously on 18th March 2026 along with relevant documentation.

B. Execution Constraints in Brownfield Environment (Constraint Factor 5% on ₹ 4586.80 Crore - ₹ 229.34 Crore)

As detailed below, considering the construction of T2P2 adjacent to an operational terminal (T2 Phase I), AERA is requested to allow for a constraint factor of 5% as proposed by BIAL in the MYTP. A more detailed write up is provided in the section on Constraint Factor.

C. Overall Integration Costs Between Phase–I and Phase–II (₹ 91.86 Crore)

Since Terminal 2 Phase II (T2P2) is a brownfield expansion of the existing Terminal 2 Phase I (T2P1), upon completion, both phases will operate as a single, integrated terminal with seamless connectivity across passenger, operational, and service areas. To achieve this integration, modifications to the existing T2 Phase 1 infrastructure are required at the architectural, MEPF, ICT, and Airport Systems levels.

The structural integration works include demolition works, construction of permanent connecting areas, modification of passenger and staff circulation routes, operational interfaces and associated works required to seamlessly integrate the two terminal phases. The scope also includes restoration and matching of architectural finishes, materials, façade elements, ceilings, flooring, lighting, signage and other aesthetic features within the affected interface areas to ensure a consistent passenger experience across the integrated terminal.

BIAL submits that the details of above 3 cost elements have been submitted by BIAL to MECON and AERA previously on 18th March 2026 along with supporting documents. BIAL requests that these cost elements (which have been presently missed in the final report) be considered while approving the cost for Terminal 2 Phase 2.

Summary of Cost elements that BIAL is requesting for inclusion:

S. No	Item	Rs. Cr.
A	BHS Connectivity Between ATMS to T2 phase2	87.61
B	Execution Constraints in Brownfield Environment (Critical Factor 5% on 4586.80 Crore)	229.34
C	Integration Costs Between Phase–I and Phase–II	91.86
	Total	**408.81**

Summary For Terminal 2 Related submission:

BIAL requests the Authority to consider the area submission of 271,087 sqm and the original base cost of ₹ 4,490 Cr. as of March 2025 (excl. Indexation, GST, Labour Cess, Soft cost and IDC).

5.6.4. **BIAL's Comment regarding *Indexation* is as mentioned below:**

"***Indexation***

In its MYTP submissions dated 10th July 2025, BIAL has provisioned an amount of around INR 970 Crore for indexation based on the individual year wise phasing of each package and considering mean of WPI (all commodities) from the "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 year wise rates are as given below:

Description	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
WPI (All Commodities)	2%	2.8%	2.8%	2.8%	2.8%	2.8%

The 100th round of the Reserve Bank of India (RBI) Survey of Professional Forecasters (SPF) has been released on June 5, 2026.

Description	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
WPI (All Commodities)	7.8%	3.4%	3.4%	3.4%	3.4%	3.4%

The Authority, in the tariff orders and recent consultation papers for other airports, has decided to adopt the WPI inflation rates published by RBI's SPF as the same is conducted by RBI collecting views from external experts, economists and researchers on macroeconomic indicators including inherently considering geopolitical environments, supply chain disruptions etc.

BIAL submits that the 100th round of the RBI Survey of Professional Forecasters published on 5th Jun 2026 incorporates updated macroeconomic outlook, including evolving geopolitical situation and its implications for inflation expectations. Accordingly, BIAL requests the Authority to use the 100th

round of the RBI Survey of Professional Forecasters for final determination of tariff as has been adopted by the Authority across other tariff orders.

Given the unique situation where BIAL finds itself where in it is implementing large capital expenditure projects like Terminal 2 Phase 2 & associated Apron facilities amidst the current uncertain geopolitical situation, ***BIAL has engaged the services of CRISIL to evaluate the divergence between actual procurement cost escalation of key construction materials and the escalation implied by the Wholesale Price Index (WPI) over the relevant period (Mar-25 to May-26).*** *This includes a detailed assessment of market-driven price movements, with particular focus on adequacy of the WPI framework in reflecting real market conditions. CRISIL (Annexure 13) in their report has identified the actual inflation movement across key commodities which comprise the overall basket of commodities contained in the WPI and the same is listed below:*

WPI and weights	All (100%)	Bitumen (0.22%)	Paints (0.38%)	Glass[6] (0.07%)	OPC (0.85%)	HRC (0.88%)	Copper[5] (0.82%)	Aluminum[7] (0.81%)
Apr -25	154.2	138.1	138.5	139.7	127.6	132.4	149.9	171.5
May-25	153.7	136.5	137.3	140.1	131.0	133.1	150.3	173.0
Jun-25	153.7	136.2	136.5	140.6	131.3	132.2	151.7	174.1
Jul-25	154.4	133.4	137.3	140.4	130.7	131.0	152.9	176.2
Aug-25	155.2	131.1	138.7	140.7	130.7	129.8	154.5	176.8
Sep- 25	155.0	126.8	138.7	141.1	128.4	128.3	155.4	177.7
Oct -25	155.1	121.0	138.7	140.0	126.7	126.9	159.3	180.1
Nov-25	156.2	119.3	138.8	140.9	126.7	124.3	161.0	181.8
Dec -25	157.2	128.6	139.4	141.3	127.5	122.5	165.6	185.2
Jan-26	157.6	134.7	139.1	141.4	130.1	128.8	171.7	192.2
Feb-26	158.4	134.6	138.1	143.3	131.3	133.8	176.6	193.8
Mar-26	160.8	137.8	138.8	145.1	131.7	135.8	177.3	199.1
Apr-26	167.0	191.0	140.2	145.2	133.0	148.8	178.3	210.0
YoY growth	**8.3%**	**38.3%**	**1.2%**	**3.9%**	**4.2%**	**8.6%**	**19.0%**	**22.5%**

Source: Office of Economic Adviser

As can be seen, commodities like bitumen, copper and aluminum prices have increased drastically in line with the geopolitical events and the impact is not fully reflected in the WPI index alone.

<u>Consideration for Specific Bitumen linked inflation</u>

BIAL has already initiated work on 4 large airside projects viz.,

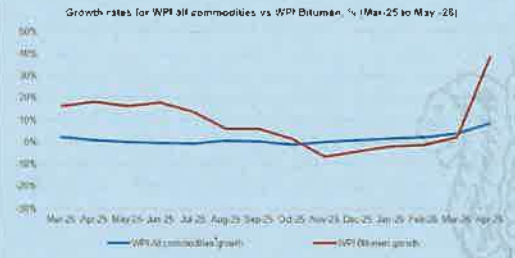
- *A1 – Western Cross taxiway*
- *A2 – Airfield Works*
- *A3 - 9 + 4 stands*
- *A5 – Taxiway Zulu*

BIAL submits that subsequent to the submission of the MYTP estimates and the competitive bidding process, there has been an abnormal escalation in the price of bitumen, due to the ongoing West Asia conflict. The increase is not in the nature of ordinary inflation or routine contractual variation. It is an exogenous disruption and has materially affected the cost of execution of the 4 aforementioned projects.

BIAL respectfully brings the following facts to the attention of the Authority:

1) *The subject works were awarded by BIAL through a transparent and competitive bidding process. The rates discovered through such process reflected market conditions prevailing at the relevant time.*

2) *The extraordinary escalation in bitumen prices caused by the West Asia conflict was neither contemplated by BIAL nor reasonably capable of being priced by bidders at the time of bid submission. The escalation is materially higher than normal inflation and has directly affected the cost of execution of the subject works.*
3) *BIAL appointed an Independent Agency to carry out a study of escalation in cost of all construction materials during this period of West Asia Crisis including Bitumen. The report from CRISIL is attached for reference in Annexure 13.*
4) *CRISIL study confirms that the amount of escalation is ~40% for Bitumen and extract of their report is provided below while the full report is attached as an Annexure to BIAL submission.*



Source: Office of Economic Adviser, Crisil Intelligence

- **Mar-26 to Apr-26:** Bitumen prices soared higher that than overall index until the gradual decline which began Jul-25 to register lowest values in Nov-25 with -6.5% YoY decline due to market surplus owing to China's weakening demand followed by crude prices dropping down to US$63.8/barrel. The price gradually escalated in Jan-26 due to tightening supplies owing to winter storm Fern which shut about 15% of US crude production and geopolitical tensions between US and Iran that disrupted oil supplies, reaching US$120/barrel in Apr-2026 resulting in sharp 40% rise in bitumen prices as crude prices soared as high 78% YoY in Apr-26.

Despite the pronounced volatility observed in bitumen prices driven largely by fluctuations in crude oil, a globally sensitive and shock-prone commodity, its impact on the overall wholesale price index remains limited. This is primarily because bitumen carries a very low weight (0.22%) in the WPI basket, which significantly dampens its influence on aggregate inflation trends. As a result, even sharp spikes or declines in bitumen prices do not translate into meaningful movements in the overall index, thereby muting the transmission of its volatility to broader inflation dynamics.

5) *The vendors/contractors executing the works have submitted written representations confirming that continued execution at the pre-disruption bitumen rates has become commercially untenable.*
6) *BIAL has undertaken a specific and item-wise assessment of the quantity of works executed during the affected period. BIAL has applied the actual escalation factor based on contemporaneous bitumen price evidence, after adjusting for normal inflation already embedded in the project cost assumptions, so that there is no duplication or double recovery.*
7) *BIAL has also separately assessed the likely bitumen escalation impact on the balance works to be executed until completion of the contract.*

BIAL submits that the above assessment satisfies the principles of prudence, efficiency and cost causation. ***The additional cost is not due to any inefficiency, scope change or delay attributable to BIAL or contractor and exceeds the 1.5% contingency proposed by the Authority.***

BIAL further submits that non-recognition of such extraordinary bitumen escalation would result in under-recognition of the actual efficient cost required for completion of an admitted aeronautical project.

BIAL has assessed and quantified the escalation impact for each project.

S. No	Project	Price Impact for completed works	Price Impact for future works till end of contract	Total Price Impact
1	A.1- WCT	-	10,78,67,191	10,78,67,191
2	A.2- Airfield works	2,73,38,778	27,29,81,351	30,03,20,129
3	A.3- T2 Apron (9+4 Stands)	33,51,974	97,96,863	1,31,48,838

4	*A.5- Taxiway connector to SE Parcel*	*2,35,09,910*	*3,67,53,794*	*6,02,63,705*
	Total Amount	***5,42,00,663***	***42,73,99,199***	***48,15,99,863***

Detailed Justification with Quantity and Rates provided in Appendix 1 separately attached

BIAL therefore requests the Authority to consider the supporting evidence including bitumen price quotations/price circulars, quantity workings, consumption estimates and inflation-adjusted escalation computation."

5.6.5. **BIAL's Comment regarding *Constraint Factor* is as mentioned below:**

"Constraint Factor

*BIAL as part of its MYTP submission had sought a **5% Constraint Factor** which was to allow for costs that contractor/ execution agencies incur on account of working in an operational area. The submission was made after reviewing past precedents established in the Third Control Period Order for **Thiruvananthapuram (Trivandrum) Airport / Ahmedabad Airport** and other Airports, wherein a 5% constraint factor was approved, as evidenced in the extract provided below.*

Terminal Expansion – Para – 7.3.41 of Trivandrum Airport Tariff Order

d. The Authority accordingly proposed to consider a cost of Rs. 1,33,477 per sqm as the normative cost for the expansion proposed instead of Rs. 1.51 lakhs per sqm considered by TKIAL. To this, an additional 5% towards allowance for extra cost over applicable rates for working in operational area as detailed in para 7.3.39 was proposed to be added making the total cost estimate to be Rs. 1,40,151, rounded to Rs. 1.40 lakhs per sqm. Accordingly, the total cost of the said expansion worked out to Rs. 182.00 crores (Rs. 1.40 lakhs per sqm * 13,000 sqm).

7.3.51 Rate analysis had been prepared by TKIAL considering DSR 2021 rates as a base, adding 6.33% additional GST and 10% additional cost for working in operational area. The Authority proposed to reduce the estimate of extra cost over approved rates for working in operational area to 5% as detailed in para 7.3.39 on the BOQ items on which TKIAL had claimed 10% additional cost.

Airside/Landside Drain Network

Ahmedabad Airport Tariff Order

*The Authority has presently considered **only 3% for a few projects** mentioned in the below table and not allowed any constraint factors for other projects, which does not adequately reflect the prevailing site conditions and execution challenges. The existing BCAS/CISF mandated security protocols as well as requirement of operations leads to the following restrictions which adversely impact construction*

7.3.45. The Authority examined the cost estimate submitted by AIAL and noticed that AIAL has included a 15% mark-up on the costs citing airside operational constraints. The Authority was of the view that the provision made by AIAL was quite high and therefore revised the allowance for airside operational constraint to 5%.

efficiency and project delivery:

- *Limited work fronts which get impacted by operational factors, VIP movements.*
- *Restricted access windows i.e., limited workhours*

- *Enhanced security compliance requirements i.e., workers need AEP and are frisked upon entry leading to loss of working time as long queues are formed at entry point into airside*
- *Additional cost for security clearance for long term passes*
- *Strict controls about bringing in and leaving of any machinery, tools and tackles*
- *Increased coordination efforts with security agencies.*

*The table below presents the comparison between the **Constraint Factor submitted by BIAL** and the **Constraint Factor proposed by the Authority**.*

Project Code	Project Description	Percentage Submitted by BIAL	Amount Submitted in Crores	Percentage Proposed by Authority	Authority Proposed Amount
A.1	West Cross Field Taxiway	5%	54.55		
A.2	Airfield works (Taxiway extension, Isolation bay etc)	5%	21.11		
A.3	T-2 Apron (9+4 Stands)	5%	11.21		
A.4	T-2 Apron Phase II	5%	26.51		
A.5	Taxiway connector to South East Parcel	5%	5.26		
A.7	Cargo West Apron (12 Stands)	5%	6.55		
B.1	T1 Upgradation Works	5%	43.52	3%	26.11
B.2	T2 Enhancement	5%	2.89	3%	1.73
B.3	T2 Phase II	5%	213.83		
C.4	T1 to T2 & Metro connector (walkway)	5%	3.63	3%	2.18
C.6	Cargo Avenue (NCR) Expansion (2+2 Lane)- LSG to Alpha 1	5%	0.55		
C.7	T1 & T2 Departure and arrival recirculation	5%	3.56		
D.2	MMTH Enhancement	5%	1.74		
	Total		394.91		30.02

***In view of the above factors and the operational challenges associated with these projects,** BIAL respectfully requests the Authority to retain the originally submitted 5% Constraint Factor (which is in line with AERA order issued for other airports) for the projects listed above and thereby allow differential amount towards constraint factor of ₹ 364.89 Crores over and above ₹30.02 Crores as proposed by Authority."*

5.6.6. **BIAL's Comment regarding *GST* is as mentioned below:**

"GST

BIAL had submitted the cost estimates for Capital Expenditure for PAL-2 and other program to be capitalized in Fourth Control Period based on the following taxes and statutory levies:

1. *GST at 14% (net of input tax credit wherever possible)*
2. *Labour cess levy of 1%*

AERA has proposed to consider GST cost of 14% and Labour Cess levy of 1%. Subsequently, it was found that the actual GST input credit availed by BIAL in its PAL 1 program was around 3.24% of the total project cost. Accordingly, BIAL, in its updated Capital Expenditure projections submitted to AERA (on 21st May 2026), had revised the GST rate to 14.75% (net of input tax credit)

BIAL requests AERA to consider the cost of 14.75% towards GST in line with BIAL's actual assessment and update the Capital Expenditure estimates accordingly.

A tabulation of the actual GST credit and resultant % for PAL-1 Program is as below:

Program	Total Cost Rs. Cr.	GST Input Rs. Cr.	%
T2 Phase 2	5000	213	4.26%
NSPR and related	2000	30	1.50%
Other Projects	2500	65	2.60%
TOTAL	**9500**	**308**	**3.24%**

"

5.6.7. **BIAL's Comment regarding *Pre-Operative Expenditure* is as mentioned below:**

"Pre-Operative Expenditure

BIAL has a strong and robust Project Team which is responsible for successful execution of all Capital Expenditure Programs executed by BIAL. The Project team is responsible to Plan, Coordinate, supervise and ensure timely and successful execution of the Projects. Projects Team has a detailed Organisation Structure with teams for various functions including Design, Program Management and Coordination, Procurement, Safety and Security, Project Finance Controlling etc.

A detailed note on the responsibilities of the Project Team is enclosed in Annexure 14.

BIAL currently has a 100 member Project Team Organisation executing PAL-2 Program, which will be ramped up further, as the PAL-2 program picks up pace and is expected to reach up to ~ 140 members during the peak duration.

BIAL's submission of 4% of Pre-Operative Cost is benchmarked on the PAL 1 program which got completed in FY2024. BIAL has incurred a total Pre-Operative cost of Rs. 77 Cr. till 31st March 2026. BIAL has undertaken a review of the estimates of Pre-Operative Cost and has rationalised the same.

Revised estimates of Pre-Operative expenditure proposed for PAL-2 program are as given below:

Particulars	Rs. Cr.
Salary Costs - Project Staff (Not a part of P&L)	189.71
Staff welfare, Recruitment, Training etc @ 2.5% of staff cost	4.74
Project Office - O&M Costs (including Utility cost) - Not a part of P&L - Rs. 4 Cr. per annum - 5.25 years (April 25 - June 30)	21.00
Other Office Overheads at 5% (Travel, Printing & Stationery, Rates and Taxes, Software licenses etc.)	10.54
Project Construction All Risk (CAR) Insurance - (At 0.15% for Rs. 10,000 Cr. approx. for 4 years)	60.00
ORAT estimate (PAL-1 estimate Rs. 30 Cr. in 22-23 escalated at 3% y-o-y)	36.90

Particulars	*Rs. Cr.*
Estimate for Lender / Owner Engineer Cost	*15.00*
TOTAL Cost estimate	***337.88***

This translates to ~ 3.43% of the approved Hard Cost value of Rs. 9838 Cr. (Refer Table 170 of the Consultation Paper)

BIAL requests that AERA consider the Pre-Operative Expenditure estimate of Rs. 338 Cr. as above and that the actual cost shall be trued up post completion based on review and reasonableness."

5.6.8. **BIAL's Comment regarding *Contingency* is as mentioned below:**

"Contingency

Para 5.3.315 (Page 212 of 301): For the awarded packages, while design and PMC at 5% and pre-operative expenses at 2% are also considered appropriate, the Authority notes that the extent of applicability of contingencies may not be fully ascertainable at this stage. At the same time, considering the voluminous nature of the works, possible scope changes / extra works and the prevailing external uncertainties, the Authority proposes to consider contingencies at 1.5% for the awarded packages. Accordingly, the total soft cost proposed to be considered for the awarded scope is 8.5%.

BIAL Response:

*The contingency budget in the MYTP submission was originally estimated at **3% of the project cost**, considering the scale, complexity, and current stage of the project. However, the Authority has considered a contingency provision of **1.5%**, for projects where a significant value of scope has been awarded.*

*While price has been discovered, the present projects are at an average progress level of only **30% - 50%**, with nearly **50% - 70% of the scope yet to be executed**. At this stage, significant uncertainties remain with respect to utility interfaces, stakeholder requirements (including from a safety, security perspective), operational constraints, statutory compliances, unforeseen site conditions, and construction-stage refinements.*

*It is also noted that the proposed **Allowance for Potential Changes @ 5%** has not been considered on the premise that future changes can be accommodated within the 1.5% contingency provision. However, considering the current stage of project development, it may not be practical to absorb all future modifications and unforeseen requirements within such a limited contingency allowance.*

*Accordingly, it is requested that the Authority kindly consider restoring the originally proposed **3% contingency provision** for the following projects. The additional 1.5% sought over and above the Authority-approved amount is summarized below:*

Project Code	*Project Description*	*As per CP @1.5% (₹ Cr)*	*Additional Requested @1.5% (₹ Cr)*
A.1	*West Cross Field Taxiway*	*17.58*	*17.58*
A.2	*Airfield Works (Taxiway Extension, Isolation Bay, etc.)*	*7.84*	*7.84*
A.3	*T2 Apron (9+4 Stands)*	*4.13*	*4.13*
A.5	*Taxiway Connector to South East Parcel*	*1.72*	*1.71*

B.1	*T1 Upgradation Works*	*14.08*	*14.08*
B.2	*T2 Enhancement*	*1.14*	*1.14*
Total		***46.49***	***46.49***

Approval of the additional contingency provision will ensure adequate financial provision for managing unavoidable changes during execution and facilitate smooth completion of the remaining project scope without the need for repeated budget revisions.

BIAL therefore requests the Authority to kindly consider restoring the originally proposed contingency provision of 3% for the above projects."

5.6.9. **BIAL's Comment regarding *Interest During Construction* is as mentioned below:**

"Interest During Construction

BIAL had submitted the Interest during Construction (IDC) estimate based on estimated debt rate of 9.5% for PAL-2 Program drawdown and based on the Capex phasing for various projects. While the Authority has accepted the 9.5% interest rate for PAL 2 Loan in the FRoR section of the 4th control period, the computations of the proposed IDC in the Capex report that has been adopted by AERA reflect an interest rate of 9% only and on this basis, detailed of the IDC has been shown in Table 169 of the Consultation Paper.

Further, AERA had also mentioned in Para 5.3.318 of the Consultation Paper as follows:

"The Authority notes that IDC has been computed for the unawarded / uncommitted packages based on the project phasing, debt-equity ratio of 70:30 and interest rate of 9%. Further, separate IDC has not been computed for the awarded portions due to the absence of precise construction progress and actual IDC data at this stage. The Authority is of the view that IDC for such awarded portions, if any, may be examined at the time of true-up based on actual debt utilisation, cost of debt, construction progress and capitalization"

BIAL submits as follows:

1. *Rate of Interest to be considered as 9.5% instead of 9% as indicated in Para 5.3.318.*
2. *In the methodology adopted by Authority's consultant, by considering 70% debt on only unawarded packages, the actual debt portion is significantly lower. To ensure the correct IDC calculation, the debt portion for unawarded packages needs to be increased so that overall Debt is ~ 70%.*

BIAL has recomputed the IDC estimates based on the costs proposed by the Authority in the Consultation Paper and has enclosed the same as Annexure 15. BIAL requests the Authority to update the IDC estimates as submitted by BIAL."

5.6.10. **BIAL's Comment regarding *the West Cross Field Taxiway project* is as mentioned below:**

"West Cross Field Taxiway (A.1)

Against the hard cost of ₹1,145 crore submitted by BIAL, the Authority has proposed to consider a hard cost of ₹976 crore, resulting in a cost rationalization of ₹169 crore which comprised of ₹46 cr of savings through market discovery of prices by BIAL, reduction of ₹49 cr worth of potential changes and the remaining amount of ₹ 74 cr was on account of rationalization of rates and non-acceptance of certain scope of work proposed by BIAL viz., utility restoration and external paint.

BIAL requests that the Authority reconsider the following:

Additional cost towards Utilities Diversion of ₹28.82 Crore

Reference as per Consultation Paper No. 01/2026-27- As per Clause 5.3.31, page 158 of 301: *"The Authority notes that the proposed utility crossing at P4 and SAR Road was not included as part of the WCFT enabling works in the MYTP submission. Further, BIAL has not adequately substantiated the technical requirement and necessity of the proposed utility crossing under this package. Accordingly, the cost associated with this item* ***(₹ 7.2 Crore)*** *has not been considered."*

Further, the Authority has also observed the following regarding restoration works: "The Authority notes that the proposed restoration works include restoration of utility trenches, manhole covers, roads, demolition of temporary roads, irrigation restoration and other related activities. The Authority observes that such restoration activities are incidental to the execution of the respective awarded works and are expected to be included within the scope of the relevant awarded packages. Therefore, separate consideration of the cost towards restoration works ***(₹ 22 Crore)*** *has not been found tenable."*

BIAL Response:

BIAL submits that the above restoration scope is directly linked to the utilities diversion and protection works and is necessary to reinstate affected roads, trenches, pipelines, manholes, irrigation lines and associated utility corridors to a safe and serviceable condition after diversion.

This submission seeks the Authority's reconsideration of the revised utilities diversion and associated restoration estimate of approximately ***₹28.82 Cr.***

The trial pit photos reflecting the complexity of work are attached.

During execution, further trial pit investigations and field validation established that the utility network within the WCT and NCR Road footprint is substantially more complex than initially anticipated.

The key deviations identified through trial pits and site investigations include:

- *Presence of* ***additional unidentified utilities.***
- *Detection of* ***copper cables instead of aluminium cables***
- *Higher density and depth variation of utilities*
- *Unexpected routing of service lines in conflict zones*

This could not have been estimated when the project was awarded without actual trial pits along the stretch of the project which have been taken up the contractor post award.

AERA

Utility Mapping Drawing

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AERA

Please refer to Appendix 2 : BOQ Additional Cost towards Utility Diversion - (Attached separately)

B. External painting costs (₹14 Crore)

"The Authority notes that external painting is already included within the scope of the awarded package. However, BIAL has not adequately justified the technical requirement for providing an Eggshell Finish on piers, retaining walls, girders, and other structural elements. Accordingly, the additional cost proposed towards this item (₹ 14 Crore) has not been considered."

BIAL response:

The understanding of the consultant that "External painting" was included in the package is incorrect. At the time of contract award, the contract specified egg shell concrete finish which specified usage of a sustainable, specialized mix where crushed eggshell powder is used as a supplementary cementitious material which decreases the permeability of the concrete and improve its compressive strength.

The specification for paint which has been subsequently introduced by BIAL as paint protection on a concrete structure is essential to prevent corrosion and deterioration due to environmental exposure. The piers' exposure to exhaust fumes, pollution, dust, moisture can lead to corrosion impacting the lifespan of the concrete structure.

As the taxiway facilitates aircraft movement, a zero-tolerance approach toward any potential corrosion or deterioration of structural elements is required. The advantages of applying the recommended paint system over the Eggshell Finish on the piers, retaining walls, girders and other structural elements are outlined below.

Aspect	***Advantages of Applying Paint over Eggshell Finish Concrete Surfaces***
Surface Protection	*Protects concrete against weathering, moisture ingress, carbonation, and environmental pollutants.*
Durability	*High-performance paint systems improve resistance to dust, dirt, stains, and minor surface deterioration.*
Ease of Maintenance	*Painted surfaces are generally easier to clean and maintain than untreated concrete.*
Defect Concealment	*Helps mask minor surface imperfections, patch repairs, and concrete colour variations.*
Long-Term Appearance	*Maintains a clean and aesthetically pleasing appearance for a longer duration when properly maintained.*

Considering the above facts, as the West Field Cross Taxiway is a prominent and highly visible airport asset, the specified coating is essential.

Accordingly, the requirement represents an additional scope arising from post-tender design finalization rather than a scope already contemplated in the lump-sum contract. In view of the above, it is requested that the Authority reconsider and approve the previously submitted amount of ***₹ 14 Crore*** *towards the provision of paint protection for the WCT Project.*

Appendix 3: External Paining cost breakup - (Attached separately)

C. Reconsideration of the cost rationalization from ₹71 crore to ₹41 crore

While noting the Authority's assessment of the balance scope at ₹ 41 Crore, BIAL respectfully submits that the rationalized estimate may not fully reflect the actual costs likely to be incurred for the remaining works. The assessment is primarily based on standard schedule rates and benchmark references, whereas the project is being executed within a live airport environment involving unique operational, security, access and coordination constraints. The market quotations submitted by BIAL were derived considering these project-specific conditions and prevailing market realities.

Further, the Capex Evaluation Report does not provide break down of the works rationalized from ₹ 71 Crs to ₹ 41 Crs.

BIAL requests the Authority to consider the costs at ₹ 71 Crore for the balance works instead of the rationalized cost of ₹ 41 crores, as the same have been estimated based on benchmarked and realistic current rates.

D. Pictures of Execution Constraints

As detailed above, we request the Authority to consider 5% constraint factor for this project.

E. Impact of Bitumen Prices Due to the Global Geopolitical and War-Related Crisis (₹10.79 cr)

As mentioned above, BIAL requests the Authority to consider an increase in project cost to the tune of ₹10.79 cr for specific impact of bitumen price escalation.

*Summary: For A1 project, BIAL respectfully requests the Authority to consider and approve an additional amount of **₹ 87.16 Crore** towards the West Cross Field Taxiway Project.*

S. No	Description	Amount in Crore
A	Consideration of revised utility diversions associated with the NCR, MAR, and SAR roads.	₹28.82
B	External painting costs	₹14.00
C	Reconsideration of the cost rationalization	₹30.00
D	Execution Constraints in Brownfield Environment 5% on Uncommitted Cost	₹3.55
E	Bitumen-: Impact of Bitumen due to Ongoing West Asia Crisis	₹10.79
	Total Amount Requested	**₹87.16**

5.6.11. **BIAL's Comment regarding *the Airfield Works, including Taxiway Extension, Isolation Bay etc (A.2) project* is as mentioned below:**

"Airfield Works, including Taxiway Extension, Isolation Bay etc (A.2)

As referenced in Consultation Paper No. 01/2026-27, Table 136: Cost Assessment for Cost Assessment for Airfield Works (Page 161 of 301). Against the hard cost of ₹443 crore submitted by BIAL, the Authority has proposed to consider a hard cost of ₹390 crore, resulting in a cost rationalization of ₹53 crore.

BIAL response:

*BIAL respectfully requests the Authority to consider and approve an additional amount of **₹ 49.12 Crore (of the** ₹53 crore rationalization proposed) towards the following items not fully defined at the time of assessment or have subsequently materialized due to project-specific requirements, including:*

- *Relocation of Ground Support Equipment (GSE) Toilet of ₹1.5 Cr*
- *Reconsideration of the rationalization of uncommitted works, as standard schedule rates may not adequately reflect the actual costs of execution considering within a live airport environment, including operational constraints, security requirements, restricted access, and specialized construction methodologies, illustrated as below:*
- ***Restricted Access in Operational Airside Area** - The work fronts are located adjacent to active taxiways and aircraft movement areas with access for manpower, equipment, and materials is subject to operational permissions and restrictions imposed by Airside Operations. Work activities are frequently interrupted or rescheduled based on aircraft movements.*
- ***AEP Pass and Security Clearance Delays** - Deployment of manpower and equipment requires the issuance and periodic renewal of Airport Entry Permits (AEPs). Delays in obtaining or renewing AEP passes affect the availability of skilled manpower and specialized resources at site.*
- ***CISF Security Restrictions** - Movement of materials, vehicles, and construction equipment within CISF-controlled areas is subject to stringent security protocols. Multiple levels of checking and escort requirements result in additional time and resource consumption.*
- ***Limited Working Windows** - Continuous construction operations cannot be maintained, leading to fragmentation of activities and reduced equipment utilization efficiency.*
- *As mentioned above, increase in bitumen prices arising from global geopolitical and war-related disruptions, which have significantly impacted pavement and roadwork costs beyond the original estimates amounting to ~30.03 cr.*

1. *BIAL submits that these costs are essential for the successful delivery of the project in accordance with approved design, operational, and stakeholder requirements. Accordingly, the Authority's favorable consideration and approval of the additional **₹ 49.12 Crore** is requested to ensure a fair and comprehensive recognition of the actual project costs incurred*

S. No	*Description*	*Amount in Cr*
A	*Relocation of Ground Support Equipment (GSE Toilet)*	*₹1.50*
B	*Reconsideration of the cost rationalization*	*₹13.80*
C	*Constraint Factor 5% on Uncommitted Cost of 75.8 Crore*	*₹3.79*
D	*Bitumen- Impact of Bitumen due to Ongoing West Asia Crisis*	*₹30.03*
	Total Amount Requested	***₹49.12***

"

1.1 T2 Apron, 9 + 4 Stands (A.3)

Impact of the global geopolitical and war-related crisis on Bitumen

In view of the above submissions above, BIAL requests the Authority's favorable consideration and approval of ***₹ 1.31 Crore*** *is requested towards bitumen related escalation.*

S. No	Description	Amount in Crore
A	Bitumen- Impact of Bitumen due to Ongoing West Asia Crisis	₹1.31
	Total Amount Requested	₹1.31

5.6.12. **BIAL's Comment regarding *the T2 Phase 2 Apron, 40 Stands & Cargo West Apron, 12 stands (A.4 and A.7 project* is as mentioned below:**

"T2 Phase 2 Apron, 40 Stands & Cargo West Apron, 12 stands (A.4 and A.7)

As referenced in Consultation Paper No. 01/2026-27, Table 138: Cost Assessment for T2 Phase 2 Apron, the Authority has proposed a reduction of ₹59 crore against the hard cost of ₹557 crore submitted by BIAL, resulting in an overall rationalization of 10.59%.

BIAL response:

It is submitted that the A4 project (T2 Phase 2 Apron works) will be developed adjacent to the operational Terminal 2 Phase 1 apron and bus gates while project A7 (Cargo stands) will be abutting the Western cross taxiway, the north runway and the newly developed IAPP. In both these zones, construction activities are subject to restricted working hours, controlled access, security clearances, limited material movement windows, stringent dust control measures, and continuous coordination with airport operations.

These constraints have a direct impact on construction productivity, logistics planning, resource deployment, and project execution costs. Therefore, the provision towards the constraint factor represents a genuine project requirement rather than a contingency allowance.

Accordingly, BIAL requests the Authority to include a 5% Constraint Factor to address the unique challenges associated with execution in a live airport environment. The same has been approved by the Authority in other airports. It is submitted that BIAL's airside complexity is significantly higher considering the scale of existing operations.

The value of constraint factor would be:

Sl. No	Description	Amount in Cr
A4	Constraint Factor 5%	₹ 26.51
	Total Amount Requested	₹ 26.51
S. No	**Description**	**Amount in Cr**
A7	Constraint Factor 5%	₹ 6.54
	Total Amount Requested	₹ 6.54

"

5.6.13. **BIAL's Comment regarding *the T2 Phase 2 Apron, 40 Stands & Cargo West Apron, 12 stands (A.4 and A.7 project* is as mentioned below:**

A.8 - North Airside Perimeter Wall & Perimeter Road and C.12 – North Boundary Road/Landside North East Road

The need for the projects has not been considered by the Authority citing

"5.3.94 As observed by MECON, the Master Plan envisages cargo-focused warehousing and aerospace-related developments along the northern boundary of the airport. However, the Authority further notes that no firm commitments with prospective entities for such developments have been executed as on date. In view of the above, the Authority is of the view that the relocation and construction of the new perimeter wall and perimeter road may not be considered during the Fourth Control Period at this stage."

5.3.265.... the proposed North Boundary Road does not have a direct and immediate nexus with passenger facilitation, terminal capacity augmentation or existing airport operations during the Fourth Control Period. The requirement appears to be contingent upon future commercial / cargo developments along the northern boundary. Therefore, the Authority is of the view that it would be prudent to defer this expenditure until the associated developments are firmed up and the operational requirement for the road is clearly established.

5.3.266. Accordingly, the Authority proposes not to consider the capital expenditure towards the North Boundary Road / Landside North East Road for inclusion in the RAB during the Fourth Control Period.

The project may be reconsidered in a subsequent control period, subject to BIAL demonstrating confirmed development commitments, implementation phasing, traffic demand, operational necessity and cost reasonableness."

BIAL acknowledges that there are no firm agreements in place. However, creation of new concessions through conversion of airside to landside is an ongoing activity and the details of area allocation has been provisioned in the master plan layout shared with the Authority and MECON. Since the land parcels are presently on the airside and there is no access road, it is not possible to attract possible developers. By the Authority not approving the spend, BIAL finds itself in a catch 22 situation. BIAL therefore requests the Authority to allow the expenditure towards relocation of boundary wall (A8) as per submission in the MYTP as it will hasten the pace of development of the north side which will generate additional revenues benefiting passengers.

Meanwhile, BIAL is in receipt of a letter from Karnataka Housing Board (KHB) dated 13th July (Annexure 20) wherein a parcel adjacent to KIAB's north boundary (depicted in saffron) has been identified for construction of CISF (Airport Security Group) residential accommodation facility. As per guidelines of Ministry of Home affairs and provisions under the CISF Act and CISF Rules 2001 (including Rule 61), airport operators are required to provide suitable residential accommodation for CISF personnel. Given the critical and time sensitive nature of airport security operations, it is imperative that such accommodation is located in close proximity to the airport to ensure operational readiness and minimal response time during route duties and emergency situation (Annexure 21 – Letter from DIG CASO to BIAL dated 10th March 2026).

Since the parcel identified by KHB is located adjacent to the north boundary, it is incumbent upon BIAL to connect the parcel to the airport road network such that the travel time for CISF is minimized – both from the perspective of operational readiness and minimal response time. We therefore request the

Authority to approve 60% of the cost submitted for C12 so as to enable landside road connectivity (in proportion to length of the road till the location of the proposed CISF housing land parcel).

Further, BIAL plans to construct the township over the next 30 months (during 4th Control Period). As this will be an aeronautical asset (directly linked to airport security & operations), asset construction will be started after completion of the AUCC process. The cost towards the CISF township will be submitted by BIAL to the Authority as part of true up during tariff determination for the 5th control period.

1.2 A.9 - Seeking increase in value of Extension of Taxiway B9 and Associated Works of ₹ 37 crores

Consultation Paper No. 01/2026-27, Table 142: Cost Assessment for Extension of Taxiway B9 and Associated Works, wherein against the hard cost of ₹36 crore submitted by BIAL, the Authority has proposed a hard cost of ₹32 crore, resulting in a cost rationalization of ₹4 crore.

While appreciating the benchmarking methodology adopted by the Authority, we respectfully submit that the cost assessment for Project A.9 may be revisited considering the updated design information and revised project scope now available.

1. Revision in Project Area Based on Finalized Layout

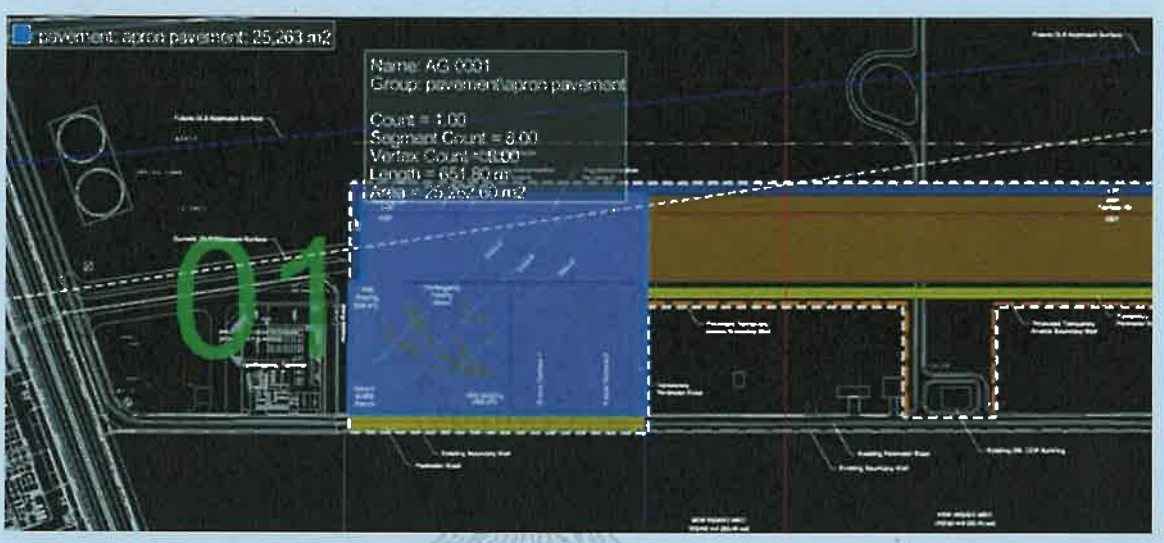
At the time of the initial submission, the detailed design and complete airside layout were under development. Therefore, BIAL had considered a preliminary Taxiway area of 31,426 sqm for estimation purposes basis ongoing discussions with Indigo (which were not finalized at the time of submission of MYTP). Further, the apron requirement for the contingency terminal was not provisioned at the time.

Subsequently, the detailed engineering design has been completed, and the full project layout is now available. Based on the finalized design, the revised area statement is as follows:

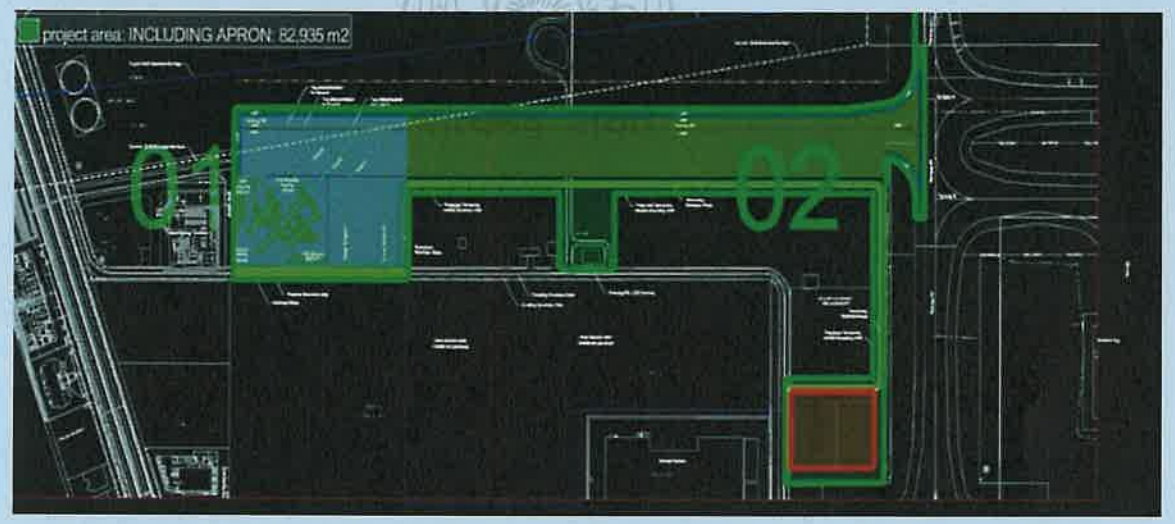
SL NO	PARTICULARS	AREA (Sq. m)
A	APRON AREA	25,263
B	TAXIWAY AREA (Rigid pavement taxiway area, flexible pavement area, inlay pavement area, flexible pavement shoulder and perimeter road pavement)	42,571
	TOTAL AREA	67,834

Accordingly, the project scope is substantially larger than the area considered during the initial submission as explained in the drawings below:

Apron Area drawing Screenshot:



Overall Layout:



Estimation Basis:

The A.9 project comprises both Apron works and Taxiway-related works. Accordingly, the unit rates have been derived using the benchmark rates considered by AERA in Consultation Paper No. 01/2026-27 for comparable airside development projects.

Clause 5.3.66 (A4 Project – Apron Development)

Clause 5.3.108 (A5 Project – Taxiway Development)

Applying the benchmarks, the estimate for project A9 is estimated as follows:

(ALL VALUES TO BE FOR INCREMENTAL AREA & COST)

Description	*Apron*	*Taxiway & Roads*	*Total*
Area in Sqm	*25,263*	*42,571*	*67,834*
Rate / Sqm	*12,946*	*10,812*	
Amount in INR	*32.7 cr*	*46.0 cr*	*78.7 cr*

Accordingly, the estimated hard cost for Project A.9 Extension of Taxiway B9 and Associated Works out to approximately ***₹78.7 crore.***

BIAL respectfully requests the Authority to reconsider the cost assessment of Project A.9 Extension of Taxiway B9 and Associated Works and approve a project cost of ₹78.7 crore, in lieu of the presently proposed amount of ₹32 crore, to appropriately reflect the finalized design scope and associated infrastructure requirements."

5.6.14. **BIAL's Comment regarding the T1/T2 Connectivity – Pier Expansion (B.4) project is as mentioned below:**

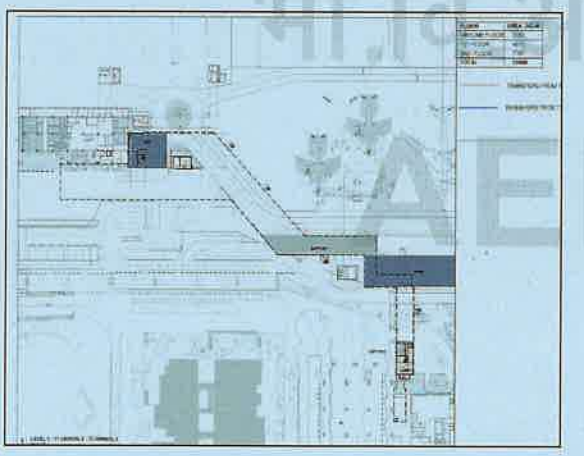
"T1 / T2 Connectivity – Pier Expansion (B.4)

Consultation Paper No. 01/2026-27, ***Table 151: Cost Assessment for T1 / T2 Connectivity – Pier Expansion****, - against the hard cost of ₹255 crore submitted by BIAL, the Authority has proposed a hard cost of ₹135 crore, resulting in a cost rationalization of ₹120 crore.*

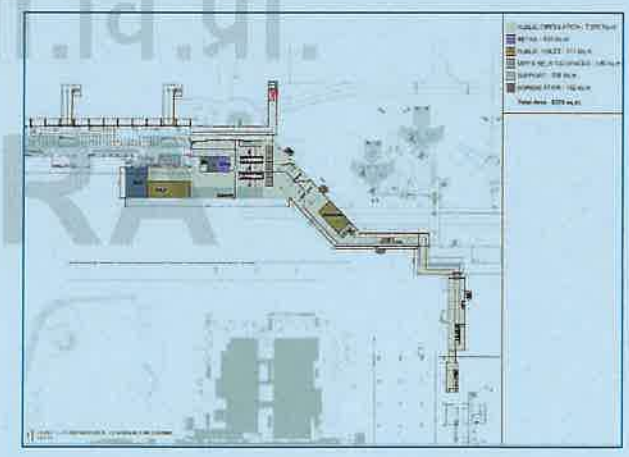
Para 5.3.154 - The Authority notes an inconsistency in the area proposed under this package. While the BOQ indicates an area of around 19,349 sqm, BIAL's presentation indicated a pier width of 22.5 m. Based on the proposed length of 320 m at 5.25 m level and 165 m at 13.5 m level, with a width of 22.5 m, MECON has assessed the area at around 10,912 sqm. Accordingly, the Authority has rationalised the area considered under this package to 10,912 sqm"

BIAL response:

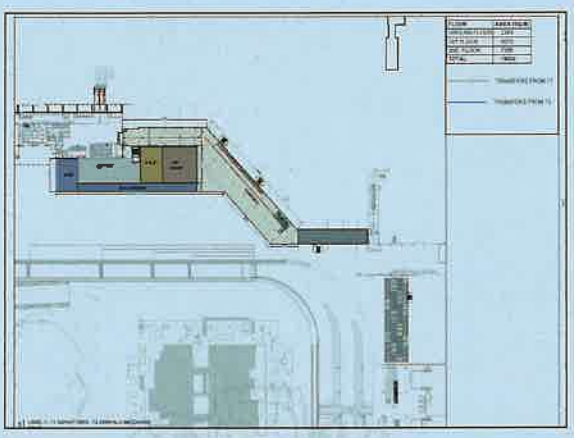
BIAL appreciates that the Authority has accepted the need for the project. BIAL notes that the proposed dimensions adopted by MECON have not been taken from the concept design submitted by BIAL. To clear the discrepancy, BIAL has now completed detailed designs for 19,000 which are being pasted herein with area statements.



T1 – T2 connector: Level 0 – 2,350 sqm



T1 – T2 connector: Level 1; 9,270sqm



***T1-T2 Connection Pier Level 2 details**; Area: 7,380 sqm*

BIAL requests the Authority to consider the correct proposed area of approximately 19,000 sq.m. (based on detailed designs as against the submission of 19, 349 sqm) and approve the originally submitted project cost of ₹255 Crore."

5.6.15. **BIAL's Comment regarding the New Air Traffic Control Tower (B.8) project is as mentioned below:**

"New Air Traffic Control Tower (B.8)

Para 5.3.189: Based on the above review and methodology, the assessed value of the package works out to around ₹ 89 Crores, as against the cost of ₹ 113 Crores claimed by BIAL in the MYTP..."

BIAL response:

BIAL is presently working with Airport Authority of India on finalization of the ATC tower design & associated facilities. In parallel, the siting study is underway. The siting study is a technical assessment undertaken to determine the optimal location, height, and orientation of the control tower so that air traffic controllers have visibility of operational areas while ensuring safe and efficient airport operations.

At the time of MYTP submission, BIAL had estimated the height of the tower as 85 metres. However based on the siting study, it is likely that the height may increase to 96 metres (under internal review post which it will be validated by Airport Authority of India).

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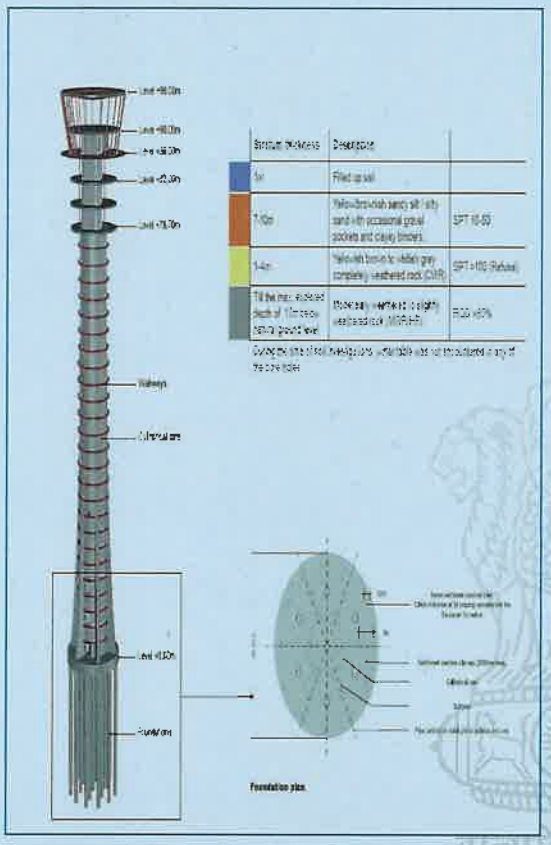


Image 1: Elevation view of proposed ATC tower

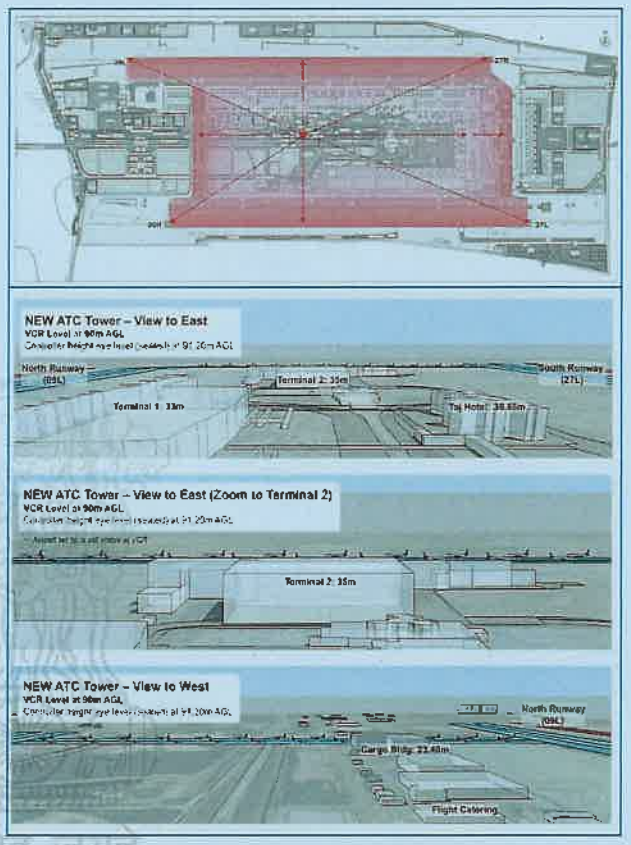


Image 2: Extract of Siting Study

Further MECON in their capex report have proposed rationalization of certain items like requirement of a technical block, temperature controls, CO2 sensors for BMS control, earthing system, lightning protection system which will be finalized in consultation with the users of the building (i.e., AAI).

In parallel, BIAL has conducted a tender for selection of the design agency who have also submitted a concept design with an estimated cost for the ATC tower in excess of ₹ 150 Cr.

As mentioned, the design is still under finalization with AAI. Any change in height (which will be the outcome of siting study) will have a disproportionate impact on ATC development cost due to specialized construction systems, changes in slip form work, wind load impact, foundation design and construction logistics. There may be substantial changes to the development concept vis a vis submission made at the time of MYTP. BIAL therefore requests AERA that the completed cost of ATC tower be trued up post implementation of the ATC tower & associated facilities at the time of tariff determination for 5th control period."

5.6.16. **BIAL's Comment regarding the Eastern Connectivity Tunnel (C.1) project is as mentioned below:**

"Eastern Connectivity Tunnel (C.1)

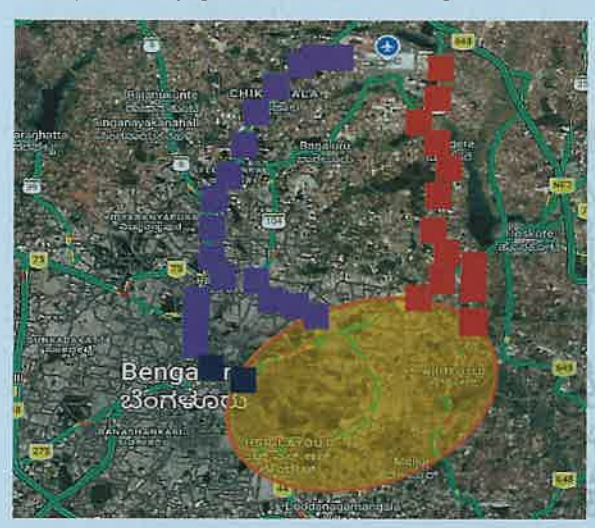
In Paras 5.3.198 to 5.3.203, the Authority has summarized its view as follows "The Authority is of the view that airport users should not be required to bear the cost of infrastructure that primarily falls within the domain of city / regional road development".

"The Authority feels that it would await the total funding commitment from the State Government for taking a final decision on the matter."

BIAL response:

The Eastern Connectivity Tunnel (ECT) project was identified as a key project when BIAL's masterplan was updated in 2019. With nearly 25% - 30% of passenger traffic through KIAB originating from East and South East Bengaluru and the only access point to KIAB through NH 44, the single access point was identified as a key business continuity risk.

The development of the ECT had clear and direct benefits for passengers originating from regions like Whitefield, Sarjapura who need to adopt the route shown in purple highlight below.



- Present Route in the absence of ECT
- Potential route post commissioning of

The Government of Karnataka has already developed the state highway (SH 104) which provides the connectivity to the airport as depicted in red dotted line. The development of the ECT should reduce driving distance by 12-15 kms, travel time by 30-45 minutes and reduced vehicular emissions This savings in distance will reduce the taxi charges payable by passengers to the extent of Rs 200-250 per trip at current prices.

Accordingly, BIAL submits the following for the Authority's consideration:

1) *The eastern connectivity tunnel project is a landside project that falls entirely within the airport campus. Hence the onus of development of the tunnel rests with the airport . The Airport Activities as detailed out in Schedule 2 Part 1 of the SSA, clearly states that landside and airside access roads are to be provided by BIAL.*
2) *The tunnel will have clear benefits for the traveler community as demonstrated above*
3) *A single connectivity to the West of the airport is a key business continuity risk. KIAB, presently depends entirely on a single arterial access route via National Highway 44 for the movement of passengers, airport personnel, cargo operators, and emergency services. This dependency on a single corridor poses a significant operational and systemic risk to the airport, as any disruption arising from congestion, accidents, infrastructure failures or natural events can severely impact flight operations, staff mobility, cargo logistics, and emergency response capabilities. Traffic congestion along NH44 has been rising rapidly. This combination of constraints leaves the airport vulnerable to delays, disruptions, and safety risks. This aspect of Business continuity should be duly considered by the Authority*
4) *For other major airports, there are multiple access points. The State government of Karnataka has already delivered its role by expanding State highway 104 and connecting it to the Airport's Eastern boundary.*

5) *In previous orders, AERA has stated that recognition of the project into RAB will be linked to commissioning of the asset. No conditions around funding of the project have been proposed previously. However, in the Consultation Paper for the 4th control period, AERA has stipulated that the funding be sought from Government of Karnataka. The above condition imposed by AERA is not in consonance with the provisions of the Concession Agreement (CA) executed between BIAL and Government of India and the State Support Agreement (SSA) executed between BIAL and Government of Karnataka.*
6) *From a constructability perspective, if the project is not built, it can never be built in the future as it will be technically infeasible to build a tunnel (even through a tunnel boring machine) as the tunnel alignment would fall under live aircraft apron with fuel hydrants, airfield ground lighting cables and other utilities making it a key safety risk.*
7) *BIAL is pleased to inform the Authority that basis a price discovery process for EPC works of the tunnel project and efforts at value engineering (using a cut and cover methodology wherein the works are awarded by September 2026 so that the development can be completed ahead of Terminal 2 Phase 2 apron), it should be possible to bring down the total project value by 30%*

Based on the submissions above as well as other stakeholder responses including Government of Karnataka, BIAL requests the Authority to consider 75% of the updated project cost as inclusion in Regulated asset base. BIAL is working with Government of Karnataka to explore innovative financing solutions to meet the balance 25% funding requirement. "

5.6.17. **BIAL's Comment regarding the KIA West Metro Station (C.2.2) project is as mentioned below:**

"***KIA West Metro Station (C2.2)***

Para 5.3.217 of the consultation paper states – "while the Authority acknowledges the operational convenience that the KIA West Metro Station may provide to certain commercial/support establishments, it is not satisfied that the expenditure has a direct and sufficient connection with travelling passengers' facilitation to merit inclusion in the RAB for the Fourth Control Period. Therefore, the Authority proposes not to consider the capital expenditure associated with the KIA West Metro Station for the purpose of tariff determination for the Fourth Control Period."

BIAL notes that the the Authority has acknowledged the operational benefit of the KIA west metro station to employees of concessionaires, cargo operators, MRO facility operator, airlines and other commercial /support establishments. However the same has not been included as part of Regulated asset base as there is no direct benefit to Airlines/ passengers.

*BIAL submits that such an interpretation does not fully recognise the role of common airport infrastructure in enabling efficient airport operations. As of 31st December 2025, approximately **45,000 personnel** work across the airport ecosystem, including BIAL employees, government and statutory agencies, airlines, cargo operators, MRO facilities, ground handling agencies, fuel farm operators, concessionaires and other service providers. The Airport West Metro Station has been planned to provide efficient, and reliable access to this airport workforce, whose activities are fundamental to the delivery of airport services and passenger facilitation.*

Further, the revenues earned from these airport stakeholders (where applicable) has been recognised and considered by the Authority as part of the airport's regulatory framework and tariff determination. It is therefore appropriate that the common infrastructure developed to facilitate the functioning of these airport users is also recognised within the Regulated Asset Base. In this regard, the Airport West Metro Station is analogous to other common airport infrastructure such as approach roads, utility

networks and common-use office facilities, which support airport operations even though they are not used exclusively by passengers.

BIAL would also like to draw the Authority's attention to letter from AERA to Government of Karnataka dated 5th February 2018 (enclosed as Annexure 16) wherein the Authority has mentioned that "in case KIA funds part of metro line within the airport premises, the same can be considered as a Regulatory asset of KIA for determination of regulatory tariff of KIA on commissioning of the asset".

In light of the aforementioned aspects i.e., the letter from AERA granting a pre-approval for metro assets within KIAB campus and recognising that the station serves both airport employees and users of aeronautical services, in line with the position articulated during the stakeholder consultation meeting held on 29 June 2026, BIAL respectfully requests the Authority to consider ***50% of the capital expenditure*** *relating to the Airport West Metro Station as part of the Regulated Asset Base for the Fourth Control Period.*

This represents a balanced and equitable approach that appropriately reflects the shared operational and passenger benefits arising from the investment. As highlighted during the stakeholder consultation meeting on 29th June, BIAL requests the Authority to consider 50% of the metro station capital expenditure as part of Regulated asset base."

5.6.18. **BIAL's Comment regarding the T1 to T2 Walkway and Metro Connector Walkway (C.4) project is as mentioned below:**

"T1 to T2 Walkway and Metro Connector Walkway (C.4)

We refer to Consultation Paper No. 01/2026-27, Table 157: Cost Assessment for T1 to T2 and Metro Connector Walkway, wherein against the hard cost of ₹76 crore submitted by BIAL, the Authority has proposed a hard cost of ₹58 crore.

Para 5.3.225 – "The rationalisation regarding the cost of T1 to T2 and Metro Connector Walkway has been carried out as per the following:

• The elevated Metro Connector Walkway has been considered as it directly supports passenger movement between Terminal 1 and the Airport Terminal Metro Station / Terminal 2 interface.

• The separate at-grade T1 to T2 walkway has not been considered, as passenger connectivity is expected to be addressed through the elevated walkway and MMTH interface.

• The balance scope has been assessed based on applicable schedule rates, market data and rationalisation of indirect cost and constraint factors.

BIAL response:

BIAL submits that the original estimate was prepared by Meinhardt basis the concept design. At the time, detailed structural, geotechnical and operational design inputs were not available to the design consultant (Meinhardt).

Subsequent to the MYTP submission, the project has progressed to detailed design stage and has been tendered on a Lump Sum Contract basis. The detailed engineering package has substantial changes from the assumptions considered during the original submission, resulting in an increase in quantity, complexity and execution requirements.

Key Differences Between Original Submission and Detailed Design:

Item	*As per Original Submission*	*As per Detailed Design*
Piling Works	*750 mm dia piles, 72 nos., 20 m depth (1,440 m)*	*1,200 mm dia piles, 46 nos., depths up to 25 m (970 m)*
Reinforcement Steel	*333 MT*	*352 MT*
Deck/Slab System	*Combination of RCC and structural slab*	*Fully structural steel deck system*
Concrete Grade	*M30 & M40*	*Predominantly M60*
Structural Steel	*762 MT*	*1,635 MT*
Roof System	*Standing seam metal roof (2,358 sqm)*	*Polycarbonate façade (2,637 sqm) + BIPV Solar Panels (830 sqm)*
Elevators	*2 passenger elevators*	*1 passenger elevator + 1 buggy lift (7T)*
Escalators	*2 escalators (6.5 m rise)*	*4 escalators (9.31 m rise)*

The detailed design demonstrates a substantial increase in the structural complexity of the walkway. Most notably, the structural steel quantity has increased from 762 MT to 1,635 MT, representing an increase of approximately 873 MT. Similarly, the foundation design, roof system, passenger movement systems and associated infrastructure have undergone significant revisions to meet actual site conditions viz.,

1. *Structural Configuration: The original estimate assumed a combination of RCC and steel structures. However, given the project's location within a high-traffic airport operational area, the detailed design has adopted structural steel piers and deck systems to minimize construction duration.*
2. *Foundation Design: Preliminary assumptions considered smaller diameter piles, whereas detailed geotechnical analysis necessitated larger diameter and deeper piles to meet structural requirements.*
3. *Structural Steel Quantities: Detailed engineering has increased structural steel requirements by approximately 873 MT for the deck, roof support system, and long-span walkway sections.*
4. *VHT Systems: The final design incorporates a lift capable of handling wheelchairs and baggage trolleys (basis experience of T2), and higher-capacity escalators, resulting in changes to the originally assumed equipment specifications.*

Market Validation Through Competitive Tendering

Upon completion of the detailed design, BIAL initiated a competitive tendering process. The bid responses received from the market provide the most realistic indication of the current project cost.

Group Element	*Hard Cost Submitted by BIAL (₹ Cr)*	*L1 Bidder (₹ Cr)*	*L2 Bidder (₹ Cr)*
Total	***₹ 78***	***₹ 114***	***₹ 123***

The tender results demonstrate that the market-assessed cost of executing the project is substantially higher than both the original submission estimate and the Authority's benchmarked cost.

Factors Contributing to Cost Escalation beyond estimate.

The increase in cost is attributable to design changes, actual site execution conditions as well as inflation in construction & Risk pricing by contractors given the present geopolitical situation.

- *Execution within an operational airport environment requiring extensive traffic management measures.*
- *Phased construction methodology as the elevated walkway will be built over the main access ramp*
- *Utility diversions and complex service routing requirements.*
- *Increase in quantity of structural steel along with genuine escalation in commodity prices*

Based on the completed detailed engineering and competitive tender outcomes, BIAL requests the Authority to consider the market discovered price for the T1 to Metro Connector Walkway project and allow the actual tendered cost to be recognized for regulatory purposes, as it represents the most accurate and market-tested assessment of the expenditure required for successful project execution."

5.6.19. **BIAL's Comment regarding the North-West Road Expansion, 2+2 lane (C.5) project is as mentioned below:**

"Northwest Road Expansion, 2 + 2 lane (C.5)

The Authority notes that the proposed expansion of the Northwest Road is linked to planned developments in the north-west zone of the airport, including MRO facilities, logistics infrastructure, utility services and contingency areas.

5.3.230. The Authority observes that the proposed North-West Road Expansion does not establish an immediate aeronautical requirement warranting tariff recovery in the ensuing control period. Accordingly, the Authority proposes to disallow inclusion of the said facility in BIAL's Regulatory Asset Base (RAB) for the Fourth Control Period. The treatment of this asset may be revisited in subsequent control periods based on actual capitalisation, demonstrated aeronautical utility, and prudence check by the Authority.

BIAL response:

The North West Road is an existing 1+1 lane road. The anticipated increase in vehicular movement arising from the cargo and MRO developments, the need for the road infrastructure appears has been operationally justified and the same has also been acknowledged by MECON in their report.

Incidentally, while AERA had approved the capital cost for a 2+2 lane road during the Third Control Period, BIAL was prudent in its spending and only incurred the capital spend towards a 1+1 lane configuration. We now would need to expand the existing road to a 2+2 configuration.

With vehicular traffic demand in the northwest zone is projected to increase from the present level of approximately 500 PCU/hour at around 1,300 PCU/hour in future because of expansion of cargo zones, MRO zones (which are currently under construction), development of contingency terminal along the alignment of C5.

During peak hours, the existing 1+1 road already sees congestion due to heavy truck movement. (Refer image below of the existing North West Road).

Further, BIAL submits that the revenue from cargo has already been treated by AERA as aeronautical. ***Hence BIAL requests that the capital expenditure of ₹ 23.7 crores towards enhancing road connectivity from 1+1 to 2+2 in line with growth in cargo volumes from 530,000 Tons to 750,000 Tons & consequently vehicular traffic may be considered favourably by the Authority.***

5.6.20. **BIAL's Comment regarding the Cargo Avenue/NCR Expansion 2+2 Lane (C.6) project is as mentioned below:**

"Cargo Avenue / NCR Expansion, 2 + 2 Lane (C.6)

We refer to Consultation Paper No. 01/2026-27, Table 158: Cost Assessment for Cargo Avenue / NCR Expansion, wherein against the hard cost of ₹12 crore submitted by BIAL, the Authority has proposed a hard cost of ₹9 crore, resulting in a cost rationalization of ₹3 crore.

While appreciating the benchmarking methodology adopted by the Authority, BIAL submits that the utility diversion and routing scope has undergone substantial enhancement during the detailed design stage due to the presence of critical live utilities within the project corridor.

At the time of submission, the utility routing scope was estimated at approximately ₹3 crore based on preliminary information. However, detailed utility investigations have revealed the existence of numerous operational and critical services crossing the proposed road network, including utilities serving the Air Traffic Control (ATC), airfield systems, and terminal infrastructure. These services are required to remain operational throughout the execution period, necessitating a more complex diversion and protection strategy.

The detailed design has established the need for:

- *Relocation and protection of multiple live utility corridors crossing the road network.*
- *Installation of continuous reinforced concrete duct banks along the project stretch to accommodate existing and future utility requirements.*
- *Diversion and reinstatement of high-specification copper power and communication cables, which constitute a significant portion of the project cost.*
- *Execution within a highly constrained operational airport environment requiring stringent safety and service continuity measures.*

Considering the critical nature of these utilities and the requirement to provide permanent duct bank infrastructure for long-term operational reliability, the utility routing cost has increased indicating an

*additional requirement of approximately **₹30 crore** towards utility diversions, duct bank construction, cable procurement, and associated protection works.*

*In view of the above, BIAL respectfully requests the Authority to consider the additional **₹30 crore** cost impact under the Cargo Avenue / NCR Expansion project. The revised cost represents the actual project requirement to ensure safe, reliable, and future-ready utility networks supporting ATC, airfield, and terminal operations.*

Appendix 5- Cargo Avenue / NCR Expansion, 2+2 Lane."

5.6.21. **BIAL's Comment regarding the MMTH Enhancement (D.2) project is as mentioned below:**

"MMTH Enhancement (D.2)

We refer to Consultation Paper No. 01/2026-27, Table 158: Cost Assessment for Cargo Avenue / NCR Expansion, wherein against the hard cost of ₹37 crore submitted by BIAL, the Authority has proposed a hard cost of ₹22 crore, resulting in a cost rationalization of ₹15 crore.

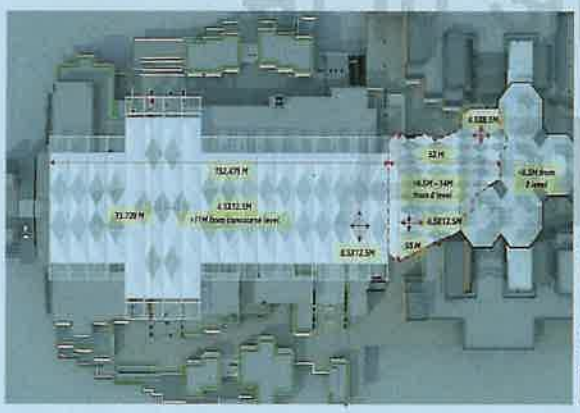
ATMS/MMTH Connecting Canopy

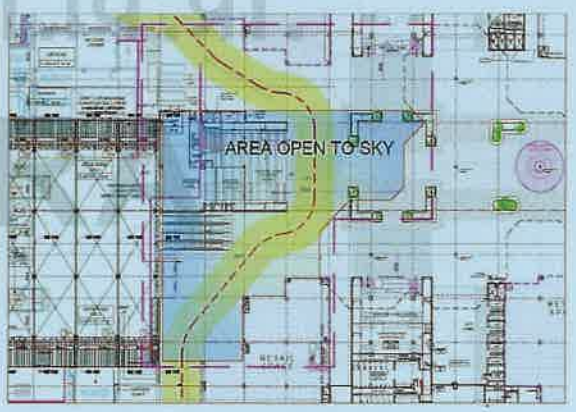
The existing MMTH Level 0 area is open to sky, and the path from the umbrella canopy towards the ATMS concourse remains uncovered for approximately 40 metres. This gap exposes passengers to rain and affects the intended operational connectivity between T2 and the metro station. The proposed linking canopy is therefore t an essential completion item required to bridge the uncovered portion and provide uninterrupted covered access for passengers moving to and from the metro station.

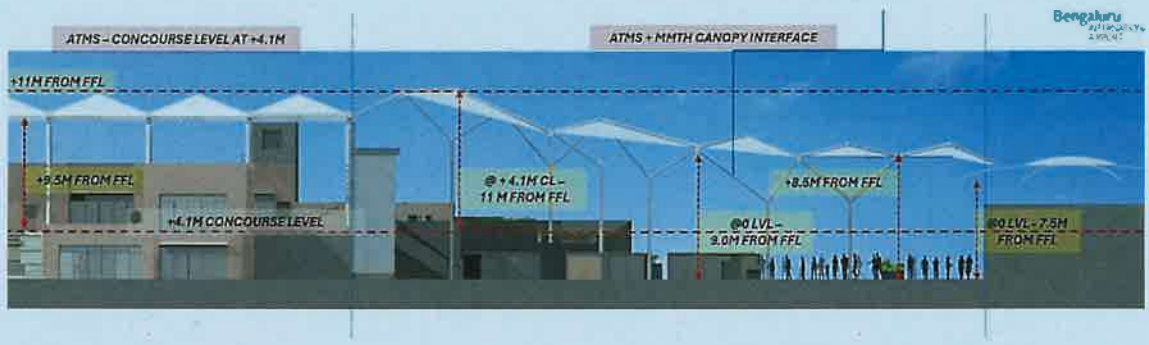
The scope also involves interface works with existing canopies, as the new canopy has to align with the established design language comprising PTFE/STFE roofing supported on MS structure. Since the ATMS concourse is approximately 4.1 metres above the T2 Arrival level, the connecting canopy functions as a transition zone in both height and geometry. Accordingly, associated methodology, MS structure modification/removal, barricading, light fixtures and MEP works arise from site constraints and integration requirements and cannot be treated as isolated or unrelated provisional items.

BIAL requests the Authority to consider these justifications while reviewing the rationalization of the submitted cost.

Proposed Layout







BIAL requests the Authority's favourable consideration of the additional ***₹10.6 crore*** *while finalizing the capital cost assessment for the MMTH Enhancement project. Appendices relating to the Capital Expenditure Estimates are enclosed together as Annexure 11.*

As substantial costs are yet to be awarded, we request that the actual costs awarded be considered at the time of True up based on review by the Authority."

5.6.22. **BIAL's Comment regarding Depreciation is as mentioned below:**

"Authority's Analysis

The Authority has recomputed the total depreciation based on the revised useful life of assets and revised asset addition. The Authority proposes to apply the proportion of the aeronautical assets on total depreciation to determine the depreciation on aeronautical assets. The Authority noted that the proportion of the aeronautical assets is varying from year-on-year basis since BIAL has undertaken expansion of the airport facilities. Therefore, the Authority proposes to apply the proportion of the aeronautical assets of a particular year to the depreciation amount of the respective year.

BIAL's Submission

AERA has detailed the estimated depreciation value to be considered as part of ARR computation for Fourth Control period as per Table 186 of the Consultation Paper. As stated in Para above relating to Depreciation for Third Control period, BIAL has computed the depreciation estimate as per AERA principles considering:

a) AERA useful lives
b) Asset addition as per AERA
c) Allocation ratios used by AERA for additions
d) Asset categorization as per the classification done by BIAL

Based on the above, the estimated depreciation is detailed as below. Computations have been submitted as Annexure 4.

(Rs. in Crores)

Particulars	26-27	27-28	28-29	29-30	30-31
Depreciation (Except depreciation on Financing allowance capitalized)	666.12	759.76	816.59	943.37	1246.19

BIAL requests AERA to consider the computation submitted by BIAL subject to true up based on actual capitalization, line-item wise allocation and actual depreciation computation."

5.6.23. BIAL's Comment regarding Allocation Ratio is as mentioned below:

"Allocation Ratio

Authority's Proposal

- *BIAL has submitted that allocation ratios for other common projects have been considered based on the overall terminal building ratio of 87.1%.*
- *For capital expenditure other than PAL-2 assets, BIAL has considered an aeronautical ratio of 90%.*
- *BIAL has further submitted that the aeronautical ratio for Terminal 2 Phase 2 assets and other terminal related asset additions has been considered based on the Terminal 2 Phase 1 aeronautical floor ratio.*
- *BIAL has submitted that airside projects have been considered as fully aeronautical.*

BIAL's Submission

BIAL had considered an overall estimated Aeronautical Allocation ratio for each program being executed in Fourth control period including PAL-2, Sustaining Capital Expenditure and other programs. These are adhoc estimates made currently as the detailed FAR level information will not be available at estimation stage. BIAL requests that AERA consider the actual asset allocation ratios to be derived based on the actual asset costs incurred and capitalized at individual asset level in Fixed Asset Register and its segregation into Aero, Non-Aero and Common. This is the consistent practice being followed by BIAL from the First Control Period.

Further, BIAL requests AERA to consider the following comments with respect to specific line items of allocation ratios:

Asset/ Program	*Allocation Ratio submitted by BIAL*	*Allocation ratio considered by AERA*	*BIAL's submission*
Cargo Avenue Expansion	*100%*	*86.86% Terminal Linked Asset*	*This relates to development of Road network essential for Airport Operations and hence to be considered as Aeronautical asset. As per AERA's study on asset allocation, issued in Third Control period Order, Road networks are considered 100% Aeronautical.*
MAR Circulation Link	*100%*	*86.86% Terminal Linked Asset*	
Utilities	*100%*	*86.86% Terminal Linked Asset*	*Refer BIAL's submission on Utility revenue adjustment from Utility Expenditure*
Sustaining Capex	*90%*	*86.86% Terminal Linked Asset*	*These assets are to be used all across the airport and not only within Terminal. Hence, Overall asset allocation ratio (which is around 90%) has been considered by BIAL.*

We request the Authority to update the asset allocation based on the justification provided by BIAL as above.

5.6.24 BIAL's Comment regarding **Financing Allowance** is as mentioned below:

"Authority Analysis

Not considered and no analysis has been stated in the Consultation Paper

BIAL's Submission

No reason has been provided in the Consultation Paper for denying Financing Allowance for projects that are getting implemented in 4th control period. Consequently, BIAL understand that the reasons for not providing FA in 4th control period could be the position AERA has adopted in the TCP order which is as given below:

a. *BIAL has been considered as brownfield airport as the operations have matured. Brown-field airports are not provided with financing allowance.*

b. *Financing Allowance is being disallowed because investment has taken place through internal accruals instead of direct equity infusion by its shareholders.*

c. *AERA adequately compensates for the risks associated with equity investments in a construction project once the project is capitalized by means of reasonable cost of equity.*

In this regard, we request to consider our submissions / notes submitted in Appeal No 5/ 2021 filed with Hon'ble TDSAT against AERA's TCP Order and comments submitted under true up for Third Control Period true up."

Other Stakeholders' Comments regarding CAPEX, Depreciation and Regulatory Asset Base (RAB) for the Fourth Control Period:

5.6.25 Fairfax India's comment regarding the stance adopted by the Authority towards BIAL's Capex for the Fourth Control Period is as follows:

"Capital investment programme - Stance adopted by the Authority towards some key projects forming part of the capital expenditure program

The Authority in its assessment has adopted the following stance towards the capital expenditure program proposed by BIAL:

1) *The Authority has proposed rationalization of area for Phase 2 of Terminal 2 by about 27,000 sqm.*

2) *The eastern connectivity tunnel proposed by BIAL has been excluded from the Regulated asset base suggesting that it should be funded by the state government.*

3) *The Airport west metro station has been excluded from the Regulated asset base suggesting that there is no direct benefit to passengers and airlines.*

As long-term infrastructure investors, we view India as a market that has tremendous potential but has often failed to develop infrastructure ahead of demand. This approach has constrained the country's sustained economic growth and enhanced competitiveness.

We are concerned that the proposed rationalisation of critical airport infrastructure appears to place disproportionate emphasis on reducing near-term capital expenditure rather than ensuring that capacity is developed efficiently to meet future demand. While such an approach may result in lower tariffs in the short term, it risks increasing lifecycle costs through deferred investments, operational disruption and more expensive future expansions.

In our experience across global infrastructure markets, the most successful regulatory frameworks encourage efficient investment that anticipates future requirements rather than responding only after capacity constraints emerge. Given that Bangalore International Airport is a strategic asset, we request the Authority to relook its stance."

5.6.26 Air Passengers Association of India (APAI)'s comment regarding inclusion of the Eastern Connectivity Tunnel in the RAB is as follows:

*"**Regarding inclusion of the Eastern Connectivity Tunnel in the RAB***

Technical comments regarding the inclusion of the Eastern Connectivity Tunnel (ECT) in Regulatory Asset Base (RAB) for the Fourth Control Period at KIAB.

Our stance is based on the following regulatory and economic principals.

Inherent Aeronautical Integration: We contend that the ECT is not a standalone road project. The design necessitates the tunnel to be developed directly under future aircraft parking stands. By virtue of this physical integration and its role in side-wide landside- airside traffic Management, the ECT should be classified as an integral component of airport's ground facility.

Mitigation of Business Continuity Risk: Under the AERA Act, the authority must consider the economic and viable operation of major airports. "The reliance on a single point of failure (NH-44) poses an unacceptable risk to airport business continuity. The ECT mitigates this risk by providing a secondary, secure access point, thereby directly supporting the operational viability mandated under section 13(1)(a)(iv).

Economic justification of RAB inclusion: APAI argues that the "User Pays" principal should be interpreted to include the cost of infrastructure that directly optimizes airport throughput. The tunnel addresses the specific traffic distribution of KIAB (where nearly 30% of traffic is from Eastern Corridor) and its inclusion in the RAB is the most transparent mechanism to ensure that the assets is funded and maintained to international safety and capacity standards.

We invite Authority to perform a holistic cost benefit analysis that quantifies the "time cost" savings for 30% passenger currently forced into inefficient detours and we remain available to discuss the legal merits of classifying this tunnel as essential airport infrastructure."

5.6.27 Millennium Aero Dynamics' comment regarding inclusion of the Eastern Connectivity Tunnel in the RAB is as follows:

*"**Regarding inclusion of the Eastern Connectivity Tunnel in the RAB***

Technical comments regarding the inclusion of the Eastern Connectivity Tunnel (ECT) in Regulatory Asset Base (RAB) for the Fourth Control Period at KIAB.

Our stance is based on the following regulatory and economic principals.

Inherent Aeronautical Integration: We contend that the ECT is not a standalone road project. The design necessitates the tunnel to be developed directly under future aircraft parking stands. By virtue of this physical integration and its role in side-wide landside- airside traffic Management, the ECT should be classified as an integral component of airport's ground facility.

Mitigation of Business Continuity Risk: Under the AERA Act, the authority must consider the economic and viable operation of major airports. "The reliance on a single point of failure (NH-44) poses an unacceptable risk to airport business continuity. The ECT mitigates this risk by providing a secondary, secure access point, thereby directly supporting the operational viability mandated under section 13(1)(a)(iv).

Economic justification of RAB inclusion: APAI argues that the "User Pays" principal should be interpreted to include the cost of infrastructure that directly optimizes airport throughput. The tunnel addresses the specific traffic distribution of KIAB (where nearly 30% of traffic is from Eastern Corridor) and its inclusion in the RAB is the most transparent mechanism to ensure that the assets is funded and maintained to international safety and capacity standards.

We invite Authority to perform a holistic cost benefit analysis that quantifies the "time cost" savings for 30% passenger currently forced into inefficient detours and we remain available to discuss the legal merits of classifying this tunnel as essential airport infrastructure."

5.6.28 Business Aircraft Operators' Association's comment regarding inclusion of the Eastern Connectivity Tunnel in the RAB is as follows:

"Regarding exclusion of the Eastern Connectivity Tunnel in the RAB

The cost of the Eastern Connectivity Tunnel should not be included in the Regulatory Asset Base (RAB). The ECT is essentially a public connectivity infrastructure serving a wider public purpose beyond airport users. Accordingly, funding support should be explored through the Government of Karnataka. In this regard, it is pertinent to note that the Chairperson of the Board of Directors of Bengaluru International Airport is the Chief Secretary of Karnataka, placing the airport operator in a suitable position to pursue appropriate government support instead of recovering such costs from airport users."

5.6.29 Business Aircraft Operators' Association's comment regarding inclusion of the Metro Stations under development near KIA, Bengaluru, in the RAB is as follows:

"Metro Station

Only that portion of the metro infrastructure which directly serves the airport terminal and terminates within the terminal complex should be considered for inclusion in the RAB. Metro infrastructure located outside the terminal should not form part of the RAB, as airport passengers already contribute through the User Development Fee (UDF) towards airport development. It would not be equitable to burden passengers with the cost of external public transport infrastructure. Funding such external infrastructure should appropriately be sought from the Government."

5.6.30 Business Aircraft Operators' Association's comment regarding inclusion of New Terminal Assets in the RAB is as follows:

"Inclusion of New Terminal Assets in RAB

Terminal assets should be included in the RAB only after they are commissioned and become available for operational use. At that stage, the true-up mechanism may be applied, together with the applicable Fair Rate of Return (FRoR), to ensure full and fair recovery of prudently incurred capital expenditure."

5.6.31 Business Aircraft Operators' Association's comment regarding Stakeholders' involvement in Master Plan Changes is as follows (excerpted):

"Stakeholder Consultation on Master Plan Changes

Any future implementation, modification, or revision of the approved Airport Master Plan — including terminals, aprons, parking areas, access arrangements, business aviation facilities, or operational procedures — should be undertaken only after structured consultation with affected stakeholders."

5.6.32 Air India Group comment regarding the Landside Connectivity is as follows

"West Cross Taxiway (WCT) project:

We support this project, as it will reduce aircraft taxi times and reduce fuel burn, thus optimising operations & reducing costs."

5.6.33 Air India Group comment regarding the West Cross Field Taxiway project is as follows

"Landside connectivity:

Landside connectivity from city needs to be improved to handle growth. Currently the sole access from the west side highway is constrained and there will need to have connectivity from the east, not just for business continuity purposes, but also alleviating traffic from the west within the airport area. Thus, the East connectivity tunnel project is of vital importance. Airports such as Changi (Singapore) have planned and worked on cross airport connectivity tunnels way ahead of new terminal openings, as the cost of doing so later would be much greater

On the West Metro station, these serve the airlines, ground handlers, cargo, MRO and other important stakeholders. By improving the efficiency and ease of aviation operations, it benefits and helps to reduce the long-term costs to the airlines and make air travel more affordable."

5.6.34 Infrastructure Development, Ports and Inland Water Transport Department, Government of Karnataka's comment regarding the Non consideration of Eastern Connectivity Tunnel (ECT) Project is as follows

"Originally, the ECT project was recommended in the Master Plan 2019 along with projects planned for implementation in the 3rd control period (FY2022-FY2026). In line with the above, BIAL had proceeded with the implementation of the 300 m enabling tunnel works in the 2nd control period as this enabling tunnel was to be located under the Eastern Cross taxiway which was being implemented along with the New South Parallel Runway. AERA, had however, not considered the same with an observation that the enabling works will be recognized only when the entire ECT project is completed.

In the 3rd control period, BIAL, on account of Covid 19, did not pursue this project considering the uncertainty in traffic and the need to rationalize the capital expenditure for 3rd control period.

With recovery and consolidation of traffic growth, BIAL has now embarked on the implementation of its capital expenditure program aimed at increasing the airport's passenger handling capacity to 80 million passengers per annum. The Eastern Connectivity Tunnel (ECT) is an integral part of this program which aims to provide direct terminal access from State Highway 104 while reducing the dependence on the highly congested NH-44 corridor.

Passengers originating / reaching to East Bengaluru (like Whitefield) will be saving around 12-15 kms distance wise and around 30-45 minutes of travel time apart from reduction in vehicular emissions. This savings in distance will reduce the taxi charges payable by passengers to the extent of Rs 200-250 per trip at current prices.

As per BIAL's estimates, around 25-30% of traffic is from East Bengaluru area and this translates to a minimum of 15 million passengers in FY2031 (based on 72.4 million total traffic as per the Consultation Paper).

Based on the above, the passenger community will be saving Rs 300 crs every year on travel costs to and from the airport besides the reduced travel time and pollution levels in the city. The reduced cost of travel to the airport are direct benefits to passengers and should be considered by the Authority.

KIAB, presently depends entirely on a single arterial access route via National Highway 44 and the Hebbal trumpet interchange for the movement of passengers, airport personnel, cargo operators, and emergency services. This dependency on a single corridor poses a significant operational and systemic risk to the airport, as any disruption arising from congestion, accidents, infrastructure failures or natural events can severely impact flight operations, staff mobility, cargo logistics, and emergency response capabilities. Traffic congestion in the northern corridor of Bengaluru has been rising rapidly, with new real estate developments around NH44. This combination of constraints leaves the airport

vulnerable to delays, disruptions, and safety risks. This aspect of business continuity should be duly considered by the Authority.

From a technical feasibility perspective, the ECT is proposed to be developed under aircraft apron. Since the apron will have embedded fuel hydrants and utilities, it may not be feasible to develop ECT through tunnel boring at a later stage. Hence the window of opportunity is now failing which it will be lost forever.

In the past tariff orders, AERA has not imposed any condition for recognition of this Project into RAB barring completion. However, in the Consultation Paper for the 4th control period, AERA has stipulated a condition that the ECT Project will be considered as a part of RAB subject to Government of Karnataka providing total funding for the project. The above condition imposed by AERA is not in consonance with the provisions of the Concession Agreement (CA) executed between BIAL and Government of India and the State Support Agreement (SSA) executed between BIAL and Government of Karnataka.

The Airport Activities as detailed out in Schedule 2 Part 1 of the SSA, clearly states that landside and airside access roads are to be provided by BIAL. The proposal by the Authority in the consultation paper puts additional obligations on the state of Karnataka and revises the State Support Agreement that had been executed by the Hon'ble Governor of Karnataka acting through Infrastructure Development Department, Government of Karnataka.

Considering the essential nature of the ECT Project which will directly benefit the Passengers in the form of reduced travel cost to and from the airport with the reduction being Rs 200-250 per trip, Government of Karnataka requests AERA to consider the ECT Project as a part of RAB and not link it to any financial support from the state of Karnataka."

5.6.35 Infrastructure Development, Ports and Inland Water Transport Department, Government of Karnataka's comment regarding the KIA West Metro Station Project is as follows

"Airport West Metro Station

The State is investing close to 10,584 crores to extend metro connectivity to the Airport. The metro will be used by passengers as well as employees and users of cargo terminal operators, ground handling agencies, fuel farm agency, CISF and other statutory agencies, airline staff, staff working in utility infrastructure and other airport support facilities, retailers and other concessionaires at the airport.

In such circumstances, Government of Karnataka requests the Authority to treat the Airport West station as an asset integral to development of the Airport and consider 50% of the project as part of the Regulated asset base."

5.6.36 Airline Operators' Committee (AOC)- Bengaluru's comment on Support for Core Capacity Enhancement at KIAB is as follows:

"Support for Core Capacity Enhancement

The airline community reiterates its strong support for essential infrastructure programmes, including:

- *Terminal 2 expansion – to accommodate rising passenger volumes and international traffic growth.*
- *Terminal 1 modification works – to modernize facilities, improve passenger experience and optimize operational efficiency.*
- *Cross Taxiway (CTW) and associated airside enhancements – to reduce taxi times, improve aircraft movement efficiency and enhance overall airside capacity.*

These projects are critical to ensuring adequate capacity, operational efficiency and long-term growth, but their execution must be governed by transparent progress monitoring and demand linked phasing."

5.6.37 Airline Operators' Committee (AOC)- Bengaluru's comment on Capex Escalation and Tariff Pass Through is as follows:

"CAPEX Escalation and Tariff Pass-Through

AOC-BLR notes with concern the proposed ₹400 crore CAPEX allocation towards the Metro/MMTH component. While multimodal connectivity is not an essential project and it must be recognized that all CAPEX is ultimately recovered through airport tariffs, directly increasing airline operating costs.

Furthermore, the proposed Airport Terminal Metro Station enhancement, though state-of-the-art, does not constitute an essential investment. Current estimates suggest that only 15–20% of airport traffic may utilize this facility, making it a desirable but non-critical CAPEX. In such circumstances, prioritizing this project risks diverting resources away from core capacity needs.

Additionally, the Metro system falls under the direct purview of state and central government infrastructure projects. It is therefore unclear why BIAL, as a private entity, should assume responsibility for funding such development. This raises fundamental questions about the appropriateness of passing these costs onto airlines and passengers through tariff recovery.

AOC-BLR submits that this component should be treated as discretionary CAPEX, deferred until utilization visibility is established and primarily funded through government channels rather than private airport operators.

In the current environment of fuel price volatility, even marginal tariff escalation compounds airline cost pressures, impacting fares, demand, and route viability. Aviation turbine fuel constitutes 30–40% of airline operating costs, and a 10% surge in ATF prices erodes margins by 2–3 percentage points, forcing airlines to impose surcharges, rationalize routes, and delay capacity restoration."

5.6.38 Airline Operators' Committee (AOC)- Bengaluru's comment on Protecting Airline Viability is as follows:

"Protecting Airline Viability

Elevated operating costs limit airlines' ability to increase frequencies, restore pre-disruption capacity, and open new routes, whereas a stable tariff environment enables airlines to rebuild networks, enhance connectivity and offer competitive fares. Rational CAPEX prioritization is therefore essential to safeguard airline sustainability."

5.6.39 Airline Operators' Committee (AOC)- Bengaluru's comment on MMTH related Capex is as follows:

"Recommendation on Metro/MMTH CAPEX

We recommend phased or deferred implementation of the Metro/MMTH CAPEX until clear utilization visibility is established a comprehensive cost-benefit reassessment aligned to direct airport operational impact, scope rationalization and cost optimization measures and ensuring only essential, demand-linked CAPEX is considered for tariff pass-through."

5.6.40 Airline Operators' Committee (AOC) - Bengaluru's comment on Long Term Utilization of Assets at KIAB is as follows:

"Protecting Airline Viability

Elevated operating costs limit airlines' ability to increase frequencies, restore pre-disruption capacity, and open new routes, whereas a stable tariff environment enables airlines to rebuild networks, enhance

connectivity and offer competitive fares. Rational CAPEX prioritization is therefore essential to safeguard airline sustainability."

5.6.41 Airline Operators' Committee (AOC)- Bengaluru's comment on MMTH related Capex is as follows:

"Ensuring Long-Term Utilization

All major capital investments should be supported by demand validation, scenario based planning and phased execution linked to traffic triggers to ensure sustained utilization over the next 5–6 years while mitigating risks of under-recovery."

5.6.42 Airline Operators' Committee (AOC)- Bengaluru's comment on the impact of the Second Airport Development near Bengaluru is as follows:

"Impact of Second Airport Development in Bengaluru

AOC-BLR wishes to draw attention to the ongoing evaluation by state and central authorities regarding a second airport facility in Bengaluru, with active discussions on land acquisition and location. This development has significant implications: once operational the second airport will inevitably divert passenger and cargo traffic away from KIA current traffic projections underpinning CAPEX planning at BLR may be overstated if diversion materializes, leading to underutilization of newly built infrastructure underutilization will directly affect the recovery of invested CAPEX through aeronautical charges, placing disproportionate burden on airlines and passengers and premature or excessive CAPEX at BLR without factoring in the second airport's impact risks creating stranded assets and tariff inflation. We therefore urge AERA to mandate a holistic traffic impact assessment that incorporates the second airport's timeline, capacity and diversion potential before approving large-scale CAPEX at BLR. CAPEX phasing must be calibrated to realistic demand scenarios to avoid avoidable tariff escalation."

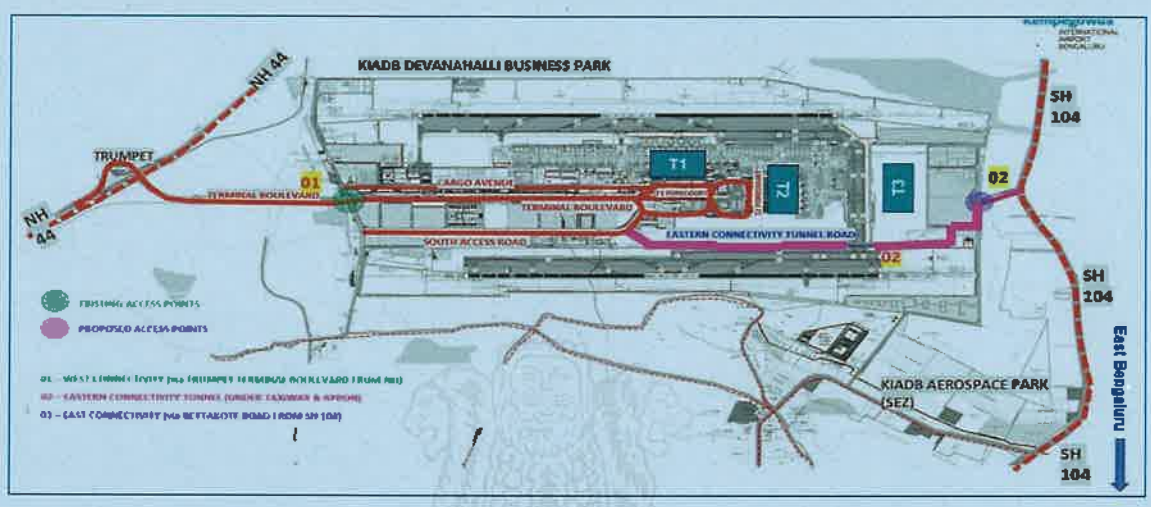
5.6.43 Millennium Reddot Private Limited's comment(s) regarding the Eastern Connectivity Tunnel is as follows:

"Need for Alternate Eastern Access to KIAB

I request you to implement connectivity to airport via Eastern way as currently the only fastest way connectingSH104 out is vide intersection of the existing terminal boulevard. This takes 20- 30 minutes in peak traffic and once KIADB aerospace park is fully operational (many Industry constructions are in place) the current 30minutes would further extend not improve.

I understand you (AERA) have formally (on 29th May 2026) written to BIAL to seek Government of Karnataka's (GoK) support to fund the project and I fully support the initiative taken

AERA



"Eastern connectivity tunnel is requested to be taken up on priority so that on its completion the traffic would be split causing less congestion"

5.6.44 Confederation of Indian Industry (CII)'s comment/opinion on the necessity of sustained investment in airport infrastructure for Bengaluru's continued economic growth is as follows:

"Sustained investment in airport infrastructure is essential for Bengaluru's continued economic growth

Bengaluru's continued success depends on its ability to provide infrastructure that matches its global economic stature. Airports are long-life infrastructure assets requiring careful planning and timely investment, with development cycles extending over several years.

Infrastructure created after demand has materialized inevitably leads to congestion, operational constraints and significantly higher long-term costs.

Timely investments in airport capacity generate benefits that extend well beyond aviation. They improve regional connectivity, attract investment, facilitate exports, support tourism, create employment and enhance India's overall competitiveness. CII therefore encourages the Authority to adopt a long-term perspective while evaluating BIAL's capital investment programme, recognising that prudent investments today will create enduring economic value for passengers, airlines, businesses and the wider economy."

5.6.45 Confederation of Indian Industry (CII)'s comment regarding Terminal 2 at KIAB is as follows:

"Terminal 2 is a benchmark for Indian infrastructure and a source of national pride

Terminal 2 has become one of India's most admired public infrastructure projects and a powerful symbol of the country's ability to deliver infrastructure that meets global standards. Its recognition through the prestigious Skytrax 5-Star Airport Terminal Rating is a testament to the quality of its design, sustainability, passenger experience and operational excellence. For investors, multinational corporations, business leaders and visitors arriving in Bengaluru, Terminal 2 creates an important first impression of both the city and the country.

As Bengaluru progresses towards becoming a leading international aviation hub, it is important that the next phase of Terminal 2 development is planned with adequate long-term capacity while preserving the high standards that have earned international recognition. We therefore request the Authority to

adopt a holistic and forward-looking approach while finalizing the infrastructure requirements for Terminal 2 Phase 2."

5.6.46 Confederation of Indian Industry (CII)'s comment regarding the Eastern Connectivity Tunnel (ECT) project is as follows:

"Eastern Connectivity Tunnel is integral airport infrastructure that directly benefits passengers

The proposed Eastern Connectivity Tunnel is a strategic infrastructure project that will substantially improve airport accessibility for passengers travelling from East Bengaluru by providing direct connectivity from State Highway 104 to the airport campus.

The project is expected to reduce travel distance by over 12 kilometres and save approximately 30 to 45 minutes of travel time for a significant section of airport users.

In addition to improving passenger convenience, it will reduce congestion on NH-44, lower travel costs, improve journey reliability and contribute to lower vehicular emissions.

In our view, the Eastern Connectivity Tunnel should be regarded as an integral component of airport infrastructure rather than an ancillary external road project. Improved access to the airport directly enhances passenger experience, operational efficiency and the long-term functionality of the airport ecosystem.

Accordingly, CII respectfully requests the Authority to reconsider its proposed treatment of the Eastern Connectivity Tunnel and permit the investment to be considered as part of the Regulated Asset Base, thereby facilitating timely implementation of infrastructure that delivers clear and measurable benefits to airport users and the broader public."

5.6.47 Confederation of Indian Industry (CII)'s comment regarding the need for regulatory certainty for long term infrastructure investment is as follows:

"Regulatory certainty is fundamental to sustaining long-term infrastructure investment

India's airport sector has emerged as one of the most successful examples of public-private partnership in infrastructure. This success has been underpinned by a regulatory framework that has sought to balance affordability for users with the need to encourage substantial private investment in world-class infrastructure.

Airport projects require investments running into thousands of crores of rupees, with assets that have operational lives extending over several decades. Such investments are planned and committed many years in advance based on established regulatory principles governing the recovery of prudent costs. A stable, transparent and predictable regulatory framework is therefore fundamental to enabling long-term infrastructure planning and maintaining investor confidence.

Frequent changes in the interpretation or application of tariff determination principles, particularly where they depart from established regulatory precedents without compelling justification, may introduce uncertainty into investment decisions and affect the confidence of long-term institutional investors who finance critical infrastructure.

As India seeks to mobilise significant private capital to meet its ambitious infrastructure development objectives, regulatory certainty assumes even greater importance. Consistency in the application of established regulatory principles not only strengthens investor confidence but also supports the timely development of infrastructure necessary to meet the country's rapidly growing aviation demand.

CII therefore respectfully requests the Authority to continue providing a stable, transparent and predictable regulatory framework while finalising the tariff determination for the Fourth Control

Period, consistent with the principles that have supported the successful development of India's airport sector over the past two decades."

5.6.48 Association of Private Airport Operators (APAO)'s comment regarding the Eastern Connectivity Project (ECT) is as follows:

*"**Non consideration of Eastern Connectivity Tunnel (ECT) Project***

The Eastern Connectivity Tunnel (ECT) project to be developed by BIAL is an integral part of the Expansion program and it aims to provide direct terminal access to travelling passengers from the State Highway 104 thereby reducing the dependence on the highly congested NH-44 which is currently the only connecting road to and from the airport.

As per BIAL's estimates, around 25-30% of traffic is from East Bengaluru area, and they will be using this ECT to reach the airport. This translates to at least 15 million passengers approx. in FY2031 (based on 72.4 million total traffic as per the Consultation Paper).

It is pertinent to mention that passengers from East Bengaluru will be significantly benefited because of saving around 15 kms distance wise and around 30-45 minutes of travel time apart from reduction in vehicular emissions. This savings in distance will reduce the taxi charges payable by passengers to the extent of minimum of Rs 200 per trip at current taxi fares.

Based on the above, the passenger community will be saving Rs 300 crs every year on travel costs to and from the airport besides the reduced travel time and pollution levels in the city. The reduced cost of travel to the airport are direct benefits to passengers and should be considered by the Authority.

From a technical perspective, ECT will be housed below the Terminal 2 Phase 2 apron. Since the apron will have embedded fuel hydrants and utilities, it may not be feasible to develop ECT through tunnel boring at a later stage. Hence, if this window of opportunity is not utilized, then it will be lost forever which will not be in public interest.

In the previous tariff orders, AERA has not imposed any condition for recognition of this Project into RAB barring completion. However, in the Consultation Paper for the 4thcontrol period, AERA has stipulated a condition that the ECT Project will be considered as a part of RAB subject to Government of Karnataka providing total funding for the project. The above condition imposed by AERA is not in consonance with the provisions of the Concession Agreement (CA) executed between BIAL and Government of India and the State Support Agreement (SSA) executed between BIAL and Government of Karnataka.

Considering the essential nature of the ECT Project which will directly benefit the Passengers in the form of reduced travel cost to and from the airport with the reduction approximately being Rs 200 per trip (translating to Rs 300 crs every year), APAO kindly requests AERA to consider the ECT Project as a part of RAB and not link it to any financial support from the Government of Karnataka."

5.6.49 Association of Private Airport Operators (APAO)'s comment regarding the KIA West Metro Station project is as follows:

*"**Airport West Metro Station***

The KIAB West Metro station will be used by passengers as well as employees and users of cargo terminal operators, ground handling agencies, fuel farm agency, CISF and other statutory agencies, airline staff, staff working in utility infrastructure and other airport support facilities, retailers and other concessionaires at the airport.

APAO requests the Authority to treat the Airport West Metro station as an asset integral to development of the Airport and consider at least 50% of the project as part of the Regulated Asset Base."

5.6.50 Construction Federation of India (CFI)'s comment on costs pertaining to recent Consultation Papers published by the Authority is as follows:

*"**Observation on Cost pertaining to recent AERA Consultation Papers of HIAL & BIAL***

The Construction Federation of India (CFI) is the apex industry body representing the country's leading engineering and construction companies engaged in building infrastructure of critical national importance, including airports, highways, bridges, tunnels, metros, seaports, dams and power projects. Established in the year 2000, CFI works closely with industry, government ministries, regulatory authorities and multilateral institutions to bring about all-round improvements in the construction sector through policy advocacy, regulatory reform and the promotion of fair and transparent contracting practices. Its member companies have been an integral part of the nation-building process over several decades and continue to play a critical role in achieving India's ambitious infrastructure creation targets.

In line with its commitment to promoting industry competitiveness and supporting the development of robust infrastructure frameworks, CFI has been closely examining developments in the construction sector.

In this regard, we note that the Airports Economic Regulatory Authority (AERA) has recently published the Consultation Papers for Rajiv Gandhi International Airport, Hyderabad (4th Control Period – HIAL) and Kempegowda International Airport, Bengaluru (4th Control Period – BIAL). We understand that the cost escalation methodology for construction costs in both cases has been based on the Wholesale Price Index (WPI). The inflation factor considered is 19.1% for HIAL (for the period 2022–2025, as referenced on Pages 64 and 65 of the RITES Report) and 29.2% for BIAL (for the period 2020–2025, as referenced on Pages 111 and 112 of the MECON Report). This is not in sync with the market as has been observed by the members of CFI.

Key cost drivers including aluminum, copper, steel, labour wages, and foreign exchange rates, have witnessed a significant escalation during the period, directly impacting overall construction costs. Moreover, these costs have increased sharply over the past year, while the impact of labour law revisions is yet to be ascertained.

Whilst this may serve as a placeholder to arrive at benchmark numbers, the construction costs do not follow the WPI Index as has been noticed and monitored by us. Factors that influence actual cost of construction such as logistics, opportunity cost for suppliers, raw material supply chain, risks and geopolitics do not figure in the WPI index. Dynamics of site-specific challenges/opportunities, local issues and logistic and contractual nuances/policies governing at the time influence the pricing.

It is our humble request to your good selves that construction costs are considered as per the market."

5.6.51 IATA's comment regarding Capital Expenditure Review for the Fourth Control Period is as follows:

"Capital Expenditure Review:

IATA notes that a number of projects proposed within the Fourth Control Period have already progressed into detailed design and construction prior to completion of the regulatory review process. While the Authority's independent review provides an important safeguard, once major projects have commenced the regulator's ability to assess the need, scale and timing of an investment becomes significantly reduced. In many cases, the assessment is limited to reviewing the efficiency of capital expenditure already incurred rather than whether the underlying project remains justified. Ideally, major investments should be subject to regulatory scrutiny before contracts are awarded and substantial expenditure is committed.

IATA also notes that several projects involve significant increases in stand, terminal and supporting infrastructure capacity being delivered in single steps. While capacity expansion may be necessary to support long-term growth, the scale, timing and sequencing of these investments should remain aligned with forecast demand. Infrastructure should be delivered progressively where practical and projects that are operationally dependent upon related infrastructure should only be considered available when airport users can derive meaningful benefit from the complete infrastructure solution.

Furthermore, the Authority should continue to ensure that only efficient expenditure providing a direct and demonstrable benefit to airport users is admitted into the RAB. This is particularly important where infrastructure serves broader commercial, surface access, campus development or other non-aeronautical purposes. Equally, asset lives, depreciation assumptions and treatment of replaced assets should remain consistent with actual engineering standards and user benefit. In this context, IATA offers the following observations."

5.6.52 IATA's comments regarding Need, Timing and Phasing of Capacity is as follows:

"Need, Timing and Phasing of Capacity -

IATA supports investment in infrastructure required to meet forecast demand. However, capacity additions should remain aligned with demonstrated demand growth and operational readiness.

Reference	***IATA Comments***
Clause 5.3.125	*IATA supports only those components necessary for operational continuity, passenger facilitation, safety, compliance and transfer efficiency being included within the project scope.*
Table 139	*IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL. As this project is currently under construction, the Authority and its independent consultant should continue to assess whether the proposed operational date remains achievable and adjust delivery assumptions where necessary.*
Table 149	*In relation to the area per PHP of 37 sqm/PHP being considered, IATA submits that this should ideally be lower and aligned with IATA norms. Table 146 indicates an area per PHP of 34.08 sqm/PHP for Terminal 2 Phase 1 Expansion, which appears to represent a more efficient benchmark that could be replicated in future terminal developments.*
Table 150	*IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL. However, similar considerations apply regarding terminal planning efficiency and the assumed sqm/PHP ratio.*
Table 153	*While this project is proposed to be delivered in March 2027, Taxiway B9 and associated enabling works required for access will not be completed until September 2027. The project is therefore unlikely to provide meaningful operational benefit until the supporting taxiway infrastructure is available and the delivery date should be assessed accordingly.*
Table 160	*IATA supports the Authority's approach of allowing only those project elements required to serve users during the Fourth Control Period, with remaining elements deferred until justified by demand.*
Clause 5.3.261	*IATA supports exclusion where there has been insufficient demonstration of need to serve projected demand.*
Table 182	*IATA requests the Authority to verify the placement of T2 Phase 2 expenditure, as there appears to be a possible inconsistency between FY2030 and FY2031 allocations.*

"

5.6.53 IATA's comments regarding RAB is as follows:

"

Reference	*IATA Comments*
Tables 135 & 136	*IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL.*
Tables 141 & 142	*IATA supports the Authority's proposed reductions. In particular, IATA supports exclusion of the perimeter road and fence under Table 141.*
Table 143	*IATA supports the Authority's proposed reduction and supports removal of duct cleaning from CAPEX and its treatment as OPEX, given its operational nature.*
Table 145	*IATA supports the reduction of the proposed costs allowed to enter the RAB versus the costs submitted by BIAL.*
Clause 5.3.162	*IATA supports GA terminal infrastructure being funded outside the aeronautical RAB and cautions against funding utilities, aprons and taxiways associated with GA activities through aeronautical charges.*
Table 152	*In assessing the scale of parking facilities, the Authority should consider the impact of future metro connectivity. If metro access reduces parking demand, this should be reflected in facility sizing.*
Clause 5.3.203	*IATA supports the Authority's effort to protect airport users from funding projects that primarily support regional road connectivity rather than airport users.*
Clause 5.3.217	*IATA supports exclusion of projects that principally serve commercial and wider campus activities rather than airport-user needs.*
Clause 5.3.230	*Should this project be reconsidered in future determinations, only those elements directly benefiting airport users should be permitted to enter the RAB.*
Clause 5.3.240	*In addition to supporting exclusion of the temporary parking facility, IATA submits that metro impacts should be reflected in future parking and kerbside demand assessments.*
Clause 5.3.266	*Future project consideration should remain subject to a clear airport-user benefit test.*
Tables 157, 158, 162, 163 & 164	*IATA supports the Authority's proposed reductions. In the case of Table 162, IATA also supports exclusion of elements that do not have sufficient supporting information.*
Table 173	*IATA supports the Authority's assessment of sustaining CAPEX against historical delivery and expenditure levels.*

"

5.6.54 IATA's comments regarding stranded assets are as follows:

"

Reference	*IATA Comments*
Clause 5.3.61	*The replacement of existing stands to facilitate taxiway development raises the question of how any remaining value associated with the retired stands will be treated. Users should not continue to remunerate assets that are no longer usable.*
Table 154	*Similar considerations apply to the existing control tower if it is replaced and no longer operational. Any remaining capital value should be reviewed before continuing to attract recovery through the RAB.*

"

5.6.55 IATA's comments regarding aeronautical allocation areas follows:

"

Reference	*IATA Comments*
Clause 5.3.306	*It is generally accepted practice to apply construction cost indexation to the midpoint of construction, reflecting the stage at which most major contracts have been finalised. IATA suggests that indexation should follow this approach to better reflect actual construction cost exposure.*
Table 181	*In relation to the proposed aeronautical allocation percentages for T2 Enhancement, T2 Phase 2 and T1/T2 Connectivity, IATA notes that these projects have a greater area per PHP than the T1 Upgrade project. This suggests a potentially higher proportion of commercial space and may justify a lower aeronautical allocation, at least aligned with the T1 Upgrade benchmark of 85.38%.*

"

5.6.56 IATA's comments regarding depreciation are follows:

"Depreciation and Useful Life:

IATA submits that depreciation assumptions should reflect the actual useful life of airport infrastructure and the period over which users derive benefit from the asset. Asset lives that are materially shorter than recognised engineering standards accelerate cost recovery and may result in airport users funding investments more rapidly than justified by the underlying utilisation of those assets. Given the significant impact depreciation has on the Aggregate Revenue Requirement and aeronautical tariffs, depreciation periods should remain aligned with engineering design standards, operational experience and the expected service life of the infrastructure concerned. In this regard:

Reference	*IATA Comments*
Clause 5.3.50	*The Consultation Paper states that the pavement has been designed for a 40-year design life in line with FAA standards. It would therefore follow that the asset life adopted for depreciation should similarly be 40 years, rather than the 30 years currently reflected in Table 185.*
Clause 5.3.62	*As this project also relates to a major concrete pavement area designed in accordance with FAA standards, IATA submits that the associated depreciation life should similarly be aligned with the underlying 40-year design life.*
Table 183	*The proposed asset life of five years for roads, boundary walls and security fencing appears materially shorter than normal engineering practice. Roads should have a significantly longer useful life, and boundary walls and similar civil assets should be depreciated over a period that more accurately reflects their operational life. Similarly, road pavement civil works should be depreciated consistent with their underlying design standard and expected useful life.*

By aligning depreciation assumptions with actual asset life and engineering standards, the Authority can help ensure that users pay for infrastructure over the period in which benefits are received, while avoiding unnecessary acceleration of cost recovery through tariffs."

5.6.57 Menzies Aviation's comment regarding the Eastern Connectivity Tunnel (ECT), KIA West Metro Station and the Northwest Road Expansion projects is as follows:

"At the outset, Menzies appreciates the Authority's proposal to recognise the development of twelve dedicated cargo aircraft stands as part of the capital Programme for the Fourth Control Period. The creation of additional cargo stands is an important investment that will enhance the airport's cargo handling capability and support the growing demand for domestic and international air freight through Bengaluru.

However, Menzies respectfully submits that the effectiveness of these investments must be assessed as part of an integrated cargo and logistics ecosystem rather than as standalone airside infrastructure. In our view, the operational benefits of the proposed cargo expansion can only be fully realised when supported by efficient landside connectivity.

In this regard, we request the Authority to reconsider its proposed treatment of the Eastern Connectivity Tunnel (Project C1), the KIA West Metro Station (Project C2.2), and the road widening works connecting the cargo terminals with the airport logistics park (Project C5).These projects are not independent of commercial developments but constitute critical enabling infrastructure that supports efficient cargo movement within the airport campus.

Cargo logistics is inherently time-sensitive, with operational performance measured through parameters such as truck turnaround time, cargo dwell time, transfer efficiency and schedule reliability. Efficient connectivity between cargo terminals, logistics facilities, aircraft stands and the external transport network is therefore essential for maintaining service quality and operational resilience. As cargo volumes continue to increase, the absence of adequate internal connectivity is likely to result in congestion, longer vehicle movement cycles, increased logistics costs and avoidable operational inefficiencies. Such constraints would diminish the benefits expected from the proposed expansion of cargo handling infrastructure. From a competitive perspective, Bengaluru Airport operates in an increasingly dynamic market where airports such as Chennai, Hyderabad and Cochin are actively strengthening their cargo infrastructure and logistics capabilities. Airlines, freight forwarders, express operators and shippers evaluate airports based on the overall efficiency of the logistics ecosystem rather than the availability of aircraft parking positions alone. Infrastructure that facilitates seamless movement of cargo across the airport campus is therefore a critical determinant of an airport's ability to attract and retain cargo traffic from its wider catchment area. Accordingly, Menzies respectfully submits that the Authority may consider evaluating the above connectivity projects as integral components of the cargo infrastructure Programme. Their contribution should be assessed based on the operational efficiencies they enable and the long-term competitiveness they support, rather than in isolation from the cargo facilities they are intended to serve. We request the Authority to reconsider its proposed approach towards the Eastern Connectivity Tunnel (Project C1), the KIA West Metro Station (Project C2.2) and the road connectivity enhancement project (Project C5), recognizing that these investments collectively strengthen the airport's cargo and logistics ecosystem and enhance KIAB's competitiveness as a premier air cargo gateway."

5.6.58 Bangalore Chamber of Commerce and Industry (BCIC)'s comment regarding airport infrastructure is as follows:

"***Airport infrastructure is fundamental to Bengaluru's global competitiveness***

The continued success of Bengaluru depends on its ability to offer infrastructure that matches the expectations of global businesses and international investors. As the city continues to attract investment and create high-value employment, airport infrastructure must expand ahead of demand to ensure that capacity does not become a constraint to growth. The airport is an integral component of the city's economic ecosystem. Infrastructure investments at KIAB support business continuity, improve connectivity, strengthen investor confidence and reinforce Bengaluru's competitiveness relative to other global technology and innovation hubs. We therefore encourage the Authority to evaluate the proposed capital investments with a long-term perspective, recognizing their broader economic contribution beyond the aviation sector."

5.6.59 Bangalore Chamber of Commerce and Industry (BCIC)'s comment regarding Terminal 2 at KIAB is as follows:

"***Terminal 2 has become a global showcase for Bengaluru and India***

Terminal 2 has established itself as one of the most admired airport terminals in the country and has become a matter of pride for Bengaluru's business community.

For many international visitors, the airport is their first interaction with the city. Terminal 2 reflects the values that Bengaluru is known for—innovation, sustainability, design excellence and a commitment to delivering infrastructure of global standards. Its recognition through the prestigious Skytrax 5-Star Airport Terminal Rating has further reinforced Bengaluru's reputation as a city capable of delivering world-class infrastructure.

Our member companies frequently host international customers, investors and partners, and the quality of the airport experience makes a meaningful contribution to the overall perception of Bengaluru as a preferred destination for global business.

As passenger traffic continues to grow and the Government of India advances its vision of developing Bengaluru as a major international aviation hub, it is important that Terminal 2 Phase 2 is developed with adequate long-term capacity to support the city's future aspirations."

5.6.60 Bangalore Chamber of Commerce and Industry (BCIC)'s comment regarding the Eastern Connectivty Tunnel project at KIAB is as follows:

"***Eastern Connectivity Tunnel will enhance accessibility and business efficiency***

Efficient and predictable access to the airport is of considerable importance to the business community. The proposed Eastern Connectivity Tunnel will significantly improve airport accessibility for a large catchment of passengers travelling from East Bengaluru by reducing travel distance and travel time while easing congestion on existing road corridors.

The project will improve mobility for employees, business travellers, exporters, service providers and airport users while reducing travel costs, improving journey reliability and lowering vehicular emissions.

From the perspective of Bengaluru's business ecosystem, the tunnel is an important element of airport infrastructure that enhances passenger access and operational efficiency. We respectfully request the Authority to reconsider its proposed treatment of the project and permit its inclusion within the Regulated Asset Base, enabling timely implementation of infrastructure that delivers long-term benefits to passengers, businesses and the city.

BCIC appreciates the Authority's efforts to balance consumer interests with sustainable infrastructure development. We respectfully submit that investment in airport infrastructure should be viewed as investment in Bengaluru's future competitiveness and India's economic growth. We request the Authority to take these submissions into consideration while finalising the tariff determination for the Fourth Control Period."

5.7. BIAL's response to Stakeholder Comments regarding CAPEX, Depreciation and RAB for the Fourth Control Period

5.7.1 BIAL's response to the comments by the Government of Karnataka is mentioned as follows:

"*BIAL acknowledges and supports the comments made by the Government of Karnataka, specifically with the need to recognize the capital expenditure towards the proposed Eastern Connectivity Tunnel as well as the Airport West Metro station. BIAL requests the Authority to consider the submissions in order to provide BIAL with a reasonable assessment of ARR by adopting a fair approach and ensuring consistency in the principles adopted by the Authority.*

5.7.2 BIAL's response to the comments by the Airline Operators' Committee regarding key airside and terminal expansion projects is mentioned as follows:

"We thank AOC for their support for implementation of key Airside and Terminal expansion /upgradation projects."

5.7.3 BIAL's response to the comments by the Airline Operators' Committee regarding tariff pass through due to capex escalation and protection of airlines' viability is mentioned as follows:

"Airport Charges (including navigational charges payable by airlines to AAI) do not constitute more than 8-10% of total operating costs of airlines. On a standalone basis, Airport operator related charges (i.e., charges payable to airport operators located in India and outside India), is likely to be around 5-6% of the total cost of the airlines. The contribution of Indian airport operators is likely to be even lower than the above. Hence, we do not agree with the statement of AOC that Airport Charges (levied by Indian Airport operators) determine the Airlines viability. These submissions are bald, vague and devoid of any merit as no study on airlines cost structure (specific to the Indian context) has been cited to come up with such conclusions."

5.7.4 BIAL's response to the comments by the Airline Operators' Committee regarding MMTH Capex is mentioned as follows:

"In the Second Control Period Tariff Order, a basic Multi Level Car Parking (MLCP) was considered by BIAL & the same was approved by the Authority to support the Terminal 2 parking requirements. However, during 2017-18, based on need to provide affordable public transport options, adding airport metro connectivity was felt necessary. The Terminal station was to be strategically placed so as to provide best access from both the

Terminals T1 and T2. Hence the forecourt and land side facilities at BIAL had to cater to this new requirement.

This led to the redesign of the common areas between T1 and T2 and the concept further evolved into a Multimodal Transport Hub (MMTH), which could accommodate private vehicles, taxis, city buses and the metro rail.

The Authority, in TCP Order had approved the capital expenditure and aeronautical allocation of 31.53% for the MMTH. By the issuance of the TCP order, the essentiality of MMTH development has already been addressed by AERA.

In the current Consultation Paper, AERA has reviewed the completed cost vis-à-vis the originally approved cost in TCP Order. BIAL has submitted its response regarding the disallowance proposed by AERA to the completed cost of MMTH and the Authority will consider the same at the time of issuance of the tariff order.

In regard to the AOC comment "multimodal connectivity is not an essential project and it must be recognized that all CAPEX is ultimately recovered through airport tariffs, directly increasing airline operating costs", BIAL would like to submit that the MMTH has principally 2 parts:

1. *Multi-Level Car Parking – This has been classified as non-aeronautical and hence has no impact on tariffs. However, for a passenger, the Multi-Level Car Park is an essential infrastructure. The MMTH also houses the zone where the passengers board BMTC buses. Providing bus connectivity to passengers is again essential.*

2. *Metro connectivity – This is an essential service for the passengers. Since the airport is located over 30 kms from the city centre, taxi fares for passengers average Rs. 1,500 one way. In such a scenario, metro connectivity will greatly benefit passengers as it allows a significantly cheaper, time effective and predictable mode of transport to/from the airport. Thus, suggesting that metro stations be treated as discretionary spend completely undermines the requirements of passengers.*

   It is pertinent to clarify that a significant part of tariffs are collected across Indian airports in the form of UDF which do not impact airline's costs.

   Further, regarding AOC comment "the Metro system falls under the direct purview of state and central government infrastructure projects. It is therefore unclear why BIAL, as a private entity, should assume responsibility for funding such development. This raises fundamental questions about the appropriateness of passing these costs onto airlines and passengers through tariff recovery", BIAL submits that:

1. *AERA, vide its letter dated 5th January 2018 to Government of Karnataka, has clearly stated that the Metro related capex located within the airport boundary which is funded by BIAL will form a part of the RAB for tariff determination purposes. Based on this, BIAL has entered into an MOU with BMRCL for construction of 2 metro stations within the Airport campus*
2. *Metro related capex has been approved by AERA for inclusion in RAB in other major airports like Hyderabad, Delhi and Mumbai too. Hence, this is a consistent approach adopted by AERA. This matter has been decided in TCP order wherein AERA has recognized the need for Airport Terminal Metro Station (ATMS).*
3. *MECON (AERA's consultant) has also reviewed the need for the Project and the capex estimates submitted by BIAL for ATMS and based on this, AERA has proposed the capital expenditure for the ATMS project in the Consultation Paper.*
4. *BIAL has also completed the AUCC Process (Stage 1, 2 & 3) for this Project and stakeholders have given their approval for the Project.*

   Considering the above, the essentiality aspect has been reviewed multiple times by AERA and AOC's comments / concerns have already been addressed by AERA."

5.7.5 BIAL's response to the comments by the Airline Operators' Committee regarding impact of the second airport development near Bengaluru is mentioned as follows:

"As per the terms of the Concession Agreement, no new or existing airport shall be permitted by GoI to be developed as or improved or upgraded into an International Airport / Domestic Airport (excluding Mysore and Hassan airports) within an aerial distance of 150 kilometers of the Airport before the 25th anniversary of the Airport Opening Date. The 25th anniversary is in May 2033. Considering the above, the traffic growth till 2033 for the city of Bengaluru has to be catered by KIAB alone.

The current capacity of KIAB is 51.5 MPPA, and based on the traffic projections submitted by BIAL the passenger traffic is expected to be around 70 million in FY 31. Therefore, it is very clear that existing Terminal capacity cannot cater to this growth and hence the increase in Terminal capacity to 80 MPPA is essential. Bengaluru's second airport is currently in the planning stage, with Government of Karnataka yet to finalize the site. Given the above, the comments of AOC about potential diversion of traffic from KIAB to the 2nd airport are essentially premature and speculative in nature. The traffic impact of the 2nd airport on KIAB will be addressed by BIAL in the next Master plan Update (2029) when there is greater visibility at that time about the progress of the 2nd airport."

5.7.6 BIAL's response to the comments by IATA regarding capex review for the Fourth Control Period is mentioned as follows:

"BIAL submits that the capital expenditure proposed for the Fourth Control Period is based on the recommendations of the Master Plan Update 2024. The Master Plan Update was presented to all stakeholders, including IATA, on 18 March 2025. Further, AUCC consultations have been completed for key projects including the West Crossfield Taxiway (WCT), Terminal 2 Phase 2 and associated apron, East Crossfield Taxiway (ECT), Metro Stations, Terminal 1 Upgrade and development of 13 aircraft stands. IATA has actively participated in these consultations. Accordingly, the issues relating to the need, timing and phasing of these investments have already been discussed with airport stakeholders, including IATA, and have been considered while finalising the proposed capital expenditure programme.

BIAL finds IATA's submission a bit contradictory. IATA states "major investments should be subject to regulatory scrutiny before contracts are awarded and substantial expenditure is committed."

It then mentions that "IATA also notes that several projects involve significant increases in stand, terminal and supporting infrastructure capacity being delivered in single steps..... Infrastructure should be delivered progressively where practical"

Since tariff determination happens once in 5 years while traffic growth is never linear, infrastructure development has to be initiated in the middle of a control period. It is not practical to suggest that all projects start after a sign off from AERA every 5 years but be progressively delivered in line with growth. The purpose of the AUCC is to ensure that need and requirement is assessed by users and not regulator alone. If this is the case, then Indian airport infrastructure will find itself in a situation where capacity always lags demands.

Further, the Authority, through its Independent Consultant, MECON, has undertaken a detailed technical review of every capital project proposed by BIAL. The Consultant has assessed the operational necessity, scope, timing and cost estimates of each project and has recommended appropriate disallowances wherever considered necessary. Accordingly, IATA's concerns regarding the prudence of capital expenditure and the need for regulatory scrutiny have already been addressed through the Authority's independent review process.

With regard to the sizing of Terminal 2 Phase 2, BIAL has submitted a detailed technical justification demonstrating the operational requirements and passenger demand projections supporting the proposed development, which is presently under consideration by the Authority. While IATA has suggested adopting lower area benchmarks, Exhibit 2.3.8.6.3f of the IATA ADRM (12th Edition) itself indicates a median terminal area benchmark of 42 sqm/PHP for terminals handling more than 20 MPPA. The proposed terminal planning parameters for BIAL are therefore consistent with internationally accepted benchmarks and are also appropriate considering the long-term growth trajectory of Indian aviation and Bengaluru Airport's role as a major international hub.

	Airport Terminal	Mppa	Floor Area	Sqm/mppa	Assumed PHP	Floor area based on PHP (DOM/DOM+INT/INT) 25 sqm	30 sqm	35 sqm	Sqm/PHP
	Design Index to obtain PHP as% of annual passenger volumes 0.03%								
>20 mppa	Changi T3	22	380,000	17,273	6,600			231,000	58
>20 mppa	Berlin Brandenberg	27	280,000	10,370	8,100			283,500	35
>20 mppa	Heathrow T5	30	353,020	11,767	9,000			315,000	39
>20 mppa	Jeddah Hajj Terminal	30	465,000	15,500	9,000			315,000	52
>20 mppa	Miami North Terminal	30	330,000	11,000	9,000			315,000	37
>20 mppa	Madrid Barajas T4	35	470,000	13,429	10,500		315,000		45
>20 mppa	Dubai T3	60	1,713,000	39,837	12,900			451,500	133
>20 mppa	Seoul Incheon	44	496,000	11,273	13,200			462,000	38
>20 mppa	Beijing Capital T3	60	986,000	16,433	18,000		540,000		55
>20 mppa	Hongkong	60	710,000	11,833	18,000			630,000	39
	Median								42

Source: Exhibit 2.3.8.6.3f of IATA ADRM 12th edition

With respect to Taxiway B9, BIAL submits that while the MYTP envisaged commissioning in March 2027, the completion schedule has subsequently been revised to September 2027, which has already been reflected in the Consultation Paper. Accordingly, the concern raised by IATA has already been addressed by the Authority.

In regard to the date of completion of B7 project (Contingency Facility) location is adjacent to an existing air side perimeter road and passengers would be transported in buses to the aircraft till the B9 Taxiway becomes operational.

Asset Replacement & Asset Allocation

With regard to the replacement of aircraft stands, the 12 existing stands were developed as temporary facilities and are located on the alignment of the proposed Taxiway Bravo extension. Consequently, there is no residual value associated with these temporary assets.

Similarly, the cost of the existing Air Traffic Control Tower and Alpha-1 Building has already been substantially recovered under the lease arrangement with AAI, with the residual value amounting to only ₹0.86 crore as on 31 March 2026.

In relation to the observations regarding aeronautical allocation, BIAL submits that the aeronautical allocation of project assets will be trued-up based on the line-item-wise Fixed Asset Register available after project commissioning. Further, the T1–T2 Connector Project is intended solely to facilitate passenger transfers between the two terminals and does not include any commercial area.

Likewise, the T2 Phase 1 Enhancement Project comprises operational enhancements, passenger flow optimisation and experience related improvements without any increase in terminal area or passenger handling capacity. Accordingly, comparison of these projects with the T1 Upgrade Project on the basis of area per PHP is not appropriate.

Cost Escalation

With regard to capital cost indexation, BIAL submits that industry practice is to apply indexation up to the project completion date, reflecting the actual period over which construction costs are incurred. This approach is also followed by the Authority and is consistent with the methodology adopted under public infrastructure contracts awarded by NHAI and the Government of Karnataka. Accordingly, the suggestion to restrict indexation to the midpoint of construction does not appropriately reflect the actual cost escalation experienced during project execution.

Finally, the responses to the remaining project-specific observations made by IATA have been addressed in the relevant sections of BIAL's response to the Consultation Paper and may be read in conjunction with the above submissions."

5.7.7 BIAL's response to the comments by IATA regarding Depreciation for the Fourth Control Period is mentioned as follows:

"BIAL submits that, for the purpose of regulatory tariff determination, the useful life of pavements has consistently been considered as 30 years in accordance with AERA Order No. 35/2017-18, and the same approach has been adopted by the Authority in the Consultation Paper. The regulatory useful life prescribed by the Authority is applicable uniformly across airport operators and is distinct from the engineering design life of the asset.

The technical useful life of an asset is distinct from its regulatory recovery period. Depreciation is intended to allocate the depreciable value of an asset over its prescribed useful life for regulatory and accounting purposes, and not necessarily over its actual technical life.

It is pertinent to note that the Authority has consistently adopted this approach. For example, the North Runway, although designed for a 20-year design life under the Concession Agreement, has also been assigned a 30-year regulatory useful life for depreciation purposes.

Accordingly, BIAL submits that the regulatory useful life of 30 years prescribed by the Authority is appropriate and consistent with the established regulatory framework and does not warrant any revision solely because the engineering design life of the pavement assets is longer."

5.7.8 BIAL's response to the comments by other stakeholders regarding Capex for the Fourth Control Period is mentioned as follows:

"BIAL acknowledges and notes the comments made by the following stakeholders and thanks them for their views on the various proposals.

a) *Adani Airport Holdings Limited*
b) *Air India Limited*
c) *Air Passenger Association of India (APAI)*
d) *Association of Private Airport Operators (APAO)*
e) *Bangalore Chamber of Industry and Commerce*
f) *Confederation of Indian Industry (CII)*

g) *Construction Federation of India*
h) *Fairfax India Holdings Limited (Mauritius)*
i) *GMR Aero*
j) *Menzies Aviation Private Limited*
k) *Millennium Reddot Private Limited*
l) *Millennium Aerodynamics Private Limited*
m) *Yamuna International Airport Limited*

With reference to the views expressed by Business Aircraft Operators Association (BAOA) and Lufthansa Group, BIAL has submitted its views on the issues raised by the above stakeholders, as part of its response to the Consultation Paper submitted on 13th July 2026 and requests the Authority to consider the same. "

5.8. Authority's Analysis on Stakeholders' Comments regarding CAPEX, Depreciation and RAB for the Fourth Control Period

Analysis related to Capital Expenditure Projects

Treatment of the Terminal 2 Phase 2 asset for the Fourth Control Period

5.8.1 The Authority has examined BIAL's submission regarding the sizing of Terminal 2 Phase 2 and its request to consider the proposed terminal area of 271,087 square metres in place of the area of 243,855 square metres proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026. BIAL has, inter alia, submitted that the proposed area is based on the Master Plan 2024, detailed terminal planning undertaken by internationally recognised airport planning and design consultants, and the operational requirements associated with the future development of Kempegowda International Airport, Bengaluru as a transfer hub airport. BIAL has further submitted that the proposed area reflects requirements relating to dedicated transfer passenger infrastructure, enhanced passenger boarding bridge provision, expanded gate and hold room facilities, Early Baggage Storage systems, compliance with evolving regulatory requirements, and integration requirements arising from the brownfield expansion of Terminal 2.

5.8.2 The Authority notes that, in Paragraphs 5.3.138 to 5.3.148 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority had proposed a Terminal 2 Phase 2 area of 243,855 square metres after assessing the integrated Terminal 2 facility based on a design capacity of 45 MPPA, a Peak Hour Passenger demand of 13,500 passengers and a planning norms of 37 square metres per Peak Hour Passenger recommended by the Independent Capex Consultant (MECON Ltd). The Authority had further observed that the adopted planning norm was substantially higher than the normative IATA benchmark (30 sqm/PHP) for integrated terminals and already incorporated allowance for brownfield integration requirements, passenger comfort, transfer processing requirements, security-related space requirements and operational flexibility.

5.8.3 The Authority has therefore examined whether the difference of approximately 27,232 square metres between the area proposed by BIAL and the area proposed in the Consultation Paper represents inefficient sizing or whether such differential can be attributed to specific operational and functional requirements associated with the future role of Terminal 2 as an integrated hub terminal. In this regard, the Authority has examined the detailed justification and supporting material submitted by BIAL during the stakeholder consultation process.

Reconciliation of Area Differential

Particulars	Area (sqm)
Area proposed by BIAL for T2 Phase 2	**271,087**
Area proposed by the Authority in the Consultation Paper	**243,855**
Differential Area	**27,232**

The Authority notes that BIAL has attributed the additional area requirement primarily to the following factors:

Area Driver	Area (sqm)
Legacy design shortfall associated with Terminal 2 Phase 1	**24,355**
Dedicated transfer passenger processing infrastructure and associated support facilities	**15,625**
Additional gate seating areas, wider pier configuration and two-way travellator requirements	**6,000**
BCAS-related operational areas and enhanced processor queue requirements	**Regulatory requirement**

The Authority has examined each of the above drivers.

Evolution of Terminal 2 from Origin-and-Destination Facility to Hub Facility

The Authority notes that the area assessment undertaken in the Consultation Paper considered Terminal 2 as an integrated terminal and already provided substantial headroom above the IATA integrated-terminal benchmark by adopting a planning standard of 37 sqm/PHP. As observed in Paragraphs 5.3.143 and 5.3.145 of the Consultation Paper, this higher allowance was intended to account for brownfield integration requirements, operational flexibility, security requirements and transfer passenger needs.

However, during stakeholder consultations BIAL provided further evidence demonstrating that the operational role currently envisaged for Terminal 2 differs materially from that contemplated when Terminal 2 Phase 1 was originally developed. In particular, the Authority notes the submissions regarding the emergence of Bengaluru as a proposed hub airport, the growth in transfer passenger traffic, the requirement for dedicated Domestic-to-Domestic, Domestic-to-International, International-to-Domestic and International-to-International transfer facilities, and the need for associated Early Baggage Storage systems and passenger processing infrastructure.

The Authority is of the view that these facilities are not merely passenger amenity features but constitute core processing infrastructure required to support hub airport operations.

Legacy Design Limitation of Terminal 2 Phase 1

The Authority notes BIAL's submission that Terminal 2 Phase 1 was designed based on planning assumptions prevailing during the period 2017–2018 when transfer traffic volumes, hub requirements and aircraft deployment patterns differed materially from present expectations. The Authority further notes BIAL's analysis that Terminal 2 Phase 1 does not contain dedicated transfer processing infrastructure at the scale now considered necessary for long-term hub operations.

While the Authority does not consider it appropriate to retrospectively reassess the prudence of Terminal 2 Phase 1, it recognizes that part of the additional area proposed under Terminal 2 Phase 2 is intended to accommodate operational functionalities that were either absent or provided at a lower scale in the original terminal development

The Authority is therefore of the view that the area shortfall identified by BIAL constitutes a relevant consideration in evaluating the overall integrated terminal size.

Transfer Passenger Infrastructure

The Authority notes that BIAL has provided a quantified assessment indicating an area requirement of approximately 15,625 square metres associated with dedicated transfer passenger processing facilities, government agency facilities, passenger amenities and automated Early Baggage Storage infrastructure. The Authority further notes that these facilities are directly linked to the projected increase in transfer passenger traffic and the intended development of Bengaluru as a transfer hub.

The Authority is of the view that provision of dedicated transfer processing infrastructure represents a legitimate functional requirement that may not be fully captured through generic area-per-PHP benchmarking methodologies.

Passenger Boarding Bridges and Expanded Gate Environment

The Authority notes BIAL's submission that Terminal 2 Phase 2 has been planned with a higher proportion of Passenger Boarding Bridges in order to meet airline operational requirements, improve passenger experience, facilitate transfer traffic and support future operational and service-quality requirements. The Authority further notes that the resultant increase in pier length gives rise to corresponding requirements for wider concourses, two-way travellators and enlarged gate holding areas.

The Authority is of the view that these requirements are directly associated with the intended operational configuration of the terminal and are not indicative of inefficient terminal sizing.

Regulatory Requirements

The Authority further notes BIAL's submissions regarding requirements arising from more recent BCAS directions, including dedicated facilities for disruption management scenarios, processor queue requirements and associated passenger holding arrangements. The Authority recognizes that these requirements were not part of the original Terminal 2 Phase 1 planning framework and constitute additional planning considerations for Terminal 2 Phase 2.

Having examined the additional submissions made by BIAL, the Authority is satisfied that the area differential between the area proposed by BIAL and the area proposed in the Consultation Paper is substantially attributable to identifiable operational requirements associated with:

i. integrated hub-terminal functionality;
ii. dedicated transfer passenger processing infrastructure;
iii. additional Passenger Boarding Bridge provision and associated gate facilities;
iv. operational and security requirements arising from evolving regulatory standards; and
v. the practical requirements of integrating Terminal 2 Phase 2 with an existing brownfield terminal.

The Authority is therefore of the view that the area differential reflects reasonable operational and functional requirements to support the long-term operational role of Terminal 2.

The Authority also notes that terminal planning, detailed design and EPC tendering activities have substantially progressed. Based on the submissions made by BIAL, any material reduction in the approved terminal area at this stage would require redesign of the integrated terminal configuration and may adversely affect the implementation timeline of a critical capacity augmentation project required for accommodating forecast traffic growth during the Fourth Control Period.

Accordingly, after due consideration of the additional evidence and detailed justification provided by BIAL during stakeholder consultation as elaborated in the preceding paras, the Authority accepts BIAL's submission. Accordingly, the Authority decides to consider Terminal 2 Phase 2 area of 2,71,087 square metres for the purpose of determination of the admissible project cost, Regulatory Asset Base and associated tariff building blocks for the Fourth Control Period subject to efficient costs and reasonability of rates.

Treatment of Landscaping Cost associated with Terminal 2 Phase 2

5.8.4 The Authority further notes that Terminal 2 Phase 2 has been proposed as an extension of Terminal 2 Phase 1 and is expected to follow a similar design pattern, including comparable external landscaping and aesthetic features. In this regard, reference may be made to the Authority's observations in Para at Chapter 3 of this Tariff Order regarding the treatment of landscaping cost associated with Terminal 2 Phase 1. Since, the Authority has already concluded, in the case of Terminal 2 Phase 1, that only a limited portion of such landscaping expenditure is functionally necessary for aeronautical services, the same approach is considered appropriate for Terminal 2 Phase 2 as well. Accordingly, in the interest of prudence, consistency and protection of user interest, the Authority decides to allow only 30% of the landscaping cost associated with Terminal 2 Phase 2 as part of Regulatory Asset Base (RAB).

Assessment of Terminal 2 Phase 2 Cost

5.8.5 The Authority notes BIAL's submissions regarding the cost assessment of Terminal 2 Phase 2, including its request for consideration of certain additional cost elements arising on account of the project being developed as an extension to an operational terminal in existing brownfield airport environment. In particular, BIAL has submitted that the project involves cost implications relating to integration works between Terminal 2 Phase 1 and Terminal 2 Phase 2, brownfield execution constraints associated with construction adjacent to an operational terminal, and connectivity requirements, including Baggage Handling System (BHS) integration between the Airport Terminal Metro Station and Terminal 2 Phase 2.

5.8.6 The Authority further notes BIAL's submission that the above cost elements were presented during the cost assessment process before the Authority and its Independent Capex Consultant, MECON Ltd. BIAL has submitted that these aspects are project-specific in nature and may not have been fully captured in the benchmark cost assessment undertaken in the Consultation Paper.

5.8.7 The Authority has assessed the admissible cost of Terminal 2 Phase 2 for the Fourth Control Period based on the submissions made by BIAL during the consultation process regarding the scope, area and functional requirements of the project, and the technical review undertaken by the Independent Capex Consultant, MECON Ltd.

5.8.8 In the Consultation Paper, as detailed at Paras 5.3.135 to 5.3.151 of Consultation Paper, the Authority had assessed the cost of Terminal 2 Phase 2 based on the terminal area then proposed to be considered and the benchmark analysis undertaken by MECON Ltd. Pursuant to the stakeholder consultation process, the Authority has revisited the cost assessment of Terminal 2 Phase 2 in light of the following:

i. acceptance of the revised terminal area of 271,087 square metres;
ii. restriction of admissible landscaping cost to 30%; and
iii. rationalisation of the inflation adjustment applied for FY 2021-22.

5.8.9 The Authority notes that the benchmark construction rate for Terminal 2 Phase 2 was initially derived by escalating the base benchmark rate using annual inflation indices. However, FY 2021-22 was an exceptional period, marked by unusually high inflation due to the COVID-19 pandemic, commodity price volatility and supply-side disruptions. The Authority is of the view that such temporary and extraordinary fluctuations in inflation may not provide an appropriate basis for determining normative construction rates for large-scale capital projects having a long implementation and construction period. Accordingly, the Authority has considered the inflation trend over a representative period and excluded the abnormal inflationary fluctuations while determining the normative escalation rate. The average inflation rate for the normal years has been adopted as the basis for deriving the per-unit benchmark construction cost. This approach is considered more appropriate and objective for determining a sustainable normative rate for tariff purposes, while avoiding the impact of exceptional and temporary market conditions.

5.8.10 Accordingly, the Authority has considered it appropriate to rationalise the inflation adjustment for FY 2021-22. Instead of applying the full inflation rate of 12.97%, the Authority has considered the average of the inflation rates for FY 2020-21 (1.31%) and FY 2021-22 (12.97%), which works out to 7.14%. The Authority is of the view that this approach appropriately smoothens the abnormal volatility in construction input prices and results in a more reasonable benchmark rate.

5.8.11 After applying the appropriate year-on-year inflation adjustment, the revised benchmark rate has been escalated to the corresponding base rate for FY 2024-25, as explained above, based on which the revised benchmark unit rate for Terminal 2 Phase 2 comes to Rs. 1,41,984 per sqm. Thereafter, year-on-year escalation from FY 2024-25 to FY 2029-30 (when Terminal 2 Phase 2 building gets commissioned), has been applied on this revised benchmark unit rate for factoring in the calculation of ARR corresponding to Terminal 2 Phase 2 building for the tariff determination of the 4th Control Period. The Authority considers the revised rate to be prudent, reasonable and appropriate for assessing the efficient cost of the project for tariff determination.

5.8.12 The Authority further notes that, consequent to its acceptance of BIAL's submission on terminal sizing as illustrated at para 5.8.1 to 5.8.3 of Chapter 5 of this order, the area considered for Terminal 2 Phase 2 has been revised from 243,855 square metres proposed in the Consultation Paper to 271,087 square metres. The cost assessment has accordingly been updated using the revised area and the revised benchmark unit rate.

5.8.13 Further, as discussed separately at Para 5.8.4 under the section relating to the "Treatment of landscaping cost associated with Terminal 2 Phase 2", the Authority has considered only 30% of the landscaping cost for inclusion in the aeronautical RAB.

5.8.14 In view of the above, the admissible cost of Terminal 2 Phase 2 has been re-assessed by the Authority based on:

i. terminal area of 271,087 square metres;
ii. benchmark unit rate of Rs. 1,41,984 per sqm (escalated to the corresponding base rate for FY 2025-26); and
iii. admissible landscaping cost restricted to 30%, along with such other admissible project components as considered by the Authority.

5.8.15 The Authority is of the view that the above approach appropriately balances the functional requirements of a major brownfield terminal expansion project with the need to ensure that only prudent, reasonable and efficiently benchmarked capital cost is included in the RAB.

5.8.16 Accordingly, the Authority decides to consider the cost of Terminal 2 Phase 2 on the above basis for the Fourth Control Period, subject to actual capitalisation, asset allocation, put-to-use treatment and true-up, as applicable

5.8.17 Based on the foregoing facts and rationale, the Authority has revised the total project cost of Terminal 2 Phase 2 from ₹5,713.00 crore considered at the Consultation Paper stage to ₹6,030.30 crore at the Tariff Order stage, resulting in a net increase of ₹317.30 crore. The revision primarily reflects the Authority's acceptance of the revised terminal area, rationalisation of the benchmark unit construction cost, and the consequent revision in the associated cost components. The component-wise details of the revised project cost are set out in the table below.

Particulars	Consultation Paper stage - Amount (in Rs. Crore)	Tariff Order stage - Amount (in Rs. Crore)	Difference (in Rs. Cr.)
Hard/Base Cost for FY 2024-25	3658.00	3849.00	191.00
Indexation	330.50	368.00	37.50
GST (after ITC)	558.40	590.40	32.00
Labour Cess & 1%	39.90	42.20	2.30
Soft Cost @ 10%	458.70	485.00	26.30
Interest During Construction	667.50	498.20	130.70
Landscaping adjustment	-	(102.50)	(102.50)
Total	**5713.00**	**6030.30**	**317.30**

Additional Points about the Terminal 2 Phase 2 project

5.8.18 The Authority notes the submission of the Confederation of Indian Industry (CII) that Terminal 2 has emerged as a benchmark infrastructure project and has received international recognition for its design, sustainability, passenger experience and operational excellence. CII has further submitted that the next phase of Terminal 2 development should be planned with adequate long-term capacity and has requested the Authority to adopt a holistic and forward-looking approach while finalising the infrastructure requirements for Terminal 2 Phase 2.

5.8.19 The Authority has examined the submission in light of the AERA Act, 2008 and AERA Guidelines, 2011, BIAL's submissions and the analysis contained in Consultation Paper No. 01/2026-27.

5.8.20 The Authority notes that the proposed Terminal 2 Phase 2 development was subjected to a detailed technical and prudence review by the independent Capex Consultant (MECON Ltd.) engaged by the Authority. As analysed in the Consultation Paper, the Authority examined the proposed terminal expansion with reference to traffic forecasts, peak-hour demand, capacity requirements, utilisation assumptions and benchmark space requirements. Based on such assessment, certain elements of the proposed Terminal 2 Phase 2 scope and area requirement were rationalised to align the proposed capacity augmentation with the forecast traffic requirements of KIAB.

5.8.21 The Authority also notes that Terminal 2 Phase 2 constitutes one of the big capital investments proposed during the Fourth Control Period. Accordingly, as analysed in the Consultation Paper, the Authority proposed that the project be considered under the Incremental ARR framework based on the User Pays

Principle as the project is going to be capitalised and put to use in the latter half of the control period. The Authority observed that airport users should bear the costs of such major expansion assets in a manner that is aligned with the period during which they derive benefits from the additional capacity created through the investment, rather than prior to such assets becoming available for operational use.

5.8.22 Accordingly, while appreciating CII's observations regarding the significance of Terminal 2 and the importance of timely infrastructure augmentation, the Authority notes that the Consultation Paper has sought to balance long-term capacity creation with user interest considerations. The proposed Terminal 2 Phase 2 development has therefore been considered subject to the rationalisations discussed in the Consultation Paper and the proposed Incremental ARR approach applicable to major expansion projects.

Treatment of Eastern Connectivity Tunnel (ECT) for the Fourth Control Period

5.8.23 In Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority examined the proposed Eastern Connectivity Tunnel ("ECT") Project planned by Bangalore International Airport Limited ("BIAL") as part of the Fourth Control Period capital investment programme. The project was envisaged as an alternate access corridor connecting SH-104 and the eastern and south-eastern parts of Bengaluru with Kempegowda International Airport, Bengaluru ("KIAB"). The proposal was discussed in detail in Paragraphs 5.3.192 to 5.3.203 of Consultation Paper No. 01/2026-27 dated 12.06.2026, wherein the Authority observed that while the project may improve airport accessibility, resilience of airport access infrastructure and route redundancy, it predominantly exhibits characteristics of a regional mobility and connectivity project extending beyond the core airport ecosystem that primarily falls within the domain of State Government responsibilities for city/ regional road development. In the said background, the Authority, vide letter no. AERA/20010/MYTP/BIAL/CP-IV/2026-27/24398 dated 29.05.2026, asked BIAL to take up the matter with the State Government of Karnataka for the total funding of the project. The Authority also indicated that, in the event the State Government conveys its commitment towards total funding of the project, the Authority would take up the proposal within the overall regulatory framework, subject to requisite approvals from the relevant safety and security agencies, including BCAS and DGCA, and subject to the project being commissioned and operationalized for use by airport passengers. In the Consultation Paper, the Authority took a view that the final decision in the matter would be taken based on stakeholders consultations, views/comments of the safety and security agencies i.e. DGCA and BCAS and the extant provisions of the overall regulatory framework.

5.8.24 The proposal received extensive comments from the State Government of Karnataka and various other stakeholders like airport operators, industry associations, passenger associations, airlines and cargo stakeholders. Many of the stakeholders, including the Government of Karnataka ("GoK"), Association of Private Airport Operators ("APAO"), Air Passengers Association of India ("APAI"), Millennium Aero Dynamics Private Limited ("MADPL"), Millennium Reddot Private Limited, Confederation of Indian Industry ("CII") and Bangalore Chamber of Industry and Commerce ("BCIC"), submitted that the ECT constitutes an important airport infrastructure project and should be considered within the Regulatory Asset Base ("RAB"). These stakeholders emphasised the project's role in improving airport accessibility, reducing dependence on NH-44, enhancing business continuity and resilience, reducing travel time and travel costs for passengers from East Bengaluru and addressing the future connectivity requirements of KIAB.

5.8.25 The Authority notes the submission made by the Infrastructure Development, Ports and Inland Water Transport Department, Government of Karnataka ("GoK") regarding the treatment of the Eastern Connectivity Tunnel ("ECT") Project in response to the Consultation Paper No. 01/2026-27 dated

12.06.2026. GoK has, inter alia, submitted that, the ECT was envisaged in the Master Plan 2019; BIAL had undertaken enabling works of approximately 300 metres in earlier control periods; the project is now required as part of the airport's capacity augmentation programme, and that the ECT would provide an alternate access route to Kempegowda International Airport, Bengaluru ("KIAB") from the eastern and south-eastern parts of Bengaluru. GoK has further submitted that the ECT would reduce dependence on the existing NH-44 and Trumpet Interchange access corridor, reduce travel distance and travel time for passengers originating from East Bengaluru, reduce travel costs and vehicular emissions, improve business continuity and airport resilience, and provide a technically time-sensitive connectivity solution because the tunnel is proposed below future apron infrastructure. GoK has also submitted that the Authority's proposal to consider the project subject to funding support from the Government of Karnataka is not in consonance with the Concession Agreement and the State Support Agreement.

5.8.26 Besides GoK, stakeholders such as BCIC and APAI have also strongly supported the ECT, submitting that the proposed tunnel would significantly improve airport accessibility for a substantial catchment of passengers originating from East Bengaluru by reducing travel distance and travel time, while also easing congestion on the existing access corridor. The stakeholders have submitted that from the perspective of Bengaluru's business ecosystem, the tunnel is an important element of airport infrastructure that enhances passenger access and operational efficiency. Particularly APAI has submitted further that the project is aligned with broader sustainability objectives, including reduction in aggregate fuel consumption and associated carbon emissions.

5.8.27 On the other hand, the stakeholders such as International Air Transport Association ("IATA") and Business Aircraft Operators' Association ("BAOA") submitted that the ECT is fundamentally a landside connectivity project serving broader public mobility objectives and that airport users should not be required to bear the entire cost of infrastructure whose benefits extend significantly beyond aeronautical services. These stakeholders broadly supported the Authority's efforts to protect airport users from funding completely the infrastructure that primarily serves regional connectivity objectives.

5.8.28 The Authority has examined the submission of various stakeholders with due regard to the AERA Act, 2008 (read together with amendments in 2019 and 2021), the AERA Guidelines, 2011, the Concession Agreement dated 05.07.2004, the State Support Agreement dated 20.01.2005, and the analysis contained in Paragraphs 5.3.192 to 5.3.203 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.29 At the outset, the Authority notes that the Consultation Paper had examined the ECT in detail and had observed that the project was proposed as an alternate access route to KIAB from SH-104 and the eastern / south-eastern parts of Bengaluru. The Consultation Paper also noted that the project had earlier been discussed during the tariff determination exercises for the 2nd and 3rd Control Periods, including the 300-metre tunnel section constructed below the cross-field taxiway and the earlier regulatory treatment adopted by the Authority. Consultation Paper takes note of the fact that during the 2nd and 3rd Control Periods though the issue of ECT was discussed and reflected in the Tariff Orders of the said Control Periods with few observations for considering the true-up based on the subsequent Control Periods there was no specific formal approval accorded by the Authority though BIAL went ahead constructing the 300-meter tunnel and then claiming the recovery of the cost of the same in the true-up of 3rd Control Period in spite of the fact that the same is yet to be put to use for the targeted airport users as mentioned in the original proposal of ECT first submitted by BIAL in their MYTP for 2nd & 3rd Control Periods.

5.8.30 The Authority further notes, as observed in Paragraphs 5.3.196 of the Consultation Paper, that actually the genesis of the project flows from a reference from the Traffic Police, Bengaluru City requesting

BIAL to develop an alternate connectivity for South and Southeast of Bengaluru via SH-104 so as to decongest the National Highway 44 and reduce travel time for a segment of population in the eastern and southeastern parts of the city viz. Whitefield, Sarjapur, Electronic city etc. where large scale industrialization and urbanization has happened. The Authority has further observed in Paragraph 5.3.198 of the Consultation Paper that the proposed ECT will have long-term and futuristic benefits in terms of improving overall airport accessibility, providing an alternate approach route and enhancing resilience of airport access infrastructure but at the same time had also acknowledged the fact that the ECT is not a sine-qua-non for the airport operations. Further, the Authority is primarily required to examine the nature, essentiality and scope of the proposed expenditure of this ECT project from the perspective of additional airport charges that would get loaded on passengers and airlines as per the applicable regulatory framework for determination of aeronautical tariff.

5.8.31 The Authority, in Paragraph 5.3.201 of the Consultation Paper, also observed that BIAL may take up the matter with the Government of Karnataka which is a JV partner in BIAL having 13% equity stake for total funding of the project, since the inclusion of the project would result in an additional burden on passengers and airlines for an infrastructure having a broader regional connectivity character. Paragraph 5.3.203 of the Consultation Paper accordingly observed that the Authority would await the total funding commitment from the State Government before taking a final decision, subject also to stakeholder consultations, views of safety and security agency and basis the applicable regulatory framework.

5.8.32 The relevant regulatory question before the Authority is not whether the ECT provides benefits to airport users and to what extent and whether the entire cost of the project can be attributed to aeronautical services and recovered from airport users through tariff. In the Authority's view, the ECT remains fundamentally distinct from core aeronautical assets and cannot be treated in the same manner as terminal, runway or airside infrastructure.

5.8.33 While maintaining the reasoning set out in the Consultation Paper, the Authority has also considered the additional submissions received from GoK, BIAL and other stakeholders during the stakeholder consultation process.

5.8.34 These submissions highlight certain airport-specific benefits that were not fully reflected through a binary approach of either complete inclusion or complete exclusion. In particular, the Authority notes the submissions that the ECT would:

i. Provide an alternate access corridor to the airport terminal area

ii. Reduce complete dependence on NH-44 and Trumpet Interchange as the sole access corridor to the airport

iii. Improve access resilience and business continuity in the event of disruptions

iv. Directly benefit airport users originating from the eastern and south-eastern parts of Bengaluru.

5.8.35 The Authority also notes the submission of Government of Karnataka that the Airport Activities as detailed out in Schedule 2 part 1 of SSA, clearly states that landside and airside access roads are to be provided by BIAL. In this regard, the Authority notes that the obligation of BIAL under the SSA relates primarily to providing access infrastructure required for the operation and functioning of the Airport. The Eastern Connectivity Tunnel (ECT), however, is of a substantially broader character with its targeted usage extending beyond the airport area and is basically intended to facilitate regional connectivity, decongestion and mobility beyond the immediate access requirements of the Airport.

Provision of such regional road connectivity is predominantly an infrastructure responsibility of the State Government and forms part of the broader public road network.

5.8.36 The Authority also notes the submissions made by various stakeholders that approximately 30% of airport traffic may originate from, or be destined for, the eastern and south-eastern catchment areas that would directly utilise the ECT. While the Authority does not consider this sufficient to justify full tariff recovery, it does indicate that a measurable segment of airport users would derive direct airport-access benefits from the project. The Authority also recognises that in the long term an improved access connectivity of this nature may play a vital role in supporting, and tapping the latent traffic potential of the targeted catchment areas and thus boosting the overall traffic growth at BIAL enhancing the airport's commercial development and economic viability.

5.8.37 The Authority also notes the submission of BIAL given in the form of comments/counter comments in response to the Consultation Paper wherein it has been categorically mentioned that it is working with Government of Karnataka to explore innovative financing solutions to meet 25% funding requirement of the project and has requested the Authority to consider the balance 75% of the updated project cost as inclusion in Regulated asset base.

5.8.38 Accordingly, the Authority is of the view that complete exclusion of the ECT may not appropriately recognise its utility to the airport and its commercial operations in the form of improved airport-access and resilience benefits associated with the asset. At the same time, full inclusion would be inconsistent with the regulatory framework and the Consultation Paper's finding that the project would substantially serve regional connectivity and mobility and decongestion objectives beyond the airport system.

5.8.39 The Authority has therefore reassessed the project by separating:

i. the broader regional connectivity and urban mobility benefits, which should not be recovered through airport tariffs; and

ii. the limited airport-user benefits arising from improved access, reduced travel time to airport, resilience and redundancy of airport connectivity contributing to the growth in airport traffic.

5.8.40 The Authority has further considered BIAL's submission that value engineering measures and price discovery could reduce the estimated project cost of ₹2,772 crore included in the MYTP by around 30% and that the present estimated costs would be around ₹1600 crores. The Authority also notes the submission of BIAL that it is working with Government of Karnataka to explore innovative financing solutions to meet balance 25% funding requirement of the project and is thus requesting the Authority to consider 75% of the updated project cost as inclusion in the Regulated Asset Base. Given the mixed-use nature of the asset and the magnitude of the proposed investment, the Authority considers it necessary to adopt a proportionate and balanced approach that recognises both airport-user benefits and protects passengers and airlines from disproportionate tariff exposure.

5.8.41 Similarly, while the Authority acknowledges the submissions regarding the practical need to construct the tunnel before the T2 Phase 2 apron infrastructure is developed, implementation timing by itself cannot justify full tariff recovery of a project that retains substantial regional-connectivity characteristics.

5.8.42 Having considered the Consultation Paper analysis, stakeholder submissions and applicable regulatory framework, the Authority concludes that the ECT should neither be fully excluded from nor fully included in the Regulatory Asset Base.

5.8.43 In the light of above, the Authority has adopted the 30% user-benefit submitted by GoK and BIAL as a reasonable representation for the proportion of airport users likely to derive direct benefit from the facility. The balance cost continues to relate to broader regional mobility, connectivity and decongestion objectives and, therefore, should remain outside the Regulatory Asset Base and BIAL and GoK may accordingly fund it from their resources. The Authority, accordingly, determines that only the portion of the project reasonably attributable to airport-user benefits should be recognised for tariff purposes and decides that the amount eligible for regulatory recognition shall be limited to 30% of the duly rationalised project cost of Rs. 1600 crore as estimated and derived by BIAL for the ECT Project or ₹480 crore, whichever is lower.

5.8.44 The Authority further determines that the aforementioned admissible portion of the ECT shall be accommodated under the Incremental ARR framework being adopted for the Fourth Control Period, only upon actual capitalisation, commissioning, put-to-use of the project, supported by appropriate documentary evidence and self-certification by BIAL and subject to efficient costs, prudence check, reasonableness of rates and requisite approvals from the relevant safety and security agencies, including BCAS and DGCA.

5.8.45 The aforesaid approach appropriately balances three competing considerations:

i. recognition of the airport-access and resilience benefits associated with the ECT that would facilitate long term traffic growth for the airport.

ii. preservation of the Consultation Paper's finding that the ECT is substantially not a core aeronautical asset, and

iii. protection of airport users from bearing the full cost through airport tariffs of a large regional-connectivity project.

Authority's Decision

5.8.46 In view of the above, the Authority decides to modify the position set out in the Consultation Paper and determines that only 30% of the duly rationalised project cost of Rs. 1600 crore as estimated and derived by BIAL for the ECT Project subject to a ceiling of ₹480 crore, whichever is lower, shall be eligible for consideration in the RAB. Further, in view of the fact that the ECT Project as a whole being a high capex project linked to T2 Phase2 Terminal Building and associated Aprons and their actual commissioning and operation in the 4th year of this 5 year Control Period, the Authority would also consider the abovementioned proportionate allowed cost of ECT Project under the Incremental ARR framework for the 4th Control Period only on actual capitalisation, commissioning and put-to-use of the complete ECT Project and subject to efficient costs, prudence check, reasonability of rates and requisite approvals from the relevant safety and security agencies, including BCAS and DGCA. The balance project cost shall remain outside the RAB and outside the overall extant regulatory framework and shall be funded through State Government support, non-tariff sources or other appropriate means.

Treatment of KIA West Metro Station (Airport West Metro Station) for the Fourth Control Period

5.8.47 The Authority examined the proposed Airport West Metro Station ("KIA West Metro Station") as part of the metro connectivity infrastructure proposed by Bangalore International Airport Limited ("BIAL") for the Fourth Control Period. The proposal elicited comments from Bangalore International Airport Limited ("BIAL"), Infrastructure Development, Ports and Inland Water Transport Department, Government of Karnataka ("GoK"), Association of Private Airport Operators ("APAO"), Menzies

Aviation, Fairfax India Holdings Corporation ("Fairfax"), International Air Transport Association ("IATA") and Business Aircraft Operators' Association ("BAOA"). BIAL, GoK, APAO, Menzies Aviation and Fairfax broadly submitted that the KIA West Metro Station should be regarded as an integral component of the airport ecosystem and should be recognised, wholly or partially, within the RAB. Conversely, IATA and BAOA broadly supported the Authority's proposal on the grounds that airport users should not bear the cost of infrastructure whose principal beneficiaries extend beyond travelling passengers and aeronautical services.

5.8.48 The Authority has examined the submission made by BIAL and the Infrastructure Development, Ports and Inland Water Transport Department, Government of Karnataka ("GoK") regarding the proposed treatment of the Airport West Metro Station in Consultation Paper No. 01/2026-27 dated 12.06.2026. Both BIAL and GoK have submitted that the Airport West Metro Station will be utilised by airport employees, airline staff, cargo operators, ground handling agencies, fuel farm operators, CISF personnel, concessionaires, retailers and other airport-support establishments and have accordingly requested that 50% of the project cost be considered as part of the Regulatory Asset Base.

5.8.49 The Authority has examined the submissions with due regard to the AERA Act, 2008 (read together with amendments in 2019 and 2021) and the analysis contained in Paragraphs 5.3.204 to 5.3.217 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.50 The Authority's assessment has been based on the nature of the users served by the facility and the extent to which the expenditure directly facilitates passenger access and passenger movement. In this regard, the Consultation Paper specifically distinguished between the Airport Terminal Metro Station and the Airport West Metro Station on the basis of their principal user groups. As observed in Paragraphs 5.3.206 and 5.3.214, the Airport Terminal Metro Station is the primary metro interface for passengers, and terminal users and has a direct relationship with passenger facilitation, terminal accessibility and airport access. It was on this basis that the Authority proposed to consider the Airport Terminal Metro Station within the Regulatory Asset Base.

5.8.51 Conversely, as observed in Paragraphs 5.3.213 and 5.3.214 of the Consultation Paper, BIAL itself submitted that the principal users of the Airport West Metro Station would comprise airport employees, cargo terminal operators, ground handling agencies, fuel farm operators, CISF and other statutory agencies, MRO facilities, airline personnel, utility staff, retailers, concessionaires and other airport-support establishments. The Authority notes that these are the very categories of users identified by GoK & BIAL in their present submission. Therefore, the submissions by BIAL and GoK do not provide any new basis to conclude that the primary beneficiaries of the Airport West Metro Station are airport passengers.

5.8.52 The Authority further notes that Paragraph 5.3.214 of the Consultation Paper expressly recognised that the Airport West Metro Station is not primarily designed as a passenger-facing facility and is located away from the terminal forecourt area, whereas the Airport Terminal Metro Station forms the principal passenger interface with the metro system. The Authority is therefore of the view that the two stations are materially different from a tariff-regulatory perspective and cannot be treated identically merely because both form part of the airport metro corridor.

5.8.53 The Authority has also examined request of BIAL and GoK that 50% of the project cost be considered as part of the Regulatory Asset Base. However, neither GoK nor BIAL has provided any evidence demonstrating that approximately 50% of the benefits associated with the Airport West Metro Station accrue to airport passengers. Actually, when already the metro station terminating at the Airport i.e.

Terminal Metro Station has been allowed by AERA in the 3rd Control Period under the regulatory framework by considering the request of the State Government and BIAL then it is difficult to accept that the metro station just one station prior to Terminal Metro Station i.e. KIA West Metro Station would provide any benefits to airport passengers. Actually, both the Consultation Paper and the present submission by GoK and BIAL indicate that the principal purpose of the station is to serve airport employees, cargo operators, operational support agencies and commercial establishments functioning in and around the West Kia Metro Station. While such entities contribute to airport operations, the Authority is not in agreement that infrastructure primarily serving those users should be recovered from passengers and airlines through aeronautical tariffs.

5.8.54 The Authority further notes that, as observed in Paragraphs 5.3.215 to 5.3.217 of the Consultation Paper, no incremental justification has been provided to depart from the position adopted by the Authority during the Third Control Period. The Authority continues to be of the view that the Airport West Metro Station does not provide a sufficiently direct relationship with passenger facilitation to warrant inclusion in the Regulatory Asset Base. The primary beneficiaries remain employee, operational, cargo, commercial and support functions.

5.8.55 The Authority is not in agreement with GoK's request that 50% of the project cost be considered as part of the Regulatory Asset Base. The Metro Rail Infrastructure is generally funded by State Government and Government of India. It is to be noted that Authority as mentioned in the Tariff Order of earlier Control Periods has specifically allowed inclusion of the one metro station terminating at Airport i.e. Terminal Metro station since it is directly associated with the travelling air passengers coming to and going from the Airport. Whereas this West KIA Metro Station primarily caters to airport employees, operational agencies and other commercial and support establishments rather than airport passengers. In the absence of a direct and demonstrable connection with travelling passenger facilitation or aeronautical services, the Authority does not consider it appropriate to recover any part of such expenditure through aeronautical tariffs payable by passengers and airlines. Therefore, consistent with the reasoning set out in Paragraphs 5.3.213 to 5.3.217 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority retains its proposal not to consider the Airport West Metro Station for inclusion in the Regulatory Asset Base for the Fourth Control Period.

Treatment of the West Cross Field Taxiway project (WCFT)

5.8.56 The Authority notes BIAL's submission seeking reconsideration of certain cost rationalisations proposed in relation to the West Cross Field Taxiway project. Specifically, BIAL has requested consideration of additional costs towards utility diversions and restoration works, external painting, restoration of costs rationalised by the Authority and the Independent Capex Consultant (MECON Ltd), application of an execution constraint factor, and recognition of bitumen price escalation arising from prevailing geopolitical developments. The Authority has examined each of these submissions separately.

Utility Diversions and Restoration Works

5.8.57 The Authority notes BIAL's submission that subsequent trial pit investigations and field validation identified additional utility complexities, including unidentified utilities, variations in utility depth and density, routing conflicts and other site-specific conditions, resulting in an increase in the estimated cost of utility diversion and associated restoration works. The Authority further notes BIAL's submission that such conditions could not reasonably have been identified prior to commencement of detailed field investigations.

5.8.58 The Authority observes that utility diversion and restoration requirements for large brownfield infrastructure projects may continue to evolve as project execution progresses and site conditions become fully established. In this regard, the Independent Capex Consultant (MECON Ltd) has noted that the final cost associated with utility shifting and restoration activities can only be accurately determined based on actual execution and actual quantities incurred. Accordingly, the Authority is of the view that any additional costs arising from utility diversions and associated restoration works may be examined, as deemed appropriate, during the true-up exercise undertaken as part of tariff determination for the Fifth Control Period, based on actual expenditure incurred, supporting documentation, assessment of prudence, reasonableness and efficient utilisation of resources. Accordingly, the Authority does not consider it appropriate to provide an ex-ante or after the fact recognition of the claimed additional amount of ₹28.82 crore at this stage.

5.8.59 The Authority notes Air India Group support for the West Cross Field Taxiway (WCFT) project and its submission that the project is expected to reduce aircraft taxiing time, improve operational efficiency and reduce fuel burn.

5.8.60 The Authority notes that the WCFT is a critical airside infrastructure project that is expected to improve aircraft movement efficiency, reduce taxi distances, enhance runway utilisation and support future traffic growth at Kempegowda International Airport, Bengaluru. The Authority also notes that the resulting benefits, including reduced fuel burn and improved operational efficiency, are expected to accrue broadly across airlines operating at the airport. Accordingly, the Authority has in fact considered WCFT project in the tariff determination of 4th Control Period.

5.8.61 The Authority has now further reviewed the current progress for the project and its implementation/capitalisation status of the project. As discussed in the Consultation Paper and based on the verification undertaken by the Independent Capex Consultant (MECON Ltd), the project is already under execution and is at progressive stage of implementation. MECON observed that 30%–40% of the project had been completed during its site verification, while BIAL submitted that approximately 50% of the project had been completed. The Authority also notes that the proposed capitalization is expected within the first half of the Fourth Control Period, with a high probability of timely completion.

5.8.62 In view of the current stage of construction, the proximity of capitalization and the relatively low risk associated with project completion, and taking note of the support extended by the Air India Group for the project, the Authority is of the view that the rationale for subjecting the West Cross Field Taxiway (WCFT) to the Incremental ARR Approach on User Pay principle may be reconsidered, as the project has progressed sufficiently to provide reasonable certainty regarding its completion and commissioning within the Fourth Control Period. Accordingly, the Authority modifies its proposal and has decided to shift the WCFT asset from the bucket of projects proposed under the Incremental ARR Approach on User Pay principle and to provide for its direct capitalization in the Regulatory Asset Base of the baseline ARR, subject to the applicable prudence review and verification of actual asset additions.

External Painting

5.8.63 The Authority notes BIAL's submission that the proposed paint protection system constitutes a separate requirement from the eggshell concrete finish contemplated under the original contract and is necessary to enhance durability and protect structural elements from environmental exposure and deterioration.

5.8.64 The Authority has examined the justification provided by BIAL. While the Authority acknowledges the potential benefits of additional protective coating systems, BIAL has not provided any applicable code-

specific requirement, regulatory requirement, statutory requirement, aviation safety requirement, or other technical mandate necessitating application of the proposed paint protection system in addition to the specified eggshell concrete finish. The Authority is therefore unable to conclude that the proposed treatment represents an essential requirement for safe or efficient operation of the asset rather than an enhancement beyond the originally approved scope. Accordingly, the Authority is not in agreement with BIAL's request for additional consideration of ₹14 crore towards external painting and retains its proposal in this regard.

Rationalisation of Balance Scope Costs

5.8.65 The Authority notes BIAL's submission that the reduction of the estimated balance scope from ₹71 crore to ₹41 crore does not adequately reflect the actual costs likely to be incurred in an existing airport environment and that the market quotations submitted by BIAL better reflect prevailing execution conditions.

5.8.66 The Authority observes that the cost assessment undertaken by the Independent Capex Consultant (MECON Ltd) was based on a detailed technical and financial review of the proposed scope of work. The recommended cost of approximately ₹41 crore was derived through benchmarking against applicable engineering standards, accepted estimating practices, prevailing market rates and project-specific requirements. The Authority further notes that such benchmarking exercises are undertaken in accordance with established industry practices and represent a recognised methodology for evaluation of large volumes of asset additions in the context of tariff determination.

5.8.67 The Authority is therefore of the view that the assessment undertaken by the Independent Capex Consultant (MECON Ltd) provides a reasonable basis for determination of efficient project cost. In the absence of sufficient evidence demonstrating that the benchmarked assessment materially understates the efficient cost of development of the asset, the Authority decides to not consider the rationalised amount of ₹30 crore and retains the cost assessment proposed in the Consultation Paper No. 01/2026-27 dated 1206.2026.

Airfield Works, including Taxiway Extension, Isolation Bay etc.

5.8.68 The Authority notes BIAL's submission seeking reconsideration of the cost rationalization proposed for the Airfield Works project, including taxiway extensions, isolation bay works and associated airfield infrastructure. BIAL has requested approval of an additional amount of ₹49.12 crore towards relocation of the Ground Support Equipment ("GSE") Toilet, reconsideration of costs rationalized by the Authority, application of an execution constraint factor and recognition of bitumen price escalation. The Authority has examined each of these submissions separately.

Relocation of ground support equipment (GSE) toilet

5.8.69 The Authority notes BIAL's request for consideration of ₹1.50 crore towards relocation of the Ground Support Equipment (GSE) Toilet. The Authority observes that the requirement relating to the GSE Toilet has already been reasonably considered as part of the project cost assessment undertaken during the evaluation of the Airfield Works package. Accordingly, the Authority decides not to consider for any additional cost allowance on this account and retains its proposed position.

Assessment of rationalized costs for uncommitted works

5.8.70 The Authority notes BIAL's submission that the rationalization of costs for uncommitted works does not adequately reflect the actual costs likely to be incurred in an operational airport environment and

that standard benchmark rates may not fully capture operational restrictions, security requirements, access limitations and specialized execution methodologies.

5.8.71 The Authority has examined the submission. The Authority observes that the cost assessment undertaken by the Independent Capex Consultant (MECON Ltd) was based on a detailed technical and financial evaluation applying accepted engineering practices, applicable benchmark rates, prevailing market rates and the defined scope of work. The Authority further notes that the assessment was carried out on a detailed basis through benchmarking against relevant standards and market references, consistent with general industry practice for evaluating large volumes of proposed asset additions for the purpose of tariff determination.

5.8.72 The Authority is of the view that the assessment undertaken by the Independent Capex Consultant (MECON Ltd) provides a reasonable basis for determining the efficient project cost and is, by and large, in order for tariff determination purposes. In the absence of sufficient evidence demonstrating that the recommended assessment materially understates the efficient cost of execution, the Authority decides not to consider the rationalized amount of ₹13.80 crore and retains its proposed cost assessment.

Execution Constraints in an Operational Airport Environment

5.8.73 The Authority notes BIAL's submissions regarding operational restrictions, airside access limitations, Airport Entry Permit requirements, security protocols, movement controls on labour, materials and equipment, restricted working windows and the need to coordinate construction activities with ongoing airport operations.

5.8.74 The Authority has examined the submission. At the outset, the Authority recognises that execution of infrastructure works within a live and operational airport environment may result in certain inefficiencies and additional costs that would not ordinarily arise in a conventional construction environment. Such constraints may include restricted access to work fronts, limitations on work hours, security screening requirements, compliance with BCAS and CISF protocols, phased construction methodologies, operational safety requirements and the need to undertake works without disruption to passenger services and airport operations.

5.8.75 However, the Authority observes that these considerations were specifically examined by the Independent Capex Consultant (MECON Ltd) as part of the Capex assessment process for the Fourth Control Period. The Authority further notes that the Consultation Paper already recognises the existence of such execution constraints and, where warranted, provides an allowance to compensate for the associated productivity losses and additional execution costs. In this regard, a 3% constraint factor has already been considered in the assessed project cost.

5.8.76 The Authority notes that the purpose of this 3% allowance is precisely to recognise the impact of restricted access, enhanced security requirements, Airport Entry Permit procedures, phased execution methodologies, coordination with airport operations, limited construction windows and the resulting inefficiencies that may arise while executing works within an operational airport environment. The Authority is therefore of the view that the execution constraints highlighted by BIAL are neither unique nor unforeseen and have already been appropriately recognised through the cost assessment methodology adopted by the Independent Capex Consultant (MECON Ltd).

5.8.77 The Authority further considers that the admissibility and quantum of any constraint factor must be assessed having regard to the specific nature, location and execution methodology of the relevant project. The Authority is satisfied that the 3% constraint factor already incorporated in the assessed

project cost provides a reasonable and prudent allowance towards the operational constraints expected to arise during project execution.

5.8.78 Accordingly, the Authority is of the view that the execution constraints cited by BIAL have already been appropriately accounted for in the assessed project cost and no additional allowance is warranted on this account.

Bitumen escalation and commodity-specific price movements

5.8.79 The Authority notes BIAL's request for recognition of an additional ₹30.03 crore arising from escalation in bitumen prices attributed to prevailing geopolitical developments and disruptions in global markets.

5.8.80 The Authority has carefully examined the submission. The Authority notes that while the prices of certain commodities, including bitumen, have experienced significant increases during the relevant period, the prices of several other commodities have not witnessed a similar increase and the prices of some commodities have declined. The Authority is therefore of the view that assessment of inflationary impacts for tariff determination purposes should be undertaken on a broad-based basis rather than by reference to the movement of any individual commodity.

Limitations of commodity-specific adjustments

5.8.81 The Authority further observes that bitumen prices are substantially influenced by global crude oil prices which are inherently volatile and susceptible to short-term fluctuations arising from geopolitical developments and international market conditions. Accordingly, the current movements in bitumen prices cannot necessarily be regarded as representative of a sustained long-term trend and the ultimate impact of such volatility cannot presently be assessed with reasonable certainty. The Authority therefore does not consider it appropriate to provide a separate commodity-specific adjustment for bitumen escalation at this stage.

Appropriateness of Updated Inflation Rates

5.8.82 The Authority notes that the objective of the present assessment is to determine a realistic and reasonable tariff to be charged to airport users while maintaining consistency, predictability and transparency in the regulatory framework. Accordingly, the Authority has adopted a broad-based all-commodities inflation index rather than relying on the price movement of any individual construction input.

5.8.83 The Authority further notes that the indexation estimates are being updated using the forecasted inflation indices published in the 100th Round of the Reserve Bank of India Survey of Professional Forecasters released in June 2026, as deemed appropriate. The Authority is of the view that such updated inflation forecasts would, to a reasonable extent, capture the impact of recent fluctuations in commodity prices arising from prevailing global market conditions while ensuring a consistent approach to the treatment of inflation across all approved asset additions.

Treatment of persistent long-term volatility

5.8.84 The Authority further observes that the actual impact of commodity price volatility can only be appropriately assessed based on realized outcomes over time. Accordingly, should such volatility persist over the long term and materially affect the efficient cost of project execution, the Authority may examine the matter, as deemed appropriate, during the true-up exercise undertaken as part of tariff

determination for the Fifth Control Period based on actual expenditure incurred and supporting evidence available at that stage.

5.8.85 Accordingly, the Authority retains its proposed treatment of the Airfield Works project as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026. The Authority is of the view that the cost of relocation of the GSE Toilet has already been reasonably considered in the project assessment; the cost assessment undertaken by the Independent Capex Consultant (MECON Ltd) represents a reasonable determination of the efficient project cost; the applicable constraint factor has already been considered; and separate recognition of bitumen price escalation is not warranted at this stage. Accordingly, the Authority decides not to consider additional approval of ₹49.12 crore in respect of the Airfield Works project and retains its proposed position.

Bitumen-related costs for the T2 Apron 9 + 4 Stands Project

5.8.86 The Authority notes BIAL's submission seeking approval of ₹1.31 crore towards the T2 Apron (9+4 Stands) project on account of escalation in bitumen prices arising from prevailing geopolitical developments and disruptions in global commodity markets.

Appropriateness of a broad-based inflation approach

5.8.87 The Authority has examined the submission. While the prices of certain commodities, including bitumen, have increased significantly during the relevant period, the prices of several other commodities have not witnessed a similar increase and the prices of some commodities have declined. The Authority is therefore of the view that inflationary impacts should be assessed on a broad-based basis rather than by reference to the movement of any individual commodity.

Volatility in bitumen prices

5.8.88 The Authority further observes that bitumen prices are largely driven by global crude oil prices, which are inherently volatile and susceptible to short-term fluctuations arising from geopolitical developments and international market conditions. Accordingly, the current movements in bitumen prices cannot necessarily be regarded as reflective of a sustained long-term trend and the precise impact of such volatility cannot presently be assessed with reasonable certainty.

Updated inflation rates capture market movements

5.8.89 The Authority notes that the objective of the present assessment is to determine a realistic and reasonable tariff to be charged to airport users. Accordingly, a broad-based all-commodities inflation index has been adopted rather than relying on the price movement of any single construction material. The Authority further notes that the indexation estimates are being updated using the forecasted inflation indices published in the 100th Round of the Reserve Bank of India Survey of Professional Forecasters released in June 2026, as deemed appropriate. The Authority is of the view that such updated inflation forecasts would, to a reasonable extent, capture the impact of recent fluctuations in commodity prices arising from prevailing global market conditions.

5.8.90 Accordingly, the Authority decides not to consider an amount of Rs. 1.31 crore towards bitumen-related escalation for the T2 Apron (9+4 Stands) project and retains its proposed position as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

Constraint factors associated with the T2 Phase 2 Apron, 40 Stands and Cargo West Apron, 12 Stands projects

5.8.91 The Authority notes BIAL's submission seeking application of a 5% constraint factor for the T2 Phase 2 Apron (A.4) and Cargo West Apron (A.7) projects on account of restricted working windows, operational interfaces, security requirements, airside access limitations and the challenges associated with execution of works within a live airport environment.

5.8.92 The Authority has examined the submission. At the outset, the Authority recognises that execution of major airside infrastructure projects within an operational airport environment may result in certain inefficiencies and additional costs that would not ordinarily arise in a conventional construction environment. Such constraints may include restricted access to work fronts, limitations on working hours, compliance with BCAS and CISF security protocols, movement controls on labour, materials and equipment, phased construction methodologies, operational safety requirements and the need to undertake construction activities without disruption to ongoing aircraft operations and airport services.

5.8.93 However, the Authority observes that these considerations were specifically examined by the Independent Capex Consultant (MECON Ltd) during the Capex Review Process for the Fourth Control Period. Consistent with the project assessment methodology adopted in Chapter 5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority recognised that certain projects executed in close proximity to operational facilities and active airside areas would be subject to demonstrable execution constraints and accordingly considered an allowance towards such constraints in the cost assessment.

5.8.94 The Authority further notes that a 3% constraint factor has already been incorporated in the assessment of the project costs. The purpose of this allowance is precisely to recognise the impact of restricted access, enhanced security requirements, operational coordination requirements, phased execution methodologies, limited working windows and the associated productivity losses that may arise while executing works in an operating airport environment. The Authority is therefore of the view that the principal execution constraints highlighted by BIAL have already been appropriately recognised through the cost assessment methodology adopted by the Independent Capex Consultant (MECON Ltd).

5.8.95 The Authority is also of the view that the admissibility and quantum of any constraint factor must be assessed on a project-specific basis having regard to the nature, location and execution methodology of the relevant works. While the Authority acknowledges the existence of operational constraints associated with the T2 Phase 2 Apron (A.4) and Cargo West Apron (A.7) projects, it considers that the 3% allowance already incorporated in the assessed project costs provides a reasonable and prudent recognition of such constraints. The Authority is therefore not in agreement that a further enhancement to a 5% constraint factor is warranted.

5.8.96 Accordingly, the Authority is of the view that the assessed project costs already appropriately recognise the impact of execution constraints associated with construction in an operational airport environment. The Authority decides not to consider additional constraint factor of ₹26.51 crore for the T2 Phase 2 Apron (A.4) project and ₹6.54 crore for the Cargo West Apron (A.7) project and retains its proposal as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

North Airside Perimeter Wall & Perimeter Road and C.12 – North Boundary Road/Landside North East Road projects

5.8.97 The Authority notes BIAL's submission that the proposed relocation of the North Airside Perimeter Wall and construction of the associated road infrastructure has acquired additional relevance in view of

the proposed CISF residential township adjacent to the northern airport boundary. BIAL has submitted that the proposed road connectivity would facilitate Operationalisation and support airport security functions and has accordingly requested reconsideration of the Authority's proposal to defer these projects.

5.8.98 The Authority has examined the submission. The Authority recognizes that the proposed CISF township, if implemented, may necessitate associated perimeter and road infrastructure to facilitate access and operational requirements. However, the Authority observes that the proposed development remains at a formative stage

5.8.99 The Authority is of the view that the requirement may crystallize during project execution depending upon the implementation of the proposed CISF township and the associated infrastructure works.

5.8.100 Accordingly, the Authority is of the view that the cost associated with shifting of the North Airside Perimeter Wall and construction of the Perimeter Road arising from the proposed CISF Township may be deferred. Accordingly, the Authority retains its proposal not to include the Capex associated with the North Airside Perimeter Wall in the Fourth Control Period at this stage.

Taxiway B9 and Associated Works projects

5.8.101 The Authority notes BIAL's submission seeking revision of the proposed project cost for Project A.9 – Extension of Taxiway B9 and Associated Works from ₹32 crore to ₹78.7 crore. BIAL has submitted that the project area and associated scope have increased significantly following completion of the detailed engineering design and finalization of the airside layout. BIAL has further submitted that the revised cost estimate has been derived by applying benchmark rates adopted by the Authority for comparable apron and taxiway development projects to the revised project footprint.

5.8.102 The Authority has examined the submission. The Authority notes that the project cost proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026 was assessed based on the project scope, area assumptions, technical parameters and supporting information submitted by BIAL as part of its Multi-Year Tariff Proposal. The benchmarking exercise undertaken by the Authority and the review carried out by the Independent Capex Consultant (MECON Ltd) were likewise based upon the project configuration and documentation provided by BIAL during the tariff determination process.

5.8.103 The Authority observes that the revised cost claim is not being driven by a reassessment of rates or benchmarking methodology, but by a substantial increase in the underlying scope and area now sought to be introduced after submission of the Multi-Year Tariff Proposal and after completion of the Authority's assessment. Acceptance of such material scope revisions at this stage would undermine the integrity and finality of the consultation and review process and would effectively require reassessment of the project on a basis different from that presented by BIAL for regulatory scrutiny.

5.8.104 The Authority further notes that airport operators bear the responsibility of ensuring that project scope, area requirements, configuration and associated cost estimates are developed with reasonable diligence and are appropriately reflected in the submissions made to the Authority. Regulatory review cannot be treated as an iterative process permitting substantial expansion of project scope after completion of the benchmarking and consultation exercise. To permit such revisions would create regulatory uncertainty and compromise the consistency and comparability of the assessment framework applied across projects.

5.8.105 Accordingly, the Authority is not in agreement with BIAL's request to revise the cost of Project A.9 – Extension of Taxiway B9 and Associated Works from ₹32 crore to ₹78.7 crore on the basis of revised

scope and area assumptions submitted after filing of the Multi-Year Tariff Proposal. The Authority therefore retains its proposal as set out in Table 142 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

T1 / T2 Connectivity – Pier Expansion (B.4)

5.8.106 The Authority notes BIAL's submission regarding Project B.4 – T1 / T2 Connectivity – Pier Expansion, wherein BIAL has requested that the project cost be restored from the proposed ₹135 crore to the originally submitted cost of ₹255 crore. BIAL has submitted that the area adopted by the Authority and the Independent Capex Consultant (MECON Ltd) was based on a different interpretation of the concept design and that detailed engineering designs completed subsequent to the filing of the Multi-Year Tariff Proposal indicate an area of approximately 19,000 square metres, which is broadly consistent with the area originally submitted by BIAL.

5.8.107 The Authority has examined the submission. The Authority notes that, as observed in Paragraph 5.3.154 of Consultation Paper No. 01/2026-27 dated 12.06.2026, a material inconsistency was identified between the area reflected in the Bill of Quantities and the dimensions presented by BIAL during the assessment process. Accordingly, the Independent Capex Consultant (MECON Ltd) assessed the project area based on the dimensions and supporting information available at the time of review and the Authority adopted the resultant area of 10,912 square metres for the purpose of cost assessment.

5.8.108 The Authority is not in agreement with BIAL's request. The Authority notes that the revised area justification is based on detailed designs that were neither part of the original Multi-Year Tariff Proposal nor available during the technical review undertaken by the Authority and the Independent Capex Consultant (MECON Ltd). The cost assessment set out in the Consultation Paper was necessarily undertaken on the basis of the scope, drawings, area statements and supporting documents submitted by BIAL for regulatory scrutiny. The Authority cannot retrospectively reassess the project based on revised engineering outputs developed subsequent to the submission of the proposal and completion of the assessment process.

5.8.109 The Authority further notes that acceptance of material revisions to project area and supporting design parameters after issuance of the Consultation Paper would undermine the integrity, consistency and finality of the tariff determination process. Airport operators bear the responsibility for ensuring that project scope, design development and area estimates are sufficiently mature and accurately reflected in the submissions provided to the Authority. The regulatory review process cannot be treated as an iterative exercise permitting substantial modifications to project assumptions after completion of benchmarking, technical review and stakeholder consultation.

5.8.110 Accordingly, the Authority is not in agreement with BIAL's request to revise the assessed area and corresponding project cost for Project B.4 – T1 / T2 Connectivity – Pier Expansion on the basis of revised detailed designs submitted after filing of the Multi-Year Tariff Proposal. The Authority therefore retains its proposal as set out in Table 151 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

New Air Traffic Control Tower project (B.8)

5.8.111 The Authority notes BIAL's submission regarding Project B.8 – New Air Traffic Control Tower and Associated Facilities. BIAL has submitted that the project design remains under development in consultation with Airports Authority of India ("AAI"), including finalization of the siting study, tower height and associated technical facilities. BIAL has further submitted that while the Multi-Year Tariff Proposal assumed an ATC tower height of 85 metres, ongoing siting studies indicate that the final height

may increase to approximately 96 metres, subject to validation by AAI. BIAL has also stated that certain technical components rationalized by the Independent Capex Consultant (MECON Ltd), including elements of the technical block, building management systems and associated support infrastructure, remain subject to final user requirements. Further, BIAL has submitted that a concept design prepared by a design consultant indicates a project cost in excess of ₹150 crore and has requested that the final completed cost of the project be considered through true-up at the time of tariff determination for the Fifth Control Period.

5.8.112 The Authority has examined the submission. The Authority notes that, as observed in Paragraph 5.3.189 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the assessed project cost of ₹89 crore was determined after detailed review of the project scope, technical specifications and cost estimates available at the time of assessment. The Authority further notes that the Independent Capex Consultant (MECON Ltd) specifically recognized that certain aspects of the design, including the final tower configuration and associated facilities, had not been finalized and accordingly undertook its assessment based on the information then available.

5.8.113 The Authority agrees with BIAL's submission that the final design of the ATC Tower and associated facilities remains dependent upon completion of the siting study and consultations with AAI. The Authority also recognizes that changes in tower height, structural configuration, foundation requirements and associated technical infrastructure may materially affect the eventual project cost. However, these observations reinforce the Authority's view that the project remains at a relatively preliminary stage of design development and that the final scope and cost of the asset have not yet crystallized.

5.8.114 The Authority is therefore not in agreement that potential future changes in design parameters, anticipated increases in tower height, consultant concept estimates or other evolving project requirements justify an increase in the admissible cost at this stage of the tariff determination exercise. Regulatory approval must be based on sufficiently developed project definitions and reasonably substantiated cost estimates rather than on prospective design changes that remain under technical review.

5.8.115 Accordingly, while noting BIAL's submission that the final project configuration remains under development and may differ from the assumptions considered during the present assessment, the Authority finds no basis at this stage to revise the assessed cost of Project B.8 – New Air Traffic Control Tower and Associated Facilities. The Authority therefore retains its proposal as set out in Paragraph 5.3.189 of Consultation Paper No. 01/2026-27 dated 12.06.2026 and notes that any prudent variation arising upon completion and implementation of the project may be considered in accordance with the applicable true-up mechanism during the subsequent tariff determination exercise for BIAL.

T1 to T2 Walkway and Metro Connector Walkway (C.4)

5.8.116 The Authority has examined BIAL's submission seeking recognition of the tendered L1 price of ₹114 crore in place of the hard cost of ₹58 crore assessed by the Authority. The Authority notes that its assessment of this project was carried out in detail through the Independent Capex Consultant (MECON Ltd), based upon the inputs, scope and cost particulars submitted by BIAL itself in its MYTP, and after due rationalisation of the scope, applicable schedule rates, market data, and indirect cost and constraint factors, as set out in Paragraph 5.3.225 of the Consultation Paper. The assessment so arrived at reflects the efficient and prudent cost of the approved asset addition, consistent with the mandate of the Authority under the AERA Act, 2008 (read together with the amendments in 2019 and 2021).

5.8.117 The Authority is not in agreement that the very inputs furnished by BIAL, on the basis of which the detailed assessment was undertaken, may now be revised upward at the consultation stage to reflect a subsequently tendered figure. Permitting an operator to alter its own submitted inputs after they have been examined and rationalised would undermine the integrity and finality of the assessment process. The Authority accordingly retains its proposal to allow the hard cost of ₹58 crore for the Fourth Control Period, with the actual efficient cost to be examined, as appropriate, at the true-up stage upon the asset being commissioned and put-to-use.

Admissibility of the North West Road Expansion, 2 + 2 lane (C.5) project in KIAB's RAB in the Fourth Control Period

5.8.118 The Authority has examined the submission. At the outset, the Authority acknowledges that continued development of cargo facilities, MRO infrastructure and other assets in the north-western zone of the airport is expected to increase vehicular traffic within this area of the airport. The Authority also notes the observations of the Independent Capex Consultant (MECON Ltd), which recognise the operational need for augmentation of the existing road network to support the traffic generated by these developments.

5.8.119 The Authority notes that its proposal in Paragraph 5.3.230 of Consultation Paper No. 01/2026-27 dated 12.06.2026 was not predicated on the absence of a potential requirement for the road expansion, but on whether the requirement had been demonstrated with sufficient certainty during the Fourth Control Period. The Authority had observed that the project was linked to developments in the north-western zone of the airport and had therefore proposed not to consider the asset pending further evidence regarding the timing and extent of the requirement.

5.8.120 The Authority has further examined the additional submissions provided by BIAL and the supporting assessment of the Independent Capex Consultant (MECON Ltd). Based on the projected ramp-up of cargo operations, MRO-related activities, and other approved developments in the north-western zone, the Authority notes that the existing 1+1 lane configuration is likely to face capacity constraints during the Fourth Control Period. The Authority also takes cognisance of BIAL's submission that the road corridor had originally been planned as a 2+2 lane facility and that only a phased implementation was undertaken during the Third Control Period based on prevailing traffic conditions.

5.8.121 The Authority notes that the proposed expansion does not represent capacity creation significantly ahead of demand but is intended to complete infrastructure that was originally envisaged.

5.8.122 The Authority notes that the proposed road expansion primarily serves aeronautical activities, including cargo and MRO operations that form part of the airport's regulated business. The Authority is therefore satisfied that the project demonstrates sufficient aeronautical utility and operational necessity.

5.8.123 Accordingly, upon consideration of BIAL's submissions, the assessment of the Independent Capex Consultant (MECON Ltd), and the projected operational requirements of the north-western development zone, the Authority is of the view that the requirement for the North-West Road Expansion (2+2 Lane) has been adequately established for the Fourth Control Period. The Authority considers the project "North West Road Expansion, 2 + 2 lane (C.5)" as part of Regulatory Asset Base for the Fourth Control Period, subject to actual capitalization, prudence review, and verification of asset commissioning.

MMTH Enhancement (D.2) project

5.8.124 The Authority notes BIAL's submission regarding Project D.2 – MMTH Enhancement. BIAL has submitted that the cost rationalisation undertaken by the Authority does not appropriately recognise the requirement for the proposed ATMS/MMTH Connecting Canopy and associated interface works. BIAL has contended that the existing MMTH Level-0 area contains an uncovered stretch of approximately 40 metres between the umbrella canopy and the ATMS concourse, resulting in exposure of passengers to weather conditions and incomplete covered connectivity between Terminal 2 and the metro station. BIAL has further submitted that the proposed canopy constitutes an essential completion item for providing uninterrupted passenger movement and that the associated costs arise from integration with the existing PTFE/STFE canopy structures, structural modifications, level transitions, MEP works, barricading requirements and other site-specific constraints. On this basis, BIAL has requested consideration of an additional cost of ₹10.6 crore and has also requested that actual awarded costs be considered during true-up.

5.8.125 The Authority has examined the submission. At the outset, the Authority agrees that seamless passenger connectivity between Terminal 2, the Multi-Modal Transit Hub ("MMTH") and the Airport Terminal Metro Station is an important consideration in assessing passenger facilitation infrastructure. The Authority also acknowledges that certain interface works may be required where new infrastructure is integrated with existing facilities and structures.

5.8.126 However, the Authority notes that the assessment reflected in Consultation Paper No. 01/2026-27 dated 12.06.2026 was undertaken on the basis of the scope, drawings, technical details and supporting documentation submitted by BIAL during the Capex Review Process. The Authority further notes that the Independent Capex Consultant (MECON Ltd) assessed the admissible scope after examining the necessity, functionality and prudence of the proposed works and accordingly considered the elevated Metro Connector Walkway as the principal infrastructure directly supporting passenger movement between Terminal 1, Terminal 2 and the metro interface.

5.8.127 The Authority is not in agreement that the additional costs now claimed should be admitted on the basis of revised design development and detailed engineering undertaken subsequent to the submission of the Multi-Year Tariff Proposal. The Authority observes that the justification advanced by BIAL is primarily founded upon more detailed design evolution, integration requirements and execution methodologies that were not part of the original project definition subjected to regulatory scrutiny and benchmarking. As with other projects assessed during the Fourth Control Period review, the Authority considers that material enhancements to project scope or cost emerging after completion of the assessment process cannot automatically form the basis for revising the assessed project cost.

5.8.128 The Authority further notes that the additional costs claimed relate substantially to structural integration requirements, modifications to existing facilities, transition arrangements, MEP works and associated execution considerations. While the Authority acknowledges that such works may arise during detailed engineering, the Authority is of the view that these matters form part of normal project development and do not, by themselves, establish that the cost assessment undertaken by the Authority requires revision.

5.8.129 The Authority also notes BIAL's request that actual awarded costs may be considered during the true-up exercise. In this regard, the Authority observes that the regulatory framework already provides for examination of actual capitalisation and prudently incurred expenditure during the true-up process. Any variation between approved asset additions and actual implementation outcomes may therefore be

examined by the Authority based on the final scope, supporting documentation, actual capitalisation and prudence review at the appropriate stage.

5.8.130 Accordingly, the Authority is not in agreement with BIAL's request for inclusion of the additional ₹10.6 crore in the assessed cost of the MMTH Enhancement project. The Authority is of the view that the project cost assessed in Consultation Paper No. 01/2026-27 dated 12.06.2026 appropriately reflects the admissible scope based on the information available during the regulatory review process. The Authority therefore retains its proposal as set out in the Consultation Paper

5.8.131 The Authority notes IATA's submission regarding the timing of regulatory review of capital expenditure, the need for capacity expansion to remain aligned with forecast demand, and the importance of ensuring that only prudent and efficiently incurred expenditure that provides a direct benefit to airport users is admitted into the Regulatory Asset Base (RAB).

5.8.132 The Authority agrees that effective regulatory oversight is enhanced where major infrastructure proposals are subjected to detailed scrutiny before significant expenditure commitments are made. In this regard, the Authority notes that BIAL's proposed Fourth Control Period asset additions have been subjected to a comprehensive review as part of the present tariff determination exercise. As discussed in Chapters 4 and 5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority examined the necessity, scope, timing and cost of the proposed projects, having regard to traffic requirements, operational needs, utilisation of existing infrastructure and the findings of the Independent Capex Consultant (MECON Ltd). The Authority further notes that it has not accepted the entirety of the capital expenditure programme proposed by BIAL and has undertaken substantial project-level rationalisation were considered appropriate.

5.8.133 The Authority also agrees that the scale and timing of capacity expansion should be aligned with forecast demand and operational requirements. As observed in Chapters 4 and 5 of the Consultation Paper, the Authority assessed the requirement for terminal, apron, airside and supporting infrastructure with reference to the traffic forecasts adopted for the Fourth Control Period and the capacity constraints expected to arise during the review period. The Authority further examined the sequencing of key projects and, where appropriate, considered the relationship between associated infrastructure components in evaluating the need and timing of investment.

5.8.134 The Authority notes that a key element of the framework proposed in the Consultation Paper is the Incremental ARR Approach on User Pays principle discussed in Paragraphs 12.3 and 12.4. Under this approach, identified high-capex projects are excluded from the Base ARR and the corresponding tariff impact becomes effective only upon capitalisation and commissioning of the relevant assets. This approach is intended to ensure that airport users are not required to bear tariff increases in anticipation of infrastructure that is yet to become operational and available for use.

5.8.135 The Authority further agrees that only expenditure that is prudent, efficient and directly attributable to the provision of airport services should be admitted into the RAB. Consistent with this principle, the Authority has undertaken a detailed review of the proposed asset additions and has separately examined aeronautical and non-aeronautical components of the capital expenditure programme.

5.8.136 The Authority also notes IATA's observations regarding depreciation, asset lives and the treatment of replaced assets. In this regard, the Authority has applied the applicable provisions of the AERA Guidelines, 2011 and has considered asset classification, useful life and capitalisation principles in determining depreciation and the treatment of asset additions proposed for the Fourth Control Period.

5.8.137 Accordingly, the Authority agrees with the broad regulatory principles highlighted by IATA and is of the view that the framework proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026, including the project-level prudence review, capital expenditure rationalisation and Incremental ARR Approach on User Pay principle, appropriately addresses the concerns raised. The Authority therefore retains its proposed approach and has separately considered IATA's project-specific comments in the sections that follow.

5.8.138 Regarding para 5.3.125, the Authority notes IATA's support for limiting project scopes strictly to components necessary for operational continuity, safety, compliance, and passenger facilitation. The Authority's evaluation has strictly adhered to this principle. Unjustified or non-essential scope expansions have been systematically rationalized across both airside and terminal-related packages to protect users from unnecessary costs.

5.8.139 In respect of Table 139 (Taxiway Z and Enabling Works), the Authority notes IATA's support for the cost reduction proposed by the Authority versus BIAL's original submission. While recognizing the project's necessity to support the upcoming MRO facilities, the Authority, based on the assessment by MECON Ltd., has proposed to restrict the hard cost to ₹84 crore (against BIAL's submission of ₹111 crore).

5.8.140 The Authority has examined IATA's submission regarding Table 149 – Terminal 2 Phase 2 Area and Area-per-PHP, that the area planning norm considered for Terminal 2 Phase 2 should be aligned more closely with IATA benchmarks and that the area intensity of approximately 34.08 sqm/PHP achieved in Terminal 2 Phase 1 Expansion represents a more efficient benchmark that could be replicated in future terminal developments.

5.8.141 The Authority notes that, in Paragraphs 5.3.138 to 5.3.148 of Consultation Paper No. 01/2026-27 dated 12.06.2026, it had assessed the integrated Terminal 2 facility based on a design capacity of 45 MPPA, a Peak Hour Passenger (PHP) demand of 13,500 passengers and a planning norm of 37 sqm/PHP recommended by the Independent Capex Consultant (MECON Ltd). The Authority had observed that the adopted planning norm was already significantly higher than the normative IATA benchmark of 30 sqm/PHP for integrated terminals and incorporated allowances for brownfield integration requirements, passenger comfort, transfer processing requirements, security-related space requirements and operational flexibility. Accordingly, the Authority had proposed a Terminal 2 Phase 2 area of 243,855 square metres in the Consultation Paper.

5.8.142 The Authority further notes that, during the stakeholder consultation process, BIAL submitted detailed terminal planning studies, Master Plan Update 2024 assessments and supporting justification demonstrating that the operational role now envisaged for Terminal 2 differs materially from that contemplated under the original planning assumptions. In particular, BIAL submitted that Terminal 2 Phase 2 is intended to support the future development of Kempegowda International Airport, Bengaluru as an integrated transfer hub and therefore incorporates infrastructure requirements that extend beyond those typically reflected through generic area-per-PHP benchmarking methodologies.

5.8.143 The Authority notes that the Independent Capex Consultant (MECON Ltd) examined, inter alia, the necessity, scope, utilisation assumptions, terminal planning basis and operational requirements associated with the proposed development. The Authority also examined BIAL's submissions regarding the differential of approximately 27,232 square metres between the area proposed by BIAL and the area proposed in the Consultation Paper.

5.8.144 Upon examination, the Authority noted that the additional area requirement was substantially attributable to identifiable operational and functional requirements including: (i) dedicated Domestic-to-Domestic, Domestic-to-International, International-to-Domestic and International-to-International transfer passenger processing facilities; (ii) associated government agency facilities, passenger processing areas and Early Baggage Storage infrastructure required to support increasing transfer passenger volumes; (iii) enhanced Passenger Boarding Bridge provision resulting in longer pier configurations, enlarged gate holdrooms, wider concourses and two-way travellator requirements; (iv) additional operational areas arising from evolving BCAS requirements, including processor queue management and passenger holding arrangements; and (v) practical requirements associated with integrating Terminal 2 Phase 2 with the existing operational Terminal 2 facility.

5.8.145 The Authority further notes BIAL's submission that Terminal 2 Phase 1 was planned based on traffic forecasts, transfer passenger assumptions and operating concepts prevailing during the 2017-2018 period, and therefore did not incorporate dedicated transfer passenger infrastructure at the scale now considered necessary to support long-term hub operations. While the Authority does not consider it appropriate to retrospectively reassess the prudence of Terminal 2 Phase 1, it recognizes that part of the additional area proposed under Terminal 2 Phase 2 is intended to accommodate operational functionalities that were either absent or provided at a lower scale in the original terminal development.

5.8.146 The Authority is therefore of the view that the area intensity achieved under Terminal 2 Phase 1 Expansion cannot be directly adopted as the benchmark for Terminal 2 Phase 2. The Authority considers that Terminal 2 Phase 2 incorporates additional hub-related processing infrastructure, transfer passenger facilities, enhanced gate infrastructure, evolving regulatory requirements and brownfield integration constraints that are not reflected solely through a comparison of area-per-PHP ratios. The Authority is further of the view that these facilities constitute core operational infrastructure necessary to support the airport's intended long-term role as an integrated hub airport and do not indicate inefficient terminal sizing.

5.8.147 Accordingly, after considering the additional evidence and detailed justification provided by BIAL, together with the findings of the Independent Capex Consultant (MECON Ltd), the Authority accepted BIAL's submission and modified its proposal contained in Consultation Paper No. 01/2026-27 dated 12.06.2026. The Authority decides to consider a Terminal 2 Phase 2 area of 2,71,087 square metres for determination of the admissible project cost, Regulatory Asset Base and associated tariff building blocks for the Fourth Control Period.

The Authority notes IATA's support regarding Table 150 – Cost Rationalisation and Terminal Planning Efficiency, for the cost rationalisation proposed in Table 150 and its submission that terminal planning efficiency should continue to be reflected in the assumptions underpinning the project costs.

5.8.148 The Authority agrees that terminal planning assumptions and project sizing are critical drivers of capital expenditure and should be subject to regulatory scrutiny. In this regard, the cost reductions reflected in Table 150 are a direct outcome of the Authority's independent review of the scope, sizing, configuration and capacity requirements of the proposed development, as discussed in Paragraphs 5.3.72 to 5.3.79 of Consultation Paper No. 01/2026-27 dated 12.06.2026. The Authority did not accept BIAL's proposed project cost without review and undertook its own assessment of the reasonableness of the proposed terminal area and associated capital expenditure.

5.8.149 The Authority further notes that, subsequent to issuance of the Consultation Paper, it accepted BIAL's revised Terminal 2 Phase 2 area after considering additional evidence regarding transfer passenger

facilities, boarding gate requirements, operational planning considerations and legacy area constraints associated with Terminal 2 Phase 1. The Authority concluded that the remaining variance between its assessment and BIAL's proposal was not material and that redesign of the project at the current stage could adversely impact the delivery schedule of a critical capacity augmentation project.

5.8.150 Accordingly, the Authority accepts IATA's general observation that terminal planning efficiency should remain a key consideration in evaluating capital expenditure

5.8.151 The Authority notes IATA's submission regarding Table 153 (Contingency Facility), that the project is unlikely to yield meaningful operational benefits to users by its proposed March 2027 completion date, because the critical enabling infrastructure specifically Taxiway B9 will not be completed until September 2027. The Authority agrees with the principle that operationally dependent assets should only be capitalized and entered into the RAB once the complete operational solution is available to users. The capitalization schedule for the Contingency Facility has been assessed to ensure it aligns with the availability of the supporting airside infrastructure.

5.8.152 The Authority also notes IATA's support for the approach taken in Table 160 (MAR Recirculation Link), where only the project elements required to serve users during the Fourth Control Period are allowed, with remaining elements deferred. Similarly, for Clause 5.3.261, the Authority agrees that assets must demonstrate a clear and immediate connection with projected traffic demand. Guided by this principle and the analysis of MECON Ltd., the Authority has proposed to exclude the capex of ₹285 crore for the T2 Phase 2 West Apron (18 remote stands) from the current control period, as its primary purpose is long-term night parking and its completion is scheduled for the very end of the control period (December 2030), meaning user benefits would only accrue in the subsequent control period.

5.8.153 The Authority notes IATA's support for the Authority's proposal in Paragraph 5.3.261 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.154 The Authority agrees that inclusion of capital expenditure in the Regulatory Asset Base should be supported by a demonstrated operational requirement linked to projected demand and airport service obligations. As discussed in Paragraph 5.3.261 of the Consultation Paper, the Authority proposed exclusion of the relevant expenditure because sufficient justification had not been provided to establish the need for the proposed asset in the context of forecast traffic and operational requirements.

5.8.155 Accordingly, the Authority retains its proposal as set out in Paragraph 5.3.261 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.156 In relation to Table 182 (Aeronautical Capital Asset Additions) of the Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority notes IATA's request to verify the placement of T2 Phase 2 expenditures across FY '30 and FY '31. Inadvertently, T 2 Phase 2 capitalisation has been shown in FY 2030 in Table 182 in the Consultation Paper, which has been rectified in Tariff Order as may be seen in the **Table 204**.

5.8.157 The Authority notes IATA's support for the reductions proposed by the Authority in Tables 135 and 136 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.158 The Authority further notes that only prudent and efficiently incurred capital expenditure has been admitted into the Regulatory Asset Base (RAB). As discussed in the Consultation Paper, the reductions reflected in Tables 135 and 136 are based on the Authority's independent assessment of the scope, necessity, cost estimates and supporting justification submitted by BIAL for the respective projects.

The Authority has not accepted the proposed capital expenditure as submitted by BIAL. Instead, each project was subjected to a detailed technical and financial evaluation by the Authority, supported by its independent Capex Consultant, MECON Ltd., to determine the efficient and justified capital expenditure eligible for inclusion in the RAB.

5.8.159 The Authority notes IATA's support for the reductions proposed in Tables 141 and 142 of Consultation Paper No. 01/2026-27 dated 12.06.2026. With regard to the North Airside Perimeter Wall and Perimeter Road project, the Authority observed in Paragraphs 5.3.94 and 5.3.95 that the proposed relocation of the perimeter wall and construction of the perimeter road were intended to support future cargo and aerospace developments along the northern boundary; however, no firm commitments for such developments had been executed. Accordingly, the Authority proposed not to consider the perimeter wall and road works during the Fourth Control Period and, as set out in Paragraphs 5.3.97 to 5.3.103 and Table 141, considered only the Perimeter Intrusion Detection System (PIDS) component required for BCAS compliance.

5.8.160 With regard to the Extension of Taxiway B9 and Associated Works, the Authority observed in Paragraphs 5.3.104 and 5.3.105 that the project is required to provide airside connectivity to the proposed Contingency Facility and MRO facilities and is therefore operationally justified. Accordingly, the Authority retains its proposals in Tables 141 and 142.

5.8.161 The Authority notes IATA's support for the reductions proposed by the Authority in respect of the Airside Works package summarized in Table 143 of Consultation Paper No. 01/2026-27 dated 12.06.2026. As discussed in Paragraphs 5.3.21 to 5.3.109, the Authority, with the assistance of the Independent Capex Consultant (MECON Ltd), undertook a project-by-project review of the scope, requirement and cost of the proposed airside projects and rationalized the costs wherever the proposed expenditure was not adequately justified, was in the nature of contingency, or could not be supported through technical and commercial assessment.

5.8.162 With regard to duct cleaning, the Authority views that such activities are operational and maintenance-related in nature and do not result in creation of a distinct capital asset. Consistent with the principles applied by the Authority in assessing capital expenditure proposals, such expenditure is more appropriately considered as an operating expense rather than a capital asset addition. Accordingly, the Authority retains its proposed treatment reflected in Table 143.

5.8.163 The Authority notes IATA's support for the cost rationalisation proposed in Table 145 of Consultation Paper No. 01/2026-27 dated 12.06.2026 in respect of the Terminal 2 Enhancement project. As discussed in Paragraphs 5.3.122 to 5.3.126, the Authority, through the Independent Capex Consultant (MECON Ltd), reviewed the scope, procurement status and cost estimates of the project and assessed only such expenditure as was found to be justified and adequately supported.

5.8.164 The Authority is of the view that the proposed reduction appropriately reflects the outcome of the prudence review and ensures that only justified and efficient expenditure is proposed for inclusion in the Regulatory Asset Base. Accordingly, the Authority retains its proposal as set out in Table 145 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.165 The Authority notes IATA's support for the treatment of the General Aviation (GA) Terminal. As observed by the Authority in Paragraph 5.3.162 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the proposed GA Terminal has not been considered for inclusion in the approved asset additions for the Fourth Control Period. The Authority considered that the proposed facility is intended for a specific user segment and is therefore more appropriately funded through charges recovered from

the users of such facilities rather than through aeronautical tariffs applicable to the broader passenger and airline base.

5.8.166 The Authority further notes IATA's submission regarding utilities, aprons and taxiways associated with GA activities. The Authority's assessment of capital expenditure proposals has been undertaken on a project-specific basis having regard to the nature of the asset, its purpose and the extent to which it supports aeronautical services. Accordingly, the Authority retains its proposal regarding the treatment of the GA Terminal as set out in the Consultation Paper.

5.8.167 The Authority notes IATA's submission regarding the potential impact of future metro connectivity on parking demand. As discussed in Paragraphs 5.3.145 to 5.3.153 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority undertook a detailed assessment of the Airport Staff Food Court and MLCP project, including the proposed parking requirement, utilisation levels and future operational needs. Based on this assessment, the Authority, with the assistance of the Independent Capex Consultant (MECON Ltd), rationalised the project cost proposed by BIAL before considering it for the Fourth Control Period.

5.8.168 The Authority agrees that evolving surface access options, including metro connectivity, are relevant considerations in assessing long-term parking requirements. In this regard, the Authority notes that only the rationalised project cost assessed as prudent and justified has been proposed for consideration in Table 152. Accordingly, the Authority retains its proposal as set out in Table 152 of the Consultation Paper.The Authority notes IATA's submission regarding the North-West Road Expansion. As observed by the Authority in Paragraph 5.3.230 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the proposed North-West Road Expansion does not establish an immediate aeronautical requirement warranting recovery through aeronautical tariffs during the Fourth Control Period. Accordingly, the Authority has proposed to exclude the project from BIAL's Regulatory Asset Base (RAB) for the Fourth Control Period.

5.8.169 The Authority further observes that, should the North-West Road Expansion be reconsidered in a subsequent control period, its admissibility would be assessed based on actual capitalisation, demonstrated aeronautical utility and a prudence review by the Authority. Accordingly, only such elements as are found to provide direct aeronautical benefits to airport users and satisfy the applicable regulatory requirements would be considered for inclusion in the RAB. Accordingly, the Authority retains its proposal as set out in the Consultation Paper.

5.8.170 The Authority notes IATA's support for the Authority's proposal regarding the temporary passenger parking facility. As observed by the Authority in Paragraph 5.3.240 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the proposed facility is transitional in nature and is intended solely to facilitate interim parking arrangements during redevelopment of the existing parking area. The Authority further observed that the facility does not constitute a permanent airport infrastructure asset and, accordingly, proposed not to include its cost in the Regulatory Asset Base (RAB) for the Fourth Control Period.

5.8.171 The Authority further notes IATA's submission regarding the potential impact of metro connectivity on future parking and kerbside demand. The Authority agrees that evolving passenger access patterns and the availability of alternative modes of transport are relevant considerations in assessing future landside infrastructure requirements. Accordingly, any future proposals relating to parking and kerbside facilities shall be evaluated based on prevailing traffic demand, utilisation trends and the supporting justification provided by BIAL at the relevant time.

5.8.172 Accordingly, the Authority retains its proposal as set out in the Consultation Paper.

5.8.173 The Authority notes IATA's submission regarding the North Boundary Road / Landside North East Road project. As observed by the Authority in Paragraph 5.3.266 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority has proposed not to include the capital expenditure towards the project in the Regulatory Asset Base (RAB) for the Fourth Control Period.

5.8.174 The Authority further observed that the project may be reconsidered in a subsequent control period only upon demonstration by BIAL of confirmed development commitments, implementation phasing, traffic demand, operational neces sity and cost reasonableness. In this context, the Authority agrees that any future assessment of the project should be guided by the extent of aeronautical utility and benefits accruing to airport users, together with compliance with the applicable regulatory framework and prudence review by the Authority.

5.8.175 Accordingly, the Authority retains its proposal as set out in the Consultation Paper.

5.8.176 The Authority notes IATA's support for the reductions proposed by the Authority in Tables 157, 158, 162, 163 and 164 of Consultation Paper No. 01/2026-27 dated 12.06.2026. The Authority further notes IATA's support for the exclusion or rationalisation of expenditure for which adequate supporting information was not furnished, particularly in relation to Table 162 (Utilities).

5.8.177 The Authority agrees that only prudent and adequately substantiated expenditure should be admitted into the Regulatory Asset Base. As discussed in Paragraphs 5.3.268 to 5.3.276 of the Consultation Paper, the Authority undertook an independent review of the utility augmentation proposed by BIAL, including potable water supply, non-potable water supply, wastewater management, stormwater management and associated infrastructure required to support PAL-2 development. The Authority rationalized several capacity assumptions proposed by BIAL, including potable water demand, Water Treatment Plant capacity and rainwater harvesting pond capacity, based on its technical assessment.

5.8.178 The Authority further notes that certain scope items, including multiple road crossings, were proposed as provisional items without adequate quantification or supporting justification. As observed in Paragraph 5.3.272 of the Consultation Paper, these items were accordingly rationalized. The Authority also reviewed cost estimates against applicable schedule rates, market data and indirect cost assumptions and made corresponding adjustments were considered appropriate.

5.8.179 Accordingly, the Authority retains its proposed treatment of the projects reflected in Tables 157, 158, 162, 163 and 164 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.180 The Authority notes IATA's support for the Authority's assessment of Other Works / Non-PAL-2 Capex including Sustaining Capex set out in Table 173 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.181 As discussed in Paragraphs 5.3.337 to 5.3.340 of the Consultation Paper, the Authority observed that BIAL incurred sustaining capital expenditure of ₹545.45 crore against Authority-approved sustaining capital expenditure of ₹929.16 crore during the Third Control Period and that BIAL has historically projected sustaining capital expenditure at levels higher than actual expenditure incurred.

5.8.182 Accordingly, the Authority retains its proposal as set out in Table 173 of Consultation Paper No. 01/2026-27 dated 12.06.2026.

5.8.183 The Authority has examined IATA's submission that, where existing aircraft stands are replaced to facilitate development of the proposed taxiway infrastructure, airport users should not continue to remunerate assets that are no longer available for operational use and that the treatment of any remaining asset value associated with such assets should be appropriately addressed.

5.8.184 The Authority notes that the regulatory framework and the approach adopted in Consultation Paper No. 01/2026-27 dated 12.06.2026 are based on the principle that airport users should bear tariff impacts only in respect of assets that are required for provision of regulated services and are available for use. The Authority has consistently examined proposed capital expenditure with due regard to actual utilisation, operational necessity, commissioning status, asset allocation and user benefit before permitting inclusion in the Regulatory Asset Base.

5.8.185 The Authority further notes BIAL's submission that the aircraft stands proposed to be replaced were developed as temporary facilities and are located on the alignment of the proposed Taxiway Bravo extension. BIAL has submitted that these temporary stands do not have any residual asset value requiring recovery through future tariffs. The Authority also notes BIAL's submission that the existing Air Traffic Control Tower and Alpha-1 Building have already been substantially recovered under the lease arrangement with Airports Authority of India (AAI), with the remaining residual value amounting to only ₹0.86 crore as on 31 March 2026.

5.8.186 The Authority is of the view that airport users should not be required to remunerate for assets that have ceased to provide regulated services. However, based on the information submitted by BIAL, the Authority notes that the temporary aircraft stands proposed for replacement do not have any residual value requiring recovery through aeronautical tariffs. Further, the residual value associated with other affected assets is immaterial in the context of the overall asset base and shall be dealt with in accordance with the applicable treatment of asset retirements and true-up of the Regulatory Asset Base.

5.8.187 Accordingly, having examined the submissions made by IATA and BIAL, the Authority considers that no material stranded asset value remains to be recovered from airport users on account of the replacement of the temporary aircraft stands required for development of Taxiway Bravo extension.

5.8.188 The Authority has examined IATA's submission that, if the existing Air Traffic Control Tower is replaced and ceases to be operational, any remaining capital value associated with the asset should be reviewed before continuing to be recovered through the Regulatory Asset Base.

5.8.189 The Authority agrees with the principle that airport users should not be required to remunerate assets that no longer provide regulated services. The Authority notes BIAL's submission that the existing Air Traffic Control Tower and Alpha-1 Building have already been substantially recovered under the lease arrangement with Airports Authority of India (AAI), with the residual value of such assets amounting to only ₹0.86 crore as on 31 March 2026.

5.8.190 The Authority further notes that the treatment of retired or replaced assets is addressed through actual capitalisation, asset retirement and true-up of the Regulatory Asset Base. Consistent with the approach adopted in the Consultation Paper, the Authority considers that airport users should bear tariff impacts only in respect of assets that continue to provide operational benefit and regulated services.

5.8.191 In view of the negligible residual value associated with the existing Air Traffic Control Tower and the applicable true-up mechanism, the Authority is satisfied that no separate adjustment is warranted at this stage. The Authority therefore retains its position.

5.8.192 The Authority notes IATA's submission that, as a matter of accepted industry practice, construction cost indexation should be applied to the midpoint of construction, on the basis that the majority of major contracts are typically finalised by that stage of project execution. IATA has accordingly suggested that indexation for the proposed asset additions should be determined using a midpoint approach in order to better reflect actual construction cost exposure.

5.8.193 The Authority has examined the submission. The Authority observes that the purpose of indexation is to reflect the likely impact of inflation and price escalation over the period during which construction activities are undertaken. While midpoint indexation may be adopted as a simplifying assumption in certain circumstances, the Authority is of the view that such an approach may not necessarily reflect the actual pattern of expenditure across all projects and construction packages.

5.8.194 As observed by the Authority in Chapter 5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the proposed capital cost estimates have been examined with due regard to the project-specific implementation schedules, expenditure profiles, and anticipated phasing of construction activities. Accordingly, indexation has not been applied using a uniform midpoint assumption. Instead, the Authority has considered the anticipated timing of construction activities and expenditure for individual project packages so as to develop a more realistic assessment of the applicable inflationary impact over the construction period.

5.8.195 The Authority is of the view that an approach based on the anticipated phasing of construction activities provides a more accurate representation of actual construction cost exposure than the application of a generic midpoint assumption across all projects. Such an approach recognises that expenditure commitments and contract finalisation may occur at different stages depending on the nature, complexity, procurement strategy, and implementation schedule of the respective project package.

5.8.196 Accordingly, the Authority notes IATA's suggestion to apply construction cost indexation solely at the midpoint of construction but retains its approach of determining indexation based on the anticipated phasing of construction activities for each project package, as this provides a more realistic representation of the applicable indexation and associated construction cost escalation.

5.8.197 The Authority notes IATA's submission regarding Table 181, that the proposed aeronautical allocation percentages for T2 Enhancement, T2 Phase 2 and T1–T2 Connectivity may be overstated and that, given the higher area-per-Peak Hour Passenger (PHP) characteristics of these developments, a lower aeronautical allocation comparable to the T1 Upgrade project may be more appropriate. The Authority has examined the submission. As observed in Table 179 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the aeronautical allocation of 85.38% for Terminal 1 was derived from actual area certification and functional area classification of the completed terminal facility. The Authority considered Aeronautical Area of 100,717 sq. m. and Non-Aeronautical Area of 17,243 sq. m. and determined the Terminal Building Ratio as follows:

Particulars	Area (sq. m.)
Aeronautical Area (D)	100,717
Non-Aeronautical Area (F)	17,243
Total Terminal Area (D + F)	117,960
Terminal Building Ratio for T2 Phase 1 [D/(D+F)]	85.38%

The Authority further observed that the completed T2 Phase 1 facility reflects an aeronautical allocation of 87.66%, as derived from the certified area statements furnished by BIAL and reproduced in Table 179 of the Consultation Paper.

Particulars	Area (sq. m.)
Aeronautical Area (D)	190,997.80
Non-Aeronautical Area (F)	26,883.00
Total Terminal Area (D + F)	217,880.80
Terminal Building Ratio [D/(D+F)]	87.66%

5.8.198 The Authority notes, however, that T2 Phase 2 has not yet been developed or commissioned and therefore actual area certificates and verified functional area classifications are not presently available. In the absence of completed area certifications, the Authority considered it reasonable to adopt the currently observed area composition of the existing T2 Phase 1 facility as a reasonable basis for estimation for T2 Phase 2 and accordingly proposed an aeronautical allocation based on the 87.66% ratio observed in T2 Phase 1.

5.8.199 The Authority agrees with IATA that the present allocation is necessarily provisional. The Authority notes that Terminal 2 Phase 2 is expected to include additional commercial, retail and passenger amenities, and therefore the final aeronautical allocation can be determined only after the facility is completed and becomes operational. At that stage, the allocation will be based on the certified as-built area, verified space utilisation, applicable IMG norms, and other relevant benchmarks for determining the appropriate apportionment between aeronautical and non-aeronautical areas in case of similar set of airports. Accordingly, the final aeronautical allocation for Terminal 2 Phase 2 may differ from, and could be lower than, the provisional allocation of 87.66% adopted for the purpose of the present tariff determination.

5.8.200 Accordingly, while the Authority considers the use of the T2 Phase 1 ratio to be a prudent approach for the purposes of the present tariff determination exercise, the Authority agrees that the final aeronautical allocation should be revisited based on the actual area certificates and completed space utilisation details furnished by BIAL after commissioning of T2 Phase 2. The Authority shall undertake such review as part of the true-up exercise of the Fourth Control Period.

5.8.201 In view of the foregoing, the Authority accepts IATA's submission to the extent that the presently proposed allocation is indicative (pending completion of T2 Phase 2) and that the final allocation should be reassessed based on actual area certifications once the project is commissioned at the time of True Up for the Fourth Control Period.

5.8.202 The Authority notes IATA's submission that depreciation assumptions should reflect the actual useful life of airport infrastructure and that depreciation periods should be aligned with engineering design standards and the period over which users derive benefit from the relevant assets.

Clause 5.3.50 – Pavement Asset with 40-Year Design Life

5.8.203 The Authority notes IATA's submission that, since the pavement has been designed for a 40-year design life in accordance with FAA standards, the depreciation life adopted for tariff determination should also be 40 years.

5.8.204 The Authority has examined the submission. The Authority notes that a distinction exists between the engineering design life of an asset and the regulatory useful life prescribed for tariff determination purposes. The useful life applicable for depreciation is governed by the Authority's Order No. 35/2017-18 dated 12.01.2018, as amended on 09.04.2018, which prescribes a useful life of 30 years for Runway, Taxiway and Apron assets.

Clause 5.3.62 – Additional Concrete Pavement Areas

5.8.205 The Authority notes IATA's submission that the depreciation life for the relevant pavement asset should similarly be aligned to the underlying 40-year design life.

5.8.206 The Authority has examined the submission and notes that the regulatory treatment of pavement assets is governed by the Authority's Order on useful life of airport assets. The said Order prescribes a useful life of 30 years for Runway, Taxiway and Apron assets and does not provide for automatic adoption of

a longer depreciation life solely because the engineering design standard contemplates operation beyond that period.

5.8.207 The Authority also notes that Note 5 of the Authority's Order specifically contemplates deviation only where an alternative useful life is supported by suitable technical justification and accepted by the Authority. In the present case, the Authority does not find sufficient grounds to depart from the useful life prescribed under the applicable asset-life framework. Accordingly, the Authority retains the depreciation life proposed in the Consultation Paper.

5.8.208 The Authority notes IATA's submission regarding t Table 183 – Roads, Boundary Walls and Security Fencing, that the proposed useful life of five years for roads, boundary walls and security fencing appears shorter than normal engineering practice and that such assets should be depreciated over a longer period reflecting their expected operational life.

5.8.209 The Authority has examined the submission. The Authority notes that the useful life applicable to Main Access Roads, Roads in Operational Areas, Boundary Walls and Security Fencing is specifically prescribed under the Authority's Order No. 35/2017-18 dated 12.01.2018, as amended on 09.04.2018. The prescribed useful life for such assets is 5 years or 10 years, as applicable, and forms part of the Authority's standardized asset-life framework for tariff determination purposes.

5.8.210 The Authority is of the view that depreciation treatment should be applied consistently in accordance with the Authority's notified asset-life framework unless a specific deviation is supported by adequate technical justification and accepted by the Authority. The Authority therefore does not consider it appropriate to modify the useful lives proposed in the Consultation Paper solely on the basis of generalized engineering life assumptions.

5.8.211 Accordingly, the Authority retains the depreciation proposed in the Consultation Paper, consistent with the useful lives prescribed under Order No. 35/2017-18 dated 12.01.2018, as amended vide Amendment No. 01 dated 09.04.2018, governing the determination of the useful life of airport assets for tariff determination purposes. However, the Authority has already initiated the process of revising the AERA Tariff Guidelines, 2011, to align them with the evolving regulatory and industry landscape. In this process, the suggestion made by IATA will be duly examined on its merits, along with other stakeholder submissions, before taking an appropriate decision.

5.8.212 The Authority notes Menzies Aviation's submission that efficient cargo operations depend on an integrated logistics ecosystem and that Projects C1, C2.2 and C5 should be evaluated alongside the proposed cargo infrastructure programme. The Authority agrees that cargo competitiveness depends on both airside and supporting landside infrastructure. However, inclusion of an asset in the Regulatory Asset Base must be assessed based on the nature of the asset, the beneficiaries of the asset, the immediacy of the operational requirement and the extent to which the benefits accrue to airport users who bear aeronautical charges.

North West Road Expansion (Project C.5)

5.8.213 The Authority has examined Menzies Aviation's submission that efficient connectivity between cargo facilities, logistics infrastructure and airport support facilities is necessary to realise the full benefits of the cargo infrastructure programme.

5.8.214 The Authority notes that the proposed North West Road Expansion (2+2 Lane) is intended to support the ongoing development of the north-western zone of the airport, including cargo facilities, MRO developments, utility infrastructure, contingency facilities and other operational assets. The Authority

further notes the observations of the Independent Capex Consultant (MECON Ltd), which recognise the operational need to augment the existing road network to accommodate the traffic expected to be generated by these developments.

5.8.215 The Authority notes that its proposal in Paragraph 5.3.230 of Consultation Paper No. 01/2026-27 dated 12.06.2026 was not based on a finding that the project lacked utility, but on whether the requirement had been demonstrated with sufficient certainty during the Fourth Control Period. At the Consultation Paper stage, the Authority had therefore proposed not to consider the project pending further evidence regarding the timing and extent of the requirement.

5.8.216 The Authority has subsequently examined the additional submissions made by BIAL and the findings of the Independent Capex Consultant (MECON Ltd). The Authority notes that approved and proposed developments in the north-western zone, including cargo facilities and MRO-related infrastructure, are expected to result in a material increase in vehicular traffic during the Fourth Control Period. The Authority further notes BIAL's submission that the road corridor was originally planned as a 2+2 lane facility and that only a phased implementation was undertaken during the Third Control Period based on prevailing traffic conditions.

5.8.217 The Authority is satisfied that the proposed road expansion does not constitute capacity creation significantly ahead of demand, but represents completion of infrastructure originally envisaged to support development of the north-western zone. The Authority further notes that the primary users of the facility are cargo, MRO and other operational functions that support regulated aeronautical activities within the airport.

5.8.218 Accordingly, upon examination of BIAL's submissions, the findings of the Independent Capex Consultant (MECON Ltd), and the projected operational requirements of the north-western zone, the Authority is satisfied that the requirement for the North West Road Expansion (Project C.5) has been adequately established for the Fourth Control Period. The Authority therefore modifies its proposal contained in Consultation Paper No. 01/2026-27 dated 12.06.2026 and decides to consider the project "North West Road Expansion, 2+2 Lane (Project C.5)" as part of the Regulatory Asset Base for the Fourth Control Period, subject to actual capitalisation, asset allocation, commissioning and true-up in accordance with the Authority's established principles.

Connectivity Projects Supporting Cargo Operations Already Considered by the Authority

5.8.219 The Authority is not in agreement with the suggestion that connectivity infrastructure supporting cargo operations has not been recognised within the capital expenditure programme.

5.8.220 In this regard, the Authority notes that the Cargo Avenue / NCR Expansion (Project C6) has been specifically considered because it addresses an existing bottleneck on the North Cargo Road corridor. As recorded in Paragraphs 5.3.232 to 5.3.235 of the Consultation Paper, the proposed widening is expected to improve traffic circulation, reduce congestion in the cargo and airside access area and ensure continuity of the North Cargo Road corridor. The Authority therefore considered the project to be operationally justified.

5.8.221 Further, as discussed in Paragraphs 5.3.233 to 5.3.237, the Authority, through the Independent Capex Consultant (MECON Ltd), reviewed the proposed costs, undertook a prudence assessment and proposed to consider a cost of approximately ₹9 crore against the ₹12 crore claimed by BIAL, subject to actual capitalization, asset allocation and true-up.

5.8.222 This demonstrates that where a project addresses an existing operational constraint, has an immediate airport requirement and exhibits a clear nexus with cargo and airport operations, the Authority has considered such projects for inclusion in the capital expenditure programme.

5.8.223 The Authority agrees that cargo infrastructure should be viewed as part of a broader airport logistics ecosystem. However, the Authority is of the view that each project must be assessed on its own merits. The critical considerations are whether the project serves an immediate aeronautical requirement, who benefits from the asset and whether recovery through aeronautical tariffs is justified at the present stage.

5.8.224 The Authority notes BCIC's submission that airport infrastructure is a critical enabler of Bengaluru's economic growth, competitiveness and attractiveness as a global business destination.

5.8.225 The Authority agrees that Kempegowda International Airport, Bengaluru plays an important role in supporting the city's economic development, business connectivity and long-term growth. The Authority also recognises that timely expansion of airport infrastructure is necessary to accommodate future demand and maintain service levels.

5.8.226 The Authority notes that these considerations have been taken into account while evaluating the capital asset additions for the Fourth Control Period. The Authority has assessed the proposed investments having regard to future traffic growth, capacity requirements, operational necessity and long-term airport development needs. At the same time, the Authority is required under the AERA Act, 2008 and the AERA Guidelines, 2011 to ensure that only prudent and justified expenditure is recovered from airport users through tariffs.

5.8.227 Accordingly, the Authority acknowledges BCIC's observations and conveys that it has considered the broader economic importance of airport infrastructure while assessing the proposed capital asset additions for the Fourth Control Period.

5.8.228 The Authority notes BCIC's submission regarding the importance of Terminal 2 as a flagship infrastructure asset for Bengaluru and its support for development of Terminal 2 Phase 2 with adequate long-term capacity.

5.8.229 The Authority agrees that Kempegowda International Airport, Bengaluru serves as a key gateway for the city and that the quality, capacity and efficiency of airport infrastructure contribute to passenger experience, business connectivity and the airport's ability to support future growth. The Authority further notes BCIC's observations regarding Terminal 2's contribution to Bengaluru's reputation as a global business and investment destination.

5.8.230 The Authority has examined the proposed Terminal 2 Phase 2 development in detail, including the projected traffic growth, capacity requirements and long-term operational needs of the airport. The Authority recognises the importance of providing sufficient terminal capacity to accommodate future demand and support the continued growth of Kempegowda International Airport, Bengaluru.

5.8.231 Accordingly, the Authority notes BCIC's support for Terminal 2 Phase 2 and has considered the long-term capacity requirements of the airport while evaluating the proposed expansion as part of the Fourth Control Period capital expenditure programme.

Inclusion of New Terminal Assets in the RAB

5.8.232 Business Aircraft Operators Association (BAOA) has submitted that new terminal assets should be included in the Regulatory Asset Base (RAB) only after they are commissioned and become available for operational use, at which stage the true-up mechanism, together with the applicable Fair Rate of

Return (FRoR), may be applied to ensure full and fair recovery of prudently incurred capital expenditure. BAOA has reiterated its support for the Authority's Incremental ARR approach, submitting that it appropriately balances the interests of users and the operator, and that, as these airports are substantially self-financed, the framework already provides an equitable mechanism for recovery of prudent investment without imposing premature costs on users.

5.8.233 The Authority has examined the submission and notes that it is in line with the principle underlying the Incremental ARR approach set out in the Consultation Paper. The Authority clarifies that the approach is not applied to the asset base at large, but only to select high-value, late-commissioning projects identified under the Incremental ARR framework. For these projects, the tariff impact is not built into the base tariff at the outset; rather, upon each such asset being certified as put-to-use, 80% of its value is admitted into the RAB and the associated ARR is given effect through a revised order. This gives effect to the user pays principle, under which users are called upon to pay for an asset only when it becomes available to serve them, while the true-up mechanism, read with the applicable FRoR, protects the time-value of money and secures full and fair recovery of the operator's prudently and efficiently incurred capital expenditure.

5.8.234 The Authority accordingly takes note of, and is in agreement with, the submission of BAOA. The Authority retains its proposal to admit the select high-value projects identified under the Incremental ARR approach into the RAB to the extent of 80% of their value upon commissioning and certification as put-to-use, with recovery secured through the true-up mechanism and the applicable Fair Rate of Return, in the manner provided for the Fourth Control Period.

5.8.235 The Authority notes the submission of the Airline Operators Committee (AOC) – Bengaluru Airport expressing its support for the essential capacity enhancement programmes proposed by BIAL, including the expansion of Terminal 2, modification works at Terminal 1, and the development of the West Cross Field Taxiway (WCFT)and associated airside infrastructure. The stakeholder has submitted that these projects are critical for accommodating future passenger growth, enhancing operational efficiency, reducing aircraft taxi times and ensuring that adequate airport capacity is available to meet long-term demand. The stakeholder has further emphasized the importance of implementing these projects through transparent progress monitoring mechanisms and demand-linked phasing.

5.8.236 The Authority observes that the aforesaid projects form part of the core airport infrastructure required to maintain service quality, operational resilience and capacity adequacy at Kempegowda International Airport, Bengaluru. The Authority further notes that the proposed capital additions were subjected to a detailed technical, operational and prudency assessment by the Independent Capex Consultant (MECON Ltd). The Consultant examined, inter alia, the necessity, scope, phasing, implementation timelines, traffic assumptions, capacity utilisation, design requirements and cost estimates of the proposed projects, the findings of which have been considered by the Authority while formulating its proposals in the Consultation Paper. The Authority agrees with the stakeholder that timely augmentation of terminal and airside infrastructure is essential to support the forecast growth in passenger and aircraft traffic while maintaining efficient airport operations. The Authority also recognizes the importance of transparent monitoring of project implementation and ensuring that investment execution remains aligned with traffic growth projections and operational requirements.

5.8.237 Accordingly, the Authority has considered the requirement of these capacity enhancement projects while determining the Aggregate Revenue Requirement for the Fourth Control Period and has incorporated its conclusions based on the prudency assessment undertaken by the Independent Capex Consultant (MECON Ltd), project readiness, traffic growth requirements and expected operational

benefits. The Authority retains its position that the approved asset additions are necessary for sustaining the long-term capacity and efficiency of the airport and shall be implemented in a phased and monitored manner, with due regard to traffic demand, operational necessity and regulatory prudence, while ensuring that airport users receive the intended capacity and service benefits from such investments.

Prioritization of core capacity enhancement projects

5.8.238 The Authority notes the submission of AOC-BLR supporting prioritization of core capacity enhancement projects while expressing concerns regarding the proposed expenditure on Metro/MMTH infrastructure and the associated tariff implications. The Authority notes that Kempegowda International Airport, Bengaluru is expected to witness sustained traffic growth over the Fourth Control Period, necessitating development of integrated landside access infrastructure to support efficient passenger movement, reduce dependence on private vehicle-based access, alleviate congestion, and improve overall airport accessibility. In this context, the ATMS constitutes a critical airport-access asset designed to integrate the airport terminal with the upcoming metro network and facilitate seamless multimodal connectivity for airport users.

5.8.239 The Authority further notes that the proposed metro-related investments were subjected to a detailed review by the Independent Capex Consultant (MECON Ltd). The Consultant examined, inter alia, the necessity, scope, phasing, implementation timelines, traffic assumptions, utilisation levels, airport-metro integration requirements, passenger circulation arrangements, and cost estimates of the proposed assets. The findings of the Consultant have been considered by the Authority while formulating its proposals in the Consultation Paper. Based on this assessment, the Authority is satisfied that the ATMS and related airport-side connectivity infrastructure have a direct functional relationship with airport operations and passenger facilitation objectives and are required to support the airport's long-term capacity and accessibility requirements.

5.8.240 The Authority also notes that the Metro/MMTH expenditure considered for the Fourth Control Period primarily relates to airport-side enabling infrastructure, passenger access facilities, connectivity interfaces and integration works necessary for effective functioning of the airport-metro ecosystem.

5.8.241 The Authority has adopted a prudent approach in assessing metro-related capital expenditure. The Authority notes that the KIA West Metro Station project has not been considered as part of the capital expenditure programme proposed for tariff determination during the Fourth Control Period owing to uncertainties relating to its implementation timeline, utilisation and readiness. Consequently, no tariff impact associated with the KIA West component has been considered by the Authority at this stage.

5.8.242 Accordingly, the Authority retains its proposal regarding the Airport Terminal Metro Station (ATMS) and other approved airport-side metro integration assets, as these investments are necessary to support the long-term accessibility, operational efficiency and sustainable growth of the airport. The Authority, however, excludes the KIA West Metro Station project from consideration for tariff determination during the Fourth Control Period.

5.8.243 The Authority notes the submission of AOC-BLR that higher airport charges may increase airline operating costs and, consequently, affect airlines' ability to expand networks, restore capacity and offer competitive fares. The Authority also notes BIAL's submission that airport charges constitute a relatively small component of overall airline operating costs and that airline viability is influenced by multiple factors, including fuel costs, fleet deployment, market conditions and network strategy.

5.8.244 The Authority recognizes the importance of maintaining a competitive operating environment for airlines. However, the Authority is not in agreement with AOC-BLR's suggestion that necessary airport

investments should be deferred principally on the basis of their potential impact on airline cost structures. The Authority notes that airport tariffs are not determined with reference to individual cost pressures faced by any stakeholder group. Rather, under the framework prescribed by the AERA Act, 2008, tariffs are determined through a building-block methodology that allows recovery only of prudent and efficient costs incurred for the provision of aeronautical services.

5.8.245 Under this methodology, the Aggregate Revenue Requirement (ARR) is derived after detailed examination of each regulatory building block, including operating expenditure, depreciation, return on Regulatory Asset Base (RAB), taxation and subsidy attributable to Non-Aeronautical Revenue. Both operating expenditure and capital expenditure proposals are subjected to detailed prudence review, and only those expenditures that are assessed as necessary, efficient and justified for airport operations are considered for recovery through aeronautical tariffs. Consequently, airport users are not required to bear the cost of investments that fail prudence scrutiny or are not considered necessary for the provision of aeronautical services.

5.8.246 The Authority further notes that the proposed capital expenditure programme for the Fourth Control Period has been independently evaluated by the Independent Capex Consultant (MECON Ltd), who has examined, inter alia, the necessity, scope, capacity requirements, utilisation levels, phasing, implementation timelines and cost reasonableness of the proposed projects. The findings of the Independent Capex Consultant (MECON Ltd) have been duly considered by the Authority while formulating its proposals in the Consultation Paper. Projects have been approved, modified, deferred or excluded based on their demonstrated operational necessity and prudency, rather than solely on their tariff implications.

5.8.247 The Authority is of the view that prudent investment in airport infrastructure is necessary to ensure adequate capacity, operational efficiency, safety and service quality for airport users, including airlines. Deferral of necessary infrastructure may reduce near-term tariff impacts but can result in capacity constraints, operational inefficiencies and higher long-term costs, which would ultimately be detrimental to the sustainability of airport operations and airline growth.

5.8.248 Accordingly, the Authority retains its approach of determining aeronautical tariffs based on the recovery of prudent and efficiently incurred costs required for the provision of airport services. The Authority is satisfied that the capital expenditure programme proposed for the Fourth Control Period, after application of the prudency review process, appropriately balances infrastructure requirements with the interests of airport users, including airlines, and ensures that only justified costs are considered for tariff determination.

Phased or deferred implementation of Metro/MMTH Capex

5.8.249 The Authority notes the submission of AOC-BLR recommending phased or deferred implementation of Metro/MMTH CAPEX until utilisation visibility is established, together with a fresh cost-benefit assessment, scope rationalization and cost optimization measures. AOC-BLR has further submitted that only essential and demand-linked CAPEX should be considered for tariff recovery.

5.8.250 The Authority has examined the submission in light of the AERA Act, 2008, the AERA Guidelines, 2011 and the analysis contained in Consultation Paper No. 01/2026-27.

5.8.251 The Authority notes that the MMTH project examined in accordance with Clause 5.2.1(b) of the AERA Guidelines, 2011 and, for true-up purposes, only those costs directly associated with airport operations were considered through the application of an appropriate aeronautical allocation ratio.

5.8.252 The Authority further notes that the same regulatory principle has been applied while examining MMTH and Metro-related assets proposed for the Fourth Control Period. As analysed in the Consultation Paper, the proposed MMTH Enhancement works were considered only to the extent of the aeronautical component attributable to airport operations and passenger facilitation, while non-aeronautical portions were not proposed for recovery through aeronautical tariffs.

5.8.253 The Authority further notes that, as analysed in the Consultation Paper, the Airport Terminal Metro Station (ATMS) was considered because it has a direct interface with passenger facilitation, terminal accessibility and landside traffic decongestion and is expected to provide an alternate mode of airport access while reducing dependence on road-based transport infrastructure.

5.8.254 Similarly, the elevated T1-T2 Metro Connector Walkway was considered as it has a direct linkage with passenger facilitation and effective utilization of metro connectivity by Terminal 1 passengers and is expected to provide seamless connectivity between Terminal 1, the Airport Terminal Metro Station and Terminal 2. The Authority also notes that the proposed standalone ground-level T1-T2 walkway was not considered, having been assessed as supplementary in nature.

5.8.255 However, as analyzed in the Consultation Paper, the Authority observed that the KIA West Metro Station is not primarily designed as a passenger-facing facility and principally serves airport employees and personnel associated with cargo operations, ground handling agencies, MRO facilities, utility infrastructure, concessionaires and other airport support establishments. The Authority further observed that the station does not directly serve airport passengers and that the associated expenditure does not exhibit a sufficiently direct nexus with passenger facilitation. The Authority is of the considered view that the expenditure relating to the KIA West Metro Station not be included within Regulatory Asset Base for the Fourth Control Period.

5.8.256 The Authority therefore observes that the Consultation Paper adopted differentiated treatment for MMTH Phase-I true-up, MMTH Enhancement works, the Airport Terminal Metro Station, the T1-T2 Metro Connector Walkway and the KIA West Metro Station based on attributability of aeronautical function, the intended users of the asset and its relationship with airport operations and passenger facilitation. Accordingly, having independently assessed these projects on their respective merits, the Authority retains its proposals as set out in Consultation Paper No. 01/2026-27.

5.8.257 The Authority notes the submission of AOC-BLR that all major capital investments should be supported by demand validation, scenario-based planning and phased execution linked to traffic growth so as to ensure long-term utilisation of assets and mitigate the risk of under-utilisation.

5.8.258 The Authority has examined the submission in light of the AERA Act, 2008 (read together with Amendments in 2019 and 2021), the AERA Guidelines, 2011 and and the analysis contained in Consultation Paper No. 01/2026-27. The Authority notes that the proposed capital expenditure programme by BIAL for the Fourth Control Period was subjected to a detailed technical and prudence review by the independent Capex Consultant appointed by the Authority (MECON Ltd.) and was assessed with reference to, inter alia, traffic forecasts, capacity requirements, project phasing, utilisation levels and implementation timelines.

5.8.259 The Authority, through the Independent Capex Consultant, had reviewed the necessity, scope, timing and phasing of all individual projects and, where appropriate, rationalised project costs and excluded certain components that were not considered justified for inclusion in KIAB's Regulatory Asset Base (RAB).

5.8.260 Accordingly, the Authority observes that considerations relating to long-term utilisation, capacity requirements and demand-linked implementation have already been examined as part of the CAPEX assessment undertaken for the Fourth Control Period. Having independently assessed the proposed projects for the Fourth Control Period on their respective merits, the Authority retains its proposals as set out in Consultation Paper No. 01/2026-27.

Impact of the second airport proposed near Bengaluru

5.8.261 The Authority notes the submission of AOC-BLR regarding the potential impact of a second airport in Bengaluru on future traffic growth, utilisation of infrastructure and recovery of capital expenditure at KIAB. AOC-BLR has submitted that future diversion of passenger and cargo traffic to a second airport may affect utilisation of infrastructure proposed during the Fourth Control Period and has accordingly requested that major capital expenditure approvals be calibrated after considering such potential development.

5.8.262 The Authority notes that the proposed capital expenditure programme for KIAB was evaluated based inter alia on traffic forecasts, capacity requirements and implementation timelines over the Fourth Control Period, i.e. FY 2026-27 to FY 2030-31. The Authority further notes that the proposed projects were independently assessed through the Capex Consultant with due consideration accorded to their necessity, scope, phasing and utilisation.

5.8.263 The Authority further notes that, as per media reports, the proposal for development of a second airport in Bengaluru is under consideration. Accordingly, for the purpose of the present tariff determination, the Authority has assessed the traffic forecasts, capacity requirements and associated Capital Expenditure (CapEx) proposals based on KIAB's projected operational requirements during the Fourth Control Period (FY 2026-27 to FY 2030-31) and the CapEx plan and Master Plan approved by the Board of BIAL.

5.8.264 Further the Authority with the assistance of the independent Capex Consultant had where appropriate, rationalized project costs and excluded certain components that were deemed to not be justified for inclusion in Regulatory Asset Base (RAB).

5.8.265 Accordingly, while noting AOC-BLR's concerns regarding the possible long-term impact of a future second airport, the Authority observes that the proposed commencement of such airport lies beyond the Fourth Control Period. Having independently assessed the proposed projects of KIAB during the Fourth Control Period, with reference to the traffic and capacity requirements and factoring in considerations inter alia of cost justifiability, prudence and aeronautical attributability of asset, the Authority retains its proposals as set out in Consultation Paper No. 01/2026-27.

Need for sustained and timely investment in infrastructure at KIA, Bengaluru

5.8.266 The Authority notes the submission of the Confederation of Indian Industry (CII) that sustained and timely investment in airport infrastructure is essential for supporting Bengaluru's long-term economic growth, maintaining adequate airport capacity and facilitating broader economic benefits including connectivity, trade, investment, employment generation and competitiveness. CII has further submitted that infrastructure development should be planned ahead of demand and that airport investment proposals should be evaluated from a long-term perspective rather than solely on the basis of current traffic levels.

5.8.267 The Authority has examined the submission in light of the AERA Act, 2008 and AERA Guidelines, 2011, BIAL's submissions and the analysis contained in Consultation Paper No. 01/2026-27.

5.8.268 The Authority notes that the Consultation Paper has assessed BIAL's proposed assets for the Fourth Control Period with due regard to the long-term traffic growth, capacity requirements and infrastructure needs of KIAB during the Fourth Control Period. The Authority further notes that the proposed capital assets were subjected to a detailed technical and prudence review by the independent Capex Consultant (MECON Ltd.) engaged by the Authority and was evaluated with due regard to project necessity, scope, utilisation, phasing and expected contribution to airport operations and service delivery.

5.8.269 The Authority agrees that timely development of airport infrastructure is important for ensuring that capacity constraints do not impede future growth. At the same time, the Authority is required to balance the need for infrastructure development with the interests of airport users and ensure that only prudent and justified expenditure is considered for inclusion in KIAB's Regulatory Asset Base (RAB) and tariff determination process. Accordingly, the Authority through the Consultation Paper adopted a project-wise assessment approach and, where considered appropriate, proposed rationalization of project scope, costs and eligibility for tariff recovery.

5.8.270 As stated above and in preceding responses, the Authority has evaluated BIAL's proposed capital assets for taking into account both the long-term development requirements of KIAB and the need to ensure prudent and efficient utilisation of airport assets.

Importance of a stable regulatory framework to the long term infrastructure planning at KIA, Bengaluru

5.8.271 The Authority notes the submission of the Confederation of Indian Industry (CII) that a stable, transparent and predictable regulatory framework is important for enabling long-term infrastructure planning and sustaining investor confidence in the airport sector. CII has submitted that airport infrastructure investments are undertaken over long time horizons based on established regulatory principles governing recovery of prudent costs and that significant departures from such principles may introduce uncertainty for long-term investors.

5.8.272 The Authority also notes that the proposed Incremental ARR methodology discussed in the Consultation Paper has been introduced in the context of major expansion projects involving substantial capital investment and has been analysed with reference to the User Pays Principle and the timing of benefits accruing to airport users from such assets. Similarly, proposals relating to Terminal 2 Phase 2, the Eastern Connectivity Tunnel and Terminal 2 – 40 Apron Stands have been examined based on their individual merits, relationship with airport operations and their consistency with the applicable regulatory framework.

5.8.273 The Authority is of the view that regulatory certainty is fundamental to sustaining long-term investment in airport infrastructure. The statutory framework under the AERA Act, coupled with a transparent and predictable tariff determination process, provides a high degree of regulatory certainty to airport operators. This is further reinforced through assured recovery of prudently incurred capital and operating costs, true-up of regulatory building blocks to address any under or over-recovery, and the Hybrid Till framework under which 70% of non-aeronautical revenue is retained by the Airport Operator, thereby reducing revenue risk. In addition, Government support in the form of concessional land allocation and external connectivity infrastructure provided by the state government further strengthens the investment environment. The Authority's adoption of the Incremental ARR Approach for BIAL is consistent with this robust regulatory framework, as it ensures recovery of investment once the assets are commissioned and put to use, while balancing investor confidence with the principle that airport users should pay only for infrastructure from which they derive benefits. This reflects a mature

and credible regulatory regime that promotes both long-term infrastructure development and consumer interest.

Assessment of construction cost escalation

5.8.274 The Authority notes the submission made by the Construction Federation of India (CFI) regarding the methodology adopted for assessment of construction cost escalation in Consultation Paper No. 01/2026-27 dated 12.06.2026 for Kempegowda International Airport, Bengaluru and the consultation process undertaken for Rajiv Gandhi International Airport, Hyderabad. CFI has submitted that Wholesale Price Index (WPI)-based escalation may not fully reflect actual market movements in construction costs and has highlighted factors such as fluctuations in steel, copper, aluminium, labour costs, foreign exchange rates, logistics costs, supply chain disruptions, contractual conditions and geopolitical developments. The Authority also notes CFI's request that construction costs should be assessed based on prevailing market conditions rather than solely with reference to WPI.

5.8.275 The Authority has examined the submission. As observed in the analysis undertaken by the Independent Capex Consultant (MECON Ltd) and discussed in Consultation Paper No. 01/2026-27 dated 12.06.2026, the WPI-based escalation was not adopted as a standalone determination of admissible project cost. Rather, it was used as one of the reference tools to assess the reasonableness of cost variations proposed by BIAL and to establish a consistent and objective benchmark for review of construction cost escalation across projects.

5.8.276 The Authority agrees that actual construction costs may be influenced by several project-specific factors that are not fully captured by a broad inflation index. These factors may include site conditions, project sequencing requirements, labour availability, supply chain disruptions, commodity price movements, contract structures, foreign exchange fluctuations, logistics constraints and other project-specific circumstances. The Authority has therefore not relied solely on WPI escalation for the purpose of determining admissible asset additions.

5.8.277 The Authority notes that the prudence review undertaken as part of the Fourth Control Period tariff determination exercise involves a project-specific examination of cost increases based on supporting documentation provided by the Airport Operator, engineering assessments, procurement outcomes, contractor submissions, change orders and other project records. In addition, the Authority has relied upon the detailed review undertaken by the Independent Capex Consultant (MECON Ltd), including its assessment of market conditions, project execution status and justification for cost variations wherever relevant.

5.8.278 The Authority is of the view that an objective benchmark such as WPI provides a useful reference point for evaluating cost reasonableness and identifying instances where further scrutiny may be required. However, the Authority agrees that such indices cannot, by themselves, capture all project-specific factors that may affect actual construction costs. Accordingly, the Authority's determination of admissible project costs as adopted from the earlier Consultation Papers on tariff determination is based on a holistic assessment of the facts and circumstances of each project and not solely on index-based escalation benchmarks.

5.8.279 In view of the foregoing, the Authority notes CFI's observations and agrees that construction cost assessment must take into account project-specific circumstances and prevailing market conditions which is being followed by AERA through its comprehensive Tariff Guidelines and regulatory framework. The Authority is satisfied that the prudence review framework adopted in Consultation Paper No. 01/2026-27 dated 12.06.2026, including the review undertaken by the Independent Capex

Consultant (MECON Ltd), provides for such an assessment while also ensuring the use of objective benchmarks to protect the interests of airport users and service providers. Accordingly, the Authority retains its approach as set out in the Consultation Paper.

Indexation in Project Costs for the Fourth Control Period

5.8.280 The Authority notes BIAL's submission regarding adoption of the latest inflation forecasts published in the RBI Survey of Professional Forecasters for estimation of indexation on capital expenditure during the Fourth Control Period.

5.8.281 The Authority notes that as per the 100th economic survey forecast published by RBI, the inflation forecast for FY 2026-27 of 7.8% represents a significant increase over the preceding forecast and appears to be influenced by prevailing geopolitical uncertainties, including tensions in the Middle East and the resultant volatility in global commodity and energy markets. The Authority is of the view that such short-term inflationary pressures may not be representative of the underlying inflation trend over the Control Period.

5.8.282 Accordingly, the Authority considers it appropriate to moderate the impact of the sharp year-on-year variation in inflation by considering the average of the inflation estimates for FY 2025-26 (0.4%) and FY 2026-27 (7.8%), resulting in an inflation rate of 4.10% for FY 2026-27 as base and thereafter apply year on year inflation. The Authority is of the view that this approach smoothens the impact of temporary macroeconomic fluctuations while ensuring that the inflation assumption remains reflective of prevailing economic conditions.

5.8.283 For the subsequent years of the Fourth Control Period, the Authority notes that the projected inflation levels remain broadly stable and accordingly decides to adopt the inflation rate of 3.4% per annum for the remaining years of the Control Period.

5.8.284 Accordingly, the Authority has revised the inflation assumptions considered for indexation of capital expenditure during the Fourth Control Period as under:

Description	FY27	FY28	FY29	FY30	FY31
WPI Inflation Considered by Authority	**4.10%**	**3.40%**	**3.40%**	**3.40%**	**3.40%**

Constraint Factor

5.8.285 The Authority notes BIAL's submission seeking application of a 5% Constraint Factor across various projects proposed for the Fourth Control Period. BIAL has submitted that the execution of projects within an operational airport environment result in additional costs arising from security restrictions, limited working windows, constrained access to work fronts, movement controls on labour, materials and equipment, coordination requirements with airport operations and compliance with BCAS and CISF protocols. BIAL has further relied on certain determinations made by the Authority at other airports where a constraint factor was considered for specific projects.

5.8.286 The Authority has examined BIAL's submission. At the outset, the Authority notes that a constraint factor is intended to compensate for additional costs that may arise when infrastructure works are executed within an operational environment where normal construction efficiencies cannot be achieved due to operational, safety and security restrictions. Such costs may include productivity losses arising from restricted work hours, phased execution requirements, limitations on access to work areas, enhanced security procedures and the need to coordinate construction activities without disrupting ongoing airport operations.

5.8.287 The Authority observes that these considerations were specifically examined by the Authority and its independent Capex Consultant while assessing the capital expenditure proposals for the Fourth Control Period. As set out in the project-specific assessments contained in Chapter 5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority recognised that certain projects would be executed in close proximity to operational passenger-facing facilities and would therefore be subject to demonstrable execution constraints. Accordingly, the Authority proposed a 3% constraint factor for projects such as T1 Upgradation Works, T2 Enhancement and the T1–T2 & Metro Connector Walkway, where the nature of the works and the operational environment justified specific recognition of these constraints.

5.8.288 The Authority is therefore of the view that the Consultation Paper already acknowledges the existence of operational constraints and provides a reasonable allowance towards the additional costs associated with execution in an operating airport environment. The purpose of the 3% allowance is precisely to recognise the impact of restricted access, security requirements, phased construction methodologies, coordination with airport operations and related inefficiencies that may arise during project execution.

5.8.289 However, the Authority is of the view that 3% constraint factor application across all projects and is not justified and reasonable. The Authority considers that the extent of operational constraints varies significantly depending upon the nature, location and execution methodology of each project. While certain projects are undertaken within or immediately adjacent to operational passenger facilities, other projects are executed in locations where the degree of operational interference and associated inefficiencies are comparatively lower. Accordingly, the Authority is of the view that the admissibility and quantum of any constraint factor must be assessed on a project-specific basis rather than through the application of a common percentage across the entire capital expenditure programme.

5.8.290 Accordingly, the Authority is of the view that the 3% constraint factor proposed in the Consultation Paper appropriately recognises the impact of execution constraints for the relevant projects while maintaining prudence in the assessment of approved asset additions. The Authority is therefore does not agree with BIAL's request for application of a 5% Constraint Factor across the projects identified in its submission and retains its proposal as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

GST Rate

5.8.291 The Authority notes BIAL's submission regarding the GST rate considered for estimation of capital expenditure for the Fourth Control Period. BIAL has submitted that, based on the actual GST input tax credit availed on previous capital expenditure programmes, the net GST incidence applicable to the proposed capital expenditure programme should be considered as 14.75% instead of the 14% proposed by the Authority.

5.8.292 The Authority has examined BIAL's submission. As observed in Chapter 5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority, with the assistance of its Independent Capex Consultant, undertook a detailed assessment of the capital expenditure proposals submitted by BIAL, including the assumptions relating to taxes, duties and statutory levies applicable to the proposed projects. The Authority notes that the proposed GST rate of 14% together with Labour Cess of 1% forms part of the prudent project cost assessment undertaken by the Authority and its Independent Capex Consultant for the Fourth Control Period.

5.8.293 The Authority also observes that the capital expenditure proposed to be considered for the Fourth Control Period remains subject to regulatory true-up based on actual asset additions and actual expenditure incurred subject to the efficiency and reasonableness. Accordingly, any variation in the

actual GST incidence realised during project execution would be reflected in the true-up exercise based on actual information furnished by BIAL and examined by the Authority at the relevant stage.

5.8.294 Accordingly, the Authority is of the view that the GST consideration in Consultation Paper No. 01/2026-27 dated 12.06.2026 is based on the detailed assessment undertaken by the Authority and its Independent Capex Consultant (MECON Ltd) and represents a prudent estimate for the purpose of tariff determination. The Authority therefore does not agree with BIAL's request to revise the GST assumption from 14% to 14.75% and retains its proposal regarding GST and Labour Cess as set out in the Consultation Paper.

Pre-operative Expenditure

5.8.295 The Authority notes BIAL's submission regarding Pre-Operative Expenditure for the PAL-2 programme and its request that Pre-Operative Expenditure of ₹337.88 crore be considered as part of the capital expenditure proposed for the Fourth Control Period. BIAL has submitted that the proposed expenditure comprises costs relating to project staff, staff welfare, project office operations, office overheads, Construction All Risk (CAR) insurance, Operationalisation and Airport Transfer (ORAT) activities and lender/owner engineer costs. BIAL has further submitted that the proposed amount represents approximately 3.43% of the hard cost value and has been benchmarked against its experience from the PAL-1 programme.

5.8.296 The Authority has examined BIAL's submission. As observed in Chapter 5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority, with the assistance of its Independent Capex Consultant, undertook a detailed assessment of the proposed capital expenditure programme, including the appropriateness and reasonableness of soft cost components proposed by BIAL. As part of this exercise, the Authority and its Independent Capex Consultant (MECON Ltd) specifically examined the basis of various soft cost elements, including design costs, project management costs, pre-operative expenditure, contingency provisions and other associated project costs while determining the prudent project costs proposed to be considered for the Fourth Control Period.

5.8.297 While the Authority acknowledges the role of the project organisation in planning, coordinating and executing the capital expenditure programme, it is also necessary to ensure that only prudent and reasonable expenditure is considered for inclusion in the approved asset additions for tariff determination purposes. The admissibility of such expenditure must be determined based on its nature, necessity, reasonableness and direct relationship with the execution of the approved capital expenditure programme.

5.8.298 The Authority further notes that the approved asset additions for the Fourth Control Period remain subject to regulatory true-up based on actual project execution and actual expenditure incurred. Consequently, where such expenditure is actually incurred and is subsequently demonstrated to be prudent, reasonable and directly attributable to the creation of airport assets, the same will be examined by the Authority during the true-up exercise based on supporting documentation furnished by BIAL.

5.8.299 Having regard to the above, the Authority is of the view that the Pre-Operative Expenditure proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026 is based on the detailed assessment undertaken by the Authority and its Independent Capex Consultant and appropriately reflects the prudent expenditure required for execution of the approved capital expenditure programme. The Authority is therefore not in agreement with BIAL's request to consider the Pre-Operative Expenditure submitted in MYTP and retains its proposal as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

Contingency Expenses

5.8.300 The Authority notes BIAL's submission seeking restoration of the contingency provision from 1.5% to 3% for certain projects proposed during the Fourth Control Period. BIAL has submitted that a substantial portion of the project scope remains to be executed and that uncertainties relating to utility interfaces, stakeholder requirements, operational constraints, statutory compliances, unforeseen site conditions and construction-stage refinements warrant a higher contingency provision. BIAL has further submitted that a contingency provision of 1.5% may not be sufficient to accommodate future changes that may arise during project execution.

5.8.301 The Authority has examined BIAL's submission. As observed in Paragraph 5.3.315 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority, with the assistance of its Independent Capex Consultant, undertook a detailed assessment of the projects that had already been awarded and noted that, while the extent of applicability of contingencies may not be fully ascertainable at the present stage, certain allowance towards contingencies would be appropriate considering the scale of the works, possible scope adjustments and prevailing external uncertainties. Accordingly, the Authority proposed a contingency provision of 1.5% for the awarded packages as part of the overall soft cost proposed to be considered.

5.8.302 The Authority notes that the purpose of a contingency allowance is to provide for limited and unforeseen circumstances that may reasonably arise during project execution. However, a contingency provision is not intended to serve as a general allowance for all future scope additions, design developments, stakeholder requirements or project enhancements that may subsequently be identified.

5.8.303 The Authority further notes that the projects for which BIAL has sought restoration of a 3% contingency provision are projects for which engineering, design, tendering and contract award activities are expected to have mostly been completed. Consequently, a significant portion of the project risks and cost uncertainties would ordinarily have been identified and incorporated into the awarded contract values and project estimates. The Authority is therefore not in agreement that the existence of residual execution uncertainties, by itself, justifies a blanket increase in contingency from 1.5% to 3% across all such projects.

5.8.304 The Authority also notes that approved asset additions for the Fourth Control Period remain subject to regulatory true-up based on actual expenditure incurred and actual asset capitalisation. Accordingly, where any expenditure is subsequently incurred on account of prudent and justified project requirements, the same may be examined by the Authority during the true-up exercise on the basis of supporting documentation and project records furnished by BIAL. The existence of the true-up mechanism reduces the need for a higher upfront contingency allowance in the tariff determination process.

5.8.305 Accordingly, the Authority is of the view that the contingency provision proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026 appropriately balances the uncertainties that may arise during project execution with the need to ensure prudence and cost efficiency in the determination of approved asset additions. The Authority therefore is not in agreement with BIAL's request to restore the contingency provision to 3% and retains its proposal regarding contingency as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

Interest during Construction

5.8.306 The Authority has examined BIAL's submission regarding IDC. Upon independent review, the Authority (through its Independent Capex Consultant, MECON Ltd) has recalculated IDC based on the

revised approved asset additions, project phasing and financing assumptions considered appropriate for tariff determination. The revised IDC estimates have been incorporated in the approved capital cost for the Fourth Control Period, and the corresponding project-wise capital costs, including IDC, are presented in Appendix II. Accordingly, the Authority has considered BIAL's submissions to the extent appropriate and adopted the revised IDC figures for the purpose of determination of aeronautical tariffs for the Fourth Control Period.

Execution Constraints in a Brownfield Environment

5.8.307 The Authority notes BIAL's submissions regarding execution constraints arising from construction activities within an operational airport environment and the request for application of a higher constraint factor. BIAL has submitted that project execution within a live airport environment gives rise to additional costs on account of restricted working windows, security requirements, access limitations, movement controls on labour, materials and equipment, phased construction methodologies, and the need for continuous coordination with airport operations.

5.8.308 The Authority has examined the submission. At the outset, the Authority recognises that execution of infrastructure works within an operational airport environment may result in certain inefficiencies and additional costs that would not ordinarily arise in a greenfield construction environment. Such constraints may include restricted access to work fronts, limitations on working hours, operational and safety requirements, security screening procedures, compliance with BCAS and CISF protocols, movement controls and the need to undertake construction activities without disruption to ongoing airport operations.

5.8.309 The Authority further observes that these considerations were specifically examined by the Independent Capex Consultant (MECON Ltd) during the project assessment process. Consistent with the approach adopted across Chapter 5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority recognised that certain projects executed in close proximity to operational passenger-facing facilities would be subject to demonstrable execution constraints and accordingly incorporated a 3% constraint factor in the project assessment.

5.8.310 The Authority notes that the purpose of the 3% constraint factor is precisely to recognise the impact of restricted access, enhanced security requirements, phased construction methodologies, coordination with airport operations, limited work windows and the associated productivity losses that may arise during project execution. The Authority is therefore of the view that the execution constraints highlighted by BIAL have already been appropriately recognised through the cost assessment methodology adopted for the project.

5.8.311 The Authority is further of the view that the admissibility and quantum of any constraint factor must be assessed on a project-specific basis having regard to the nature, location and execution methodology of the relevant works. Accordingly, while the Authority acknowledges the existence of execution constraints in an operational airport environment, it considers that the 3% allowance already incorporated in the project assessment appropriately reflects such constraints while maintaining prudence in the assessment of approved asset additions.

5.8.312 Accordingly, the Authority is not in agreement that any additional allowance is warranted on this account. The Authority therefore retains the 3% constraint factor already considered in the project cost assessment.

Bitumen Escalation Costs

5.8.313 The Authority notes BIAL's request for recognition of an additional ₹10.79 crore arising from escalation in bitumen prices attributable to prevailing geopolitical developments and global market conditions.

5.8.314 The Authority has carefully examined the submission. The Authority notes that while prices of certain commodities, including bitumen, have experienced significant increases during the relevant period, the prices of several other commodities have not witnessed a similar increase and the prices of some commodities have declined. The Authority is therefore of the view that assessment of inflationary impacts for tariff determination purposes should be undertaken on a broad-based basis rather than by reference to the movement of any single commodity.

5.8.315 The Authority further observes that bitumen prices are substantially influenced by global crude oil markets, which are inherently volatile and susceptible to short-term fluctuations arising from international developments. In the Authority's considered view, the present movements in bitumen prices cannot necessarily be regarded as representative of a sustained long-term trend and the ultimate impact of such volatility cannot presently be determined with reasonable certainty. Accordingly, the Authority does not consider it appropriate to provide a separate commodity-specific adjustment for bitumen escalation at this stage.

Updated Inflation Assumptions Adequately Capture Market Movements

5.8.316 The Authority notes that the objective of the present assessment is to determine a realistic and reasonable tariff to be charged to airport users while maintaining consistency and predictability in the regulatory framework. Accordingly, the Authority has adopted a broad-based all-commodities inflation index rather than relying upon price movements of individual construction inputs (as provided in Table 214). The Authority further notes that, as discussed elsewhere in Chapter 7 of this Order, the indexation estimates are being updated using the forecasted inflation indices contained in the 100th Round of the Reserve Bank of India Survey of Professional Forecasters, as deemed appropriate. The Authority is of the view that such updated inflation forecasts would, to a reasonable extent, capture the impact of recent commodity price movements arising from prevailing global market conditions without creating a commodity-specific passthrough mechanism.

5.8.317 Accordingly, the Authority retains its proposed treatment of the West Cross Field Taxiway project as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026. The Authority is of the view that utility diversion and restoration costs may be examined at the true-up stage based on actual outcomes, the proposed additional external painting costs have not been adequately justified, the cost assessment undertaken by the Independent Capex Consultant (MECON Ltd) represents a reasonable determination of efficient project cost, the execution constraints have already been considered through the applicable constraint factor and separate recognition of bitumen price escalation is not warranted at this stage. Accordingly, the Authority is not in agreement with BIAL's request for additional approval of ₹87.16 crore in respect of the West Cross Field Taxiway project and retains its proposed position as set out in Consultation Paper No. 01/2026-27 dated 12.06.2026.

Financing Allowance for the Fourth Control Period

5.8.318 The Authority notes BIAL's submission seeking (i) inclusion of Financing Allowance in respect of projects that were approved during the Second Control Period but were capitalised during the Third Control Period, and (ii) allowance of depreciation on Financing Allowance. BIAL has submitted that Financing Allowance was permitted by the Authority in earlier tariff determinations and that, having

undertaken investments on the basis of such regulatory treatment, it had a reasonable expectation that Financing Allowance would continue to be available for projects approved during the Second Control Period but capitalised during the Third Control Period. BIAL has further submitted that discontinuance of Financing Allowance for such projects is inconsistent with the regulatory framework that applied at the time the investments were undertaken. BIAL has also relied upon the observations of the Hon'ble TDSAT in its judgment dated 23.04.2018 in Delhi International Airport Limited v. Airports Economic Regulatory Authority and Others (Appeal No. 1 of 2015), wherein the Hon'ble TDSAT observed that the cost of investment cannot be regarded as zero merely because the investment is funded through internal accruals or other non-debt sources. BIAL has requested that Financing Allowance and depreciation thereon be considered for the Third and Fourth Control Periods.

5.8.319 The Authority has examined BIAL's submission. As discussed by the Authority in Paragraphs 5.5.19 to 5.5.21 of Tariff Order No. 11/2021-22 dated 28.08.2021 for determination of aeronautical tariffs for Kempegowda International Airport, Bengaluru for the Third Control Period, the Authority undertook a detailed review of the concept and its application of Financing Allowance, the regulatory basis on which it had been considered under the relevant guiding principle and the manner in which it had been applied in earlier control periods. Following such examination, the Authority concluded that Financing Allowance was essentially an additional return that an airport operator receives during the construction period before an asset is commissioned and starts earning a return upon the normal Regulatory Asset Base (RAB). The Authority's exact reasoning as provided in in Paragraphs 5.5.19 to 5.5.21 of Tariff Order No. 11/2021-22 dated 28.08.2021 may be referred to below:

" 5.5.19 On the financing allowance, the Authority noted that the financing allowance is a notional amount arising from the return of cost of debt given to the equity investment in the capital work in progress assets. The Authority is of the view that the equity invested in work in progress assets cannot be treated as a debt instrument with an assured return of cost of debt. The Authority noted that such assured return on equity investments on the work in progress assets are not available to the developers of other infrastructure. It is expected that the future returns from the project should generate adequate returns to cover the cost of the equity during the construction stage. Therefore, the Authority adequately compensates the risks associated with the equity investments in a construction project once the project is capitalized by means of a reasonable cost of equity.

5.5.20 The Authority considers that giving an assured return on the equity investment even on the work in progress assets would result in reducing the risks associated with equity investment in capital projects which then needs to be accounted while determining the cost of equity. Therefore, the Authority is of the opinion that the return on equity that is entitled to the airport operator would remain the same whether the Authority allows or disallows financing allowance.

5.5.21 Further, the Authority notes that in case of greenfield developments, the airport operator would have to wait for a considerable length of time before getting return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalise. It was with this consideration that the Authority had earlier provided Financing Allowance in initial stages to such airports. The Authority notes that BIAL can now be considered as brownfield airport as the operations have matured over the last decade. Since the operations are now stable, this has reduced the construction and traffic risk for the new construction at the airport. Further, it may be noted that Financing Allowance has never been provided in the case of other airports such as DIAL, MIAL and KIAL. Moreover, it is also noted that BIAL's equity investment for the new construction projects is largely through internal accruals instead of direct equity infusion by its shareholders. Thus, the

Authority is of the view that the locked-up equity in the capital work in progress assets henceforth cannot be given the assured return of cost of debt. Based on the above, the Authority decides to disallow the Financing Allowance (FA) for BIAL on the assets which will be capitalized from Third Control Period onwards."

5.8.320 As explained above, the Authority noted that Financing Allowance represented a notional return on equity invested in Capital Work in Progress ("CWIP") assets by applying a return equivalent to the cost of debt during the construction period. The Authority was of the view that equity invested in CWIP assets could not be treated as a debt instrument carrying an assured return during the construction phase. The Authority further noted that the risks associated with equity investments in capital projects were adequately compensated through the regulated return on equity once the assets were capitalised and put to use. The Authority also observed that allowing Financing Allowance would reduce the risks borne by equity investors and could result in double compensation, since the regulated return on equity already incorporated such risks. Further, the Authority noted that BIAL had matured into a brownfield airport with substantially lower construction and traffic risks than those associated with greenfield developments, for which Financing Allowance was originally conceived, and that such allowance had not been provided to comparable airports such as DIAL, MIAL and KIAL

5.8.321 Accordingly, the Authority retains its proposal not to consider Financing Allowance for assets capitalised during the Third Control Period and not to consider depreciation on Financing Allowance, consistent with the determinations contained in Tariff Order No. 11/2021-22 dated 28.08.2021.

5.8.322 The Authority notes the comments of Fairfax India Holdings Corporation in relation to:

i. the rationalisation of the area proposed for T2 Phase 2;

ii. the treatment of the Eastern Connectivity Tunnel (ECT); and

iii. the exclusion of the KIA West Metro Station from the Regulatory Asset Base ("RAB").

5.8.323 At the outset, the Authority notes the submission that airport infrastructure ought to be planned with due regard to future traffic demand and that the regulatory framework should not discourage timely and efficient long-term investment. At the same time, the Authority is required to ensure that airport users bear only those costs that are prudent, efficient, and appropriately attributable to airport users. It is on this basis the Authority has assessed each of the above matters.

Regarding T2 Phase 2 size/Area

5.8.324 The Authority notes Fairfax's concern that an excessive focus on near-term tariff implications may discourage timely capacity augmentation.

5.8.325 In Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority had examined the proposed Terminal 2 Phase 2 area with reference to projected traffic, Peak Hour Passenger ("PHP") requirements, terminal planning norms, benchmarking with comparable airports, and the efficient area required to meet forecast demand during the Fourth Control Period. Based on such assessment, the Authority had proposed a Terminal 2 Phase 2 area of 243,855 square metres.

5.8.326 Subsequently, BIAL submitted additional justification in support of the proposed Terminal 2 Phase 2 area of 271,087 square metres. Upon examination of the additional material provided during stakeholder consultation, the Authority noted that the differential area under consideration was approximately 27,232 square metres.

5.8.327 The Authority notes that the area assessment adopted in the Consultation Paper was based on a benchmark planning methodology using Peak Hour Passenger approach and a planning norm of 37 square metres per PHP, which already provided substantial headroom over the normative IATA benchmark for integrated terminals. However, the Authority further notes that BIAL's subsequent submissions identified specific operational and functional requirements associated with the envisaged role of Terminal 2 as an integrated hub terminal, including dedicated transfer passenger processing infrastructure, Early Baggage Storage systems, additional Passenger Boarding Bridge provision and associated gate facilities, operational and security-related requirements arising from evolving regulatory standards, and requirements associated with integration of Terminal 2 Phase 2 with the existing terminal configuration.

5.8.328 The Authority further notes BIAL's submission regarding limitations in the original Terminal 2 Phase 1 planning assumptions and the requirement to accommodate certain operational functionalities within the integrated terminal configuration. The Authority recognizes that the integrated terminal configuration now proposed requires accommodation of operational functionalities necessary to support the long-term hub-terminal role envisaged for KIAB.

5.8.329 The Authority is therefore satisfied that the area differential between the terminal area proposed in the Consultation Paper and the area proposed by BIAL is mainly attributable to identifiable operational and functional requirements associated with efficient airport operations and future traffic growth, rather than inefficient terminal sizing.

5.8.330 The Authority also notes BIAL's submission that terminal planning, detailed design and associated procurement activities have substantially progressed.

5.8.331 With regard to the additional evidence submitted by BIAL, the operational requirements associated with the future role of Terminal 2 as an integrated hub terminal, and the long-term capacity augmentation requirements of the airport, the Authority accepts BIAL's submission regarding the proposed terminal area.

5.8.332 Accordingly, the Authority has decided to consider a Terminal 2 Phase 2 area of 271,087 square metres for the purpose of determination of the admissible project cost, Regulatory Asset Base and associated tariff building blocks for the Fourth Control Period, subject to efficient costs and reasonability of rates. The Authority further notes that, consistent with the User Pays principle, recovery of the cost of Terminal 2 Phase 2 through tariff shall arise only upon commissioning and operationalization of the relevant assets.

5.8.333 The Authority has taken into consideration the comments and submissions received from stakeholders during the Stakeholder Consultation process, including the observations made during the Stakeholder Consultation Meeting as well as the written comments and counter-comments received thereafter. Based on its examination of the submissions made by BIAL, the comments received from stakeholders, and after carrying out the requisite prudence check and due diligence of the proposed capital expenditure, the Authority has recomputed the allowable Capital Expenditure for the Fourth Control Period. The details of the allowable Capital Expenditure as decided by the Authority are presented in the table below:

Table 201: Comparison of Asset-wise Total Project Costs (Including Hard Costs, Soft Costs, and Interest During Construction) Considered at the Consultation Paper Stage and the Tariff Order Stage

(Rs in Crore)

S.No.	Category	Project	Total Project Cost Considered at the Consultation Paper Stage (₹ Cr.)	Updated Total Project Cost decided in this Tariff Order (₹ Cr.)	Variation
			A	B	C = B – A
A.1	Airfield Works	West Cross Field Taxiway	1,224.90	1,225.30	0.40
A.2	Passenger Terminal	T2 Phase 2	5,713.00	6,030.30*	317.30
A.3	Airfield Works	T-2 Phase 2 Apron (40 Stands)	754.90	760.00	5.10
A.4	Landside Access & Parking	Eastern Connectivity Tunnel (ECT)	-	480.00	480.00
A.5		North-West Road Expansion (2+2 Lane)	-	23.70	23.70
A.6	Passenger Terminal	T2 Enhancement	68.50	68.50	-
A.7	Airfield Works	Airfield Works (Taxiway Extension, Isolation Bay etc.)	501.70	502.80	1.10
A.8		T-2 Apron (9 + 4 Stands)	260.80	261.10	0.30
A.9		Taxiway Z & Enabling Works	106.70	106.80	0.10
A.10		Cargo West Apron (12 Stands)	133.90	133.20	(0.70)
A.11		North Airside Perimeter Wall & Perimeter Road	13.80	13.90	0.10
A.12		Taxiway B9 & Enabling Works	43.80	43.90	0.10
A.13	Passenger Terminal	T1 Upgrade	892.60	893.22	0.62
A.14		T1/T2 Connectivity - Pier Expansion	204.00	207.90	3.90
A.15		Airport Staff Parking & Cafeteria	135.80	136.90	1.10
A.16		Contingency Facility	37.10	36.90	(0.20)
A.17		New Air Traffic Control Tower (ATCT)	130.80	132.50	1.70
A.18	Landside Access & Parking	Airport Terminal Metro Station (ATMS)	354.80	353.00	(1.80)
A.19		T1 to T2 & Metro Connector (Walkway)	80.00	79.50	(0.50)
A.20		Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	12.90	13.00	0.10
A.21		T1 & T2 Departure and Arrival Recirculation	54.10	54.10	-
A.22		MAR Recirculation Link	100.30	100.00	(0.30)

S.No.	Category	Project	Total Project Cost Considered at the Consultation Paper Stage (₹ Cr.)	Updated Total Project Cost decided in this Tariff Order (₹ Cr.)	Variation
			A	B	C = B – A
A.23	Others	Utilities	696.90	702.00	5.10
A.24		MMTH Enhancement	29.70	29.59	(0.11)
A.25		Green Belt Development	10.90	10.99	0.09
A.26		Rainwater Harvesting Pond-1	131.90	134.40	2.50
Sub-total	**Projects Proposed in 4th Control Period**		**11,693.80**	**12,533.50**	**839.70**
B	**Sustaining Capex**		**1,208.48**	**1,208.48**	-
Total	**Total Including Sustaining Capex (Also Refer:**		**12,902.28**	**13,741.98**	**839.70**

**Post adjustment of landscaping cost*

5.8.334 The table below sets out the Authority's decisions in respect of the key projects proposed by BIAL for inclusion in the Fourth Control Period

Table 202: Summary of Authority's Decisions across Key Proposed Projects by BIAL for the Fourth Control Period

Assigned Identifier	Category	Project	Total Project Cost decided in this Tariff Order (₹ Cr.)	Key Decisions
A.1	Airfield Works	West Cross Field Taxiway	1,225.30	• Shifted from User Pays applicable projects and to be treated under regular capitalization
A.2	Passenger Terminal	T2 Phase 2	6,030.30	• 30% of proposed landscaping costs to be allowed • 15% of aeronautical cost to be treated under regular capitalization with the remaining 85% under User Pays principles
A.4	Landside Access & Parking	Eastern Connectivity Tunnel (ECT)	480.00	• Rs. 480 Crs or 30% of the total project cost whichever is lower decided for capitalization • 100% of aeronautical cost to be treated under User Pays principles
NA	Landside Access & Parking	KIA West Metro Station	-	• Asset deemed ineligible for capitalization in KIAB's RAB

Authority's examination of Aeronautical Asset Allocation for the Fourth Control Period

5.8.335 The Authority notes BIAL's submission that the allocation ratios adopted in its MYTP are indicative programme-level estimates and that final aeronautical allocation should be based on actual asset-level classification at the time of capitalisation. BIAL has accordingly requested that allocation ratios be revisited at the true-up stage based on the actual segregation of assets in the Fixed Asset Register into aeronautical, non-aeronautical and common assets. BIAL has also sought revision of the allocation ratios adopted by the Authority for Cargo Avenue Expansion, MAR Recirculation Link, Utilities and Sustaining Capex.

5.8.336 However, for the purpose of tariff determination for the Fourth Control Period, the Authority is required to determine allocation ratios based on the project scope, intended usage, available asset information

and allocation principles presently on record. Any variation arising from actual asset-level allocation shall be examined at the time of true-up based on the Fixed Asset Register, supporting certifications and other documentary evidence provided by BIAL.

5.8.337 The Authority further notes that Paragraphs 5.5.1 to 5.5.9 of Consultation Paper No. 01/2026-27 dated 12.06.2026 contain a detailed project-wise examination of the allocation ratios proposed by BIAL. Based on this examination, the Authority adopted revised allocation ratios for certain projects, and the rationale for such revisions has been specifically set out in Table 181 and the resulting aeronautical asset additions in Table 182 of the Consultation Paper.

5.8.338 With regard to Utilities and Sustaining Capex, the Authority notes that these assets support both aeronautical and non-aeronautical activities across the airport. Accordingly, the Authority considered it appropriate to allocate such assets using the overall terminal area ratio of 86.86% rather than the higher programme-level allocation factors proposed by BIAL.

5.8.339 The Authority further observed in Paragraph 5.5.7 of the Consultation Paper that the proposed revisions principally arise from (i) updating the overall terminal area ratio from 87.10% to 86.86% and (ii) reclassifying certain assets previously considered by BIAL as 90%, 94% or 100% aeronautical into the category of common terminal-linked assets based on their expected shared aeronautical and non-aeronautical usage.

5.8.340 In view of the foregoing, the Authority is not in agreement with BIAL's request to revise the allocation ratios proposed in Consultation Paper No. 01/2026-27 dated 12.06.2026. Accordingly, the Authority retains the project-wise allocation ratios set out in Table 181 and the resulting aeronautical asset additions reflected in Table 182.

5.8.341 The Authority has examined the project-wise aeronautical allocation ratios applied by BIAL in respect of the capital expenditure proposed for the Fourth Control Period and decides the following ratios:

Table 203: Project-wise Aeronautical Allocation Ratios decided by the Authority for the Fourth Control Period

Assigned Code	Capital Asset Proposed by BIAL for the 4th Control Period	Allocation Ratio Decided by Authority
A.1	West Cross Field Taxiway	100.00%
A.2	T2 Phase 2	86.29%
A.3	T-2 Phase 2 Apron (40 Stands)	100.00%
A.4	Eastern Connectivity Tunnel	30.00%
A.5	North West Road Expansion	86.86%
A.6	T2 Enhancement	87.66%
A.7	Airfield works (Taxiway extension, Isolation bay etc)	100.00%
A.8	T-2 Apron (9 +4 Stands)	100.00%
A.9	Taxiway Z & Enabling works	100.00%
A.10	Cargo West Apron (12 Stands)	100.00%
A.11	North Airside Perimeter Wall & Perimeter Road	100.00%
A.12	Taxiway B9 & Enabling Works	100.00%
A.13	T1 Upgrade	85.38%
A.14	T1/T2 Connectivity - Pier Expansion	86.86%
A.15	Airport Staff Parking & Cafeteria	86.86%
A.16	Contingency Facility	86.86%
A.17	New Air Traffic Control Tower (ATCT)	100.00%
A.18	Airport Terminal Metro Station (ATMS)	86.86%
A.19	T1 to T2 & Metro Connector (walkway)	86.86%
A.20	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha I	86.86%

Assigned Code	Capital Asset Proposed by BIAL for the 4th Control Period	Allocation Ratio Decided by Authority
A.21	T1 and T2 Departure and Arrival Recirculation	86.86%
A.22	MAR Recirculation Link	86.86%
A.23	Utilities	86.86%
A.24	MMTH Enhancement	31.53%
A.25	Green Belt Development	86.86%
A.26	Rainwater Harvesting Pond-1	86.86%
B	Sustaining CAPEX	86.86%

Considered as per terminal area ratio for Terminal 1 as determined in **Table 191*

[a] Allocation ratio without factoring in adjustment for allowance of 30% landscaping cost is 87.66%.

5.8.342 In accordance with the allocation methodology adopted by the Authority, the table below sets forth the project-wise aeronautical asset additions (Aero Capex) resulting from application of project-wise respective allocation ratios costs (as provided in **Table 204)** on the rationalized project proposed by the Authority for the Fourth Control Period. The same also factors in the revised indexation attributable to inflation considerations outlined in Table 214.

Table 204: Aeronautical capital asset additions decided by the Authority for the Fourth Control Period

(Rs. in Crore)

S.No.	Proposed Asset	Total Capex	Aero Allocation Ratio (%)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total Aero Cost
A.1	West Cross Field Taxiway	1,225.30	100.00%	-	1,225.30	-	-	-	1,225.30
A.2	T2 Phase 2	6,132.7**	86.29%*	-	-	-	5,291.67	-	5,291.67
A.3	T-2 Phase 2 Apron (40 Stands)	760.00	100.00%	-	-	-	760.00	-	760.00
A.4	Eastern Connectivity Tunnel	1,600.00	30.00%	-	-	-	480.00	-	480.00
A.5	North West Road Expansion	23.70	86.86%	-	20.59	-	-	-	20.59
A.6	T2 Enhancement	68.50	87.66%	60.00	-	-	-	-	60.00
A.7	Airfield Works: Taxiway Extension, Isolation Bay, etc.	502.80	100.00%	-	502.80	-	-	-	502.80
A.8	T-2 Apron (9 + 4 Stands)	261.10	100.00%	261.10	-	-	-	-	261.10
A.9	Taxiway Z and Enabling Works	106.80	100.00%	106.80	-	-	-	-	106.80
A.10	Cargo West Apron (12 Stands)	133.20	100.00%	-	133.20	-	-	-	133.20
A.11	North Airside Perimeter Wall and Perimeter Road	13.90	100.00%	-	13.90	-	-	-	13.90
A.12	Taxiway B9 and Enabling Works	43.90	100.00%	-	43.90	-	-	-	43.90
A.13	T1 Upgrade	893.20	85.38%	762.63	-	-	-	-	762.63

S.No.	Proposed Asset	Total Capex	Aero Allocation Ratio (%)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total Aero Cost
A.14	T1/T2 Connectivity - Pier Expansion	207.90	86.86%	-	-	-	180.58	-	180.58
A.15	Airport Staff Parking and Cafeteria	136.90	86.86%	-	118.91	-	-	-	118.91
A.16	Contingency Facility	36.90	86.86%	32.05	-	-	-	-	32.05
A.17	New Air Traffic Control Tower (ATCT)	132.50	100.00%	-	-	132.50	-	-	132.50
A.18	Airport Terminal Metro Station (ATMS)	353.00	86.86%	-	306.62	-	-	-	306.62
A.19	T1 to T2 and Metro Connector Walkway	79.50	86.86%	-	69.05	-	-	-	69.05
A.20	Cargo Avenue (NCR) Expansion (2+2 Lane), LSG to Alpha I	13.00	86.86%	-	11.29	-	-	-	11.29
A.21	T1 and T2 Departure and Arrival Recirculation	54.10	86.86%	-	46.99	-	-	-	46.99
A.22	MAR Recirculation Link	100.00	86.86%	-	86.86	-	-	-	86.86
A.23	Utilities	702.00	86.86%	-	-	-	609.76	-	609.76
A.24	MMTH Enhancement	29.60	31.53%	9.33	-	-	-	-	9.33
A.25	Green Belt Development	11.00	86.86%	-	-	-	9.55	-	9.55
A.26	Rainwater Harvesting Pond-I	134.40	86.86%	-	-	-	116.74	-	116.74
Sub Total: Projects Proposed in 4th CP		**13,609.62**		**1,231.97**	**2,579.42**	**132.50**	**7,448.30**	**-**	**11,392.20**
B	**Sustaining Capex**	**1,208.48**	**86.86%**	**142.10**	**197.90**	**209.70**	**286.50**	**213.50**	**1,049.70**
Total Including Sustaining Capex		**14,818.10**		**1,374.05**	**2,777.30**	**342.19**	**7,734.84**	**213.52**	**12,441.90**

**Post adjustment for landscaping assets. Without landscaping adjustment, terminal ratio is 87.66% as ascertained in Table 188.*
*** Before adjustment of landscaping cost. With adjustment of landscaping cost, the capex amount assessed is Rs. 6,030.3 Crs.*

5.8.343 The variation in the asset-wise total aeronautical costs between the consultation stage and the present tariff order are summarised in the following table:

Table 205: Variance between asset-wise aeronautical additions between Consultation Stage and in the current Tariff Order

(Rs. in Crore)

S.No.	Asset	Total Aero Cost: Decided by Authority (A)	Total Aero Cost: Consultation Stage (B)	Difference (A-B)
A.1	West Cross Field Taxiway	1,225.30	1,224.90	0.40
A.2	T2 Phase 2	5,291.67	5,008.11	283.56
A.3	T-2 Phase 2 Apron (40 Stands)	760.00	754.90	5.10
A.4	Eastern Connectivity Tunnel	480.00	-	480.00
A.5	North-West Road Expansion	20.59	-	20.59
A.6	T2 Enhancement	60.00	60.05	(0.05)
A.7	Airfield Works (Taxiway Extension, Isolation Bay etc.)	502.80	501.70	1.10
A.8	T-2 Apron (9 + 4 Stands)	261.10	260.80	0.30
A.9	Taxiway Z & Enabling Works	106.80	106.70	0.10
A.10	Cargo West Apron (12 Stands)	133.20	133.90	(0.70)
A.11	North Airside Perimeter Wall & Perimeter Road	13.90	13.80	0.10
A.12	Taxiway B9 & Enabling Works	43.90	43.80	0.10
A.13	T1 Upgrade	762.63	762.12	0.51
A.14	T1/T2 Connectivity - Pier Expansion	180.58	177.20	3.38
A.15	Airport Staff Parking & Cafeteria	118.91	117.96	0.95
A.16	Contingency Facility	32.05	32.23	(0.18)
A.17	New Air Traffic Control Tower (ATCT)	132.50	130.80	1.70
A.18	Airport Terminal Metro Station (ATMS)	306.62	308.18	(1.56)
A.19	T1 to T2 & Metro Connector (Walkway)	69.05	69.49	(0.44)
A.20	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha 1	11.29	11.21	0.08
A.21	T1 & T2 Departure and Arrival Recirculation	46.99	46.99	-
A.22	MAR Recirculation Link	86.86	87.12	(0.26)
A.23	Utilities	609.76	605.33	4.43
A.24	MMTH Enhancement	9.33	9.36	(0.03)
A.25	Green Belt Development	9.55	9.47	0.08
A.26	Rainwater Harvesting Pond-1	116.74	114.57	2.17
	Sub Total – Projects Proposed in 4th CP	**11,392.20**	**10,590.68**	**801.5**
B	Sustaining Capex	**1,049.70**	**1,049.70**	-
	Total Including Sustaining Capex	**12,441.90**	**11,640.46**	**801.5**

Authority's examination of Depreciation for the Fourth Control Period

5.8.344 The Authority noted BIAL's submission regarding the computation of depreciation for the Fourth Control Period. BIAL has submitted that its depreciation estimates have been computed based on

a) useful lives adopted by the Authority,

b) asset additions considered by the Authority,

c) allocation ratios applied by the Authority for the relevant asset additions, and

d) asset categorisation adopted by BIAL.

5.8.345 On this basis, BIAL has requested the Authority to consider the depreciation values submitted by it, subject to true-up based on actual capitalisation, line-item-wise allocation and actual depreciation computation.

5.8.346 The Authority notes that BIAL's proposed depreciation figures are based on its own categorisation and allocation of assets. However, for tariff determination purposes, the Authority is required to apply the asset classification, allocation ratios and regulatory treatment adopted in Consultation Paper No. 01/2026-27 dated 12.06.2026 based on its independent assessment, including inputs received from its Independent Consultant, the provisions of the AERA Guidelines, 2011 and the principles contained in the AERA Act, 2008 (read together with amendments in 2019 and 2021). The Authority also noted BIAL's resubmission vide Annexure 4 of its Fixed Asset Registers and Depreciation Computation. Based on the Authority's assessment, the Authority has recomputed Depreciation as provided in Table 206.

5.8.347 BIAL, during the stakeholder consultation process, submitted revised depreciation data together with detailed responses to the observations raised in the Consultation Paper, including asset-level mappings, categorisation of assets and supporting justification for the proposed depreciation profile. The Authority has examined BIAL's submissions, the depreciation methodology adopted, the mapping of assets to the applicable depreciation categories, and the information and clarifications furnished subsequent to the issuance of the Consultation Paper. Based on its analysis and after incorporating the adjustments discussed above, wherever considered appropriate, the Authority has recomputed the depreciation requirement for the Fourth Control Period. Accordingly, the Authority decides to adopt the following depreciation profile for the Fourth Control Period for tariff determination purposes.

Table 206: Depreciation decided by the Authority for the Fourth Control Period

(Rs. in Crore)

Particulars	2027	2028	2029	2030	2031	Total
Depreciation (A)	687.63	766.29	777.34	903.30	1,046.35	4,180.91

5.8.348 The Authority notes that the total depreciation of Rs. 4,180.91 Crores for the Fourth Control Period, as against Rs. 4,294.93 crore considered at the Consultation Stage for the same period (as detailed in **Table 198**). The variation is primarily attributable, also as elucidated in the previous paragraph, to the availability of a project-wise mapped Fixed Asset Register submitted by the Airport Operator subsequent to the Consultation Stage. The Authority has relied on the updated asset-level information to reassess the asset base and the corresponding depreciation projections, resulting in a revised estimate of depreciation for the Fourth Control Period as provided above in **Table 206**)

Authority's examination of RAB for the Fourth Control Period

5.8.349 Based on the discussions in the previous sections on aeronautical asset addition and Aeronautical Depreciation, the Authority decides the RAB for the Fourth Control Period as given in table below:

Table 207: RAB decided by the Authority for the Fourth Control Period

(Rs in Crore)

Particulars	2027	2028	2029	2030	2031	Total
Opening RAB (A)	8,737.49	9,423.91	11,434.92	10,999.78	17,831.31	
Add: Asset additions (B) (Refer: **Table 204**)	1,374.05	2,777.30	342.19	7,734.84	213.52	12,441.90
Less: Depreciation (C) (Refer: **Table 206**)	687.63	766.29	777.34	903.30	1,046.35	4,180.91
Closing RAB (D = A + B -C)	9,423.91	11,434.92	10,999.78	17,831.31	16,998.48	
Average RAB (E = (A+D) / 2)	9,080.70	10,429.42	11,217.35	14,415.54	17,414.90	

5.9. Authority's decisions regarding CAPEX, Depreciation and Regulatory Base (RAB) for the Fourth Control Period

Based on the materials before it and its analysis, the Authority decides the following with regard to CAPEX, Depreciation, and RAB for the Fourth Control Period.

5.9.1 To consider the aeronautical capital additions for the Fourth Control Period in accordance with **Table 204**

5.9.2 To true up the aeronautical CAPEX based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for the next Control Period.

5.9.3 To consider aeronautical depreciation as per **Table 206** for the Fourth Control Period.

5.9.4 To true up the depreciation based on the actual asset additions and actual date of capitalization during the tariff determination of the next Control Period.

5.9.5 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, as mentioned in **Para 5.2.444** The same will be examined during the true up of the Fourth Control Period, at the time of determination of tariff for the next Control Period.

5.9.6 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the next Control Period.

5.9.7 To consider average RAB for the Fourth Control Period as per **Table 207**

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6. WEIGHTED AVERAGE COST OF CAPITAL (WACC) FOR THE FOURTH CONTROL PERIOD

6.1 BIAL submissions on Weighted Average Cost of Capital (WACC) for the Fourth Control Period

BIAL's submission for Cost of Equity

6.1.1. BIAL has submitted that it considered the Cost of Equity at 15.05%, as considered by the Authority in the Third Control Period Order. BIAL has submitted that the Cost of Equity of 15.05% 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.

6.1.2. BIAL has submitted that the Cost of Equity of 15.05% has been considered for the purpose of filing the MYTP for the Fourth Control Period, without prejudice to the claims and pleas made by BIAL and reliefs sought in the civil appeals filed before the Hon'ble Supreme Court.

BIAL's submission for Cost of Debt

6.1.3. BIAL has submitted that, for the purpose of estimating the Cost of Debt for the Fourth Control Period, it has considered the existing debt from banks / financial institutions as well as the proposed debt to be raised for the PAL-2 expansion programme.

6.1.4. BIAL has submitted that it currently has two Non-Convertible Debentures ("NCDs"), including the proposed refinancing of PAL-1 loans. The interest rates for these two loans are 8.35% and 8.15% per annum respectively.

6.1.5. With respect to PAL-2 loans, BIAL has submitted that it is in discussions with lenders to raise project term loans for financing the PAL-2 expansion project. BIAL has assumed the cost of debt for PAL-2 projects at SBI 1-year MCLR plus 50 basis points. Considering the current SBI 1-year MCLR at 9.00%, BIAL has considered the cost of debt for PAL-2 loans at 9.50% for the Fourth Control Period.

6.1.6. Based on the above, BIAL has submitted the following debt computation and cost of debt for the Fourth Control Period:

Table 208: Debt computation submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2027	2028	2029	2030	2031
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%

6.1.7. Based on the above computation, BIAL has submitted the weighted average Cost of Debt for the Fourth Control Period at 8.69%.

6.1.8. Further, BIAL via email dated 21.05.2026 has submitted the revised weighted average Cost of Debt for the Fourth Control Period at 8.68%.

Gearing Ratio

6.1.9. BIAL has considered a gearing ratio of 48:52, i.e., 48% debt and 52% equity, for computation of the Weighted Average Cost of Capital for the Fourth Control Period.

Weighted Average Cost of Capital (WACC)

6.1.10. Based on the Cost of Debt, Cost of Equity and gearing ratio, BIAL has submitted the Weighted Average Cost of Capital (WACC) for the Fourth Control Period as follows:

Table 209: Weighted Average Cost of Capital (WACC) submitted by BIAL for the Fourth Control Period

Particulars	Reference	FY 27	FY 28	FY 29	FY 30	FY 31
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%				
Weighted Average Cost of Debt	C	8.68%				
Cost of Equity	D	15.05%				
WACC		11.99%				

6.1.11. Accordingly, BIAL has requested the Authority to consider WACC of 12.00% for the Fourth Control Period.

6.2 Authority's Examination regarding Weighted Average Cost of Capital (WACC) for the Fourth Control Period at the Consultation Stage

Cost of Equity

6.2.1 The Authority noted that BIAL proposed Cost of Equity of 15.05% for the Fourth Control Period, in line with the Cost of Equity considered by the Authority in the Third Control Period Order.

6.2.2 In the Third Control Period, the Cost of Equity for BIAL was determined by the Authority based on the study undertaken by IIM Bangalore on the determinants of cost of capital. The Authority had adopted the Cost of Equity of 15.05% for BIAL based on the said study.

6.2.3 The Authority was of the view that the Cost of Equity of 15.05%, as determined on the basis of the independent expert study and adopted in the Third Control Period, continues to be appropriate for the Fourth Control Period. The Authority, therefore, proposed to consider the Cost of Equity at 15.05% for the Fourth Control Period.

Cost of Debt

6.2.4 The Authority noted that BIAL had estimated the Cost of Debt for the Fourth Control Period based on the existing debt instruments and proposed borrowings for the PAL-2 expansion programme.

6.2.5 The Authority noted that BIAL had submitted that its existing debt comprises two NCDs, including refinancing of PAL-1 loans, with interest rates of 8.35% and 8.15% per annum respectively. The Authority further noted that for the proposed PAL-2 project loans, BIAL had assumed interest cost at SBI 1-year MCLR plus 50 basis points. Considering SBI 1-year MCLR of 9.00%, BIAL had considered the cost of debt for PAL-2 loans at 9.50%.

6.2.6 The Authority examined the projected debt drawdown, repayment schedule, average debt and interest cost submitted by BIAL. The Authority noted that the annual cost of debt submitted by BIAL ranges from 8.25% in FY 2026-27 to 8.86% in FY 2030-31, with a weighted average Cost of Debt of 8.68% for the Fourth Control Period.

6.2.7 The Authority observed that the proposed Cost of Debt is based on a mix of existing debt and proposed project debt for the PAL-2 expansion programme. The proposed borrowing rate for PAL-2 at SBI 1-year MCLR plus 50 basis points seems to be reasonable, considering the nature of the project financing requirement and the scale of capital expenditure proposed during the Fourth Control Period.

6.2.8 The Authority was of the view that the Cost of Debt submitted by BIAL may be considered for the Fourth Control Period for the purpose of tariff determination, subject to the efficiency and reasonability at the time of Tariff Determination of the next Control Period. The Authority was of the considered view that PPP airports are well-positioned to achieve enhanced efficiencies in their financial and operational management, which should translate into optimisation of the overall cost of operations and provide headroom for further rationalisation of the Cost of Debt. The Authority noted that Bangalore airport, having matured operationally and financially since the commencement of its commercial operations from the First Control Period onwards, has attained a stable credit profile, as evidenced by its ICRA rating of "AAA" sustained since FY 2024-25. This robust credit standing further substantiated the airport operator's ability to mobilise debt at favourable terms, thereby supporting a lower benchmark for the Cost of Debt. The Authority therefore proposed to consider weighted average Cost of Debt of 8.68% for the Fourth Control Period. The computation of weighted average Cost of Debt is as follows:

Table 210: Computation of Weighted Average Cost of Debt

Particulars (FY ending March 31)	Units	2027	2028	2029	2030	2031	Total
Debt	Rs. Cr	14,087.19	17,748.24	20,945.86	22,722.96	22,754.98	98,259.23
Cost of Debt	%	8.25%	8.53%	8.73%	8.82%	8.86%	-
Interest Cost / Weighted Debt Cost	Rs. Cr	1,162.19	1,513.92	1,828.57	2,004.17	2,015.49	8,524.34
Weighted Average Cost of Debt	%						8.68%

Gearing Ratio

6.2.9 The Authority noted that BIAL has considered debt-equity ratio of 48:52 for the Fourth Control Period. The Authority further noted that the same gearing ratio was considered in the Third Control Period and is consistent with the gearing considered in the independent cost of capital study.

6.2.10 The Authority was of the view that a debt-equity ratio of 48:52 represents an efficient gearing structure for the purpose of computing WACC. Accordingly, the Authority proposed to consider debt-equity ratio of 48:52 for the Fourth Control Period.

Computation of Weighted Average Cost of Capital (WACC)

6.2.11 Based on the Cost of Debt of 8.68%, Cost of Equity of 15.05% and debt-equity ratio of 48:52, the Authority had computed the FRoR for the Fourth Control Period.

6.2.12 Accordingly, the Authority proposed to consider Weighted Average Cost of Capital (WACC) of 11.99% for the Fourth Control Period.

Table 211: WACC proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

Particulars	Authority's Proposal for Fourth Control Period
Cost of Debt	8.68%
Cost of Equity	15.05%
Debt : Equity Ratio	48: 52
FRoR	11.99%

6.3 Stakeholders' Comments regarding Weighted Average Cost of Capital for the Fourth Control Period

6.3.1 During Stakeholders' Consultation Process, the Authority has received comments/ views from BIAL in response to the proposals of the Authority with regard to the Weighted Average Cost of Capital for the Fourth Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below:

BIAL's comments regarding Weighted Average Cost of Capital (WACC) for the Fourth Control Period

6.3.2 BIAL's comments with regard to cost of debt is as follows:

"AERA has proposed in Para 6.3.2 to true up the Cost of debt for the Fourth Control Period based on actuals or SBI Average 1-year MCLR plus 50 bps (whichever is lower) at the time of tariff determination for the Fifth Control period.

As noted in the Consultation Paper, Bangalore airport, having matured operationally and financially since the commencement of its commercial operations from the First Control Period onwards, has attained a stable credit profile, as evidenced by its ICRA rating of "AAA" sustained since FY 2024-25. BIAL has always strived to optimize the cost of debt and will continue to explore all avenues towards the same. However, in case of any unforeseen situation beyond the control of BIAL, BIAL requests AERA to true up the actual cost of debt at the time of tariff determination of the Fifth Control period."

Other Stakeholders' comments regarding Inflation for the Fourth Control Period

6.3.3 IATA's comment with regard to WACC is as follows

"IATA appreciates AERA's approach to determining the Weighted Average Cost of Capital (WACC) for the Fourth Control *Period and its continued reliance on a structured regulatory framework supported by independent validation. However, IATA considers that the proposed WACC of approximately 12% remains above efficient market levels, particularly in view of BLR's established and mature traffic base, strong credit profile (including its AAA rating), and significant diversification through non-aeronautical revenues.*

In this context, IATA is concerned that the cost of equity of 15.05% does not adequately reflect current market conditions or the reduced risk profile of the airport. The cost of equity should be recalibrated using an updated CAPM approach, with *inputs reflecting prevailing market evidence. Specifically, the risk-free rate should be based on current Government of India bond yields, the asset beta should be derived from a relevant peer group of mature airports and comparable regulated infrastructure and further adjusted downward given the application of the true up mechanism, and the equity risk premium should reflect current forward-looking market benchmarks.*

Similarly, risks arising from demand uncertainty, traffic variability, or operational factors are routinely addressed through forecasting *assumptions, pricing frameworks, regulatory consultation processes, and capital structure decisions. More extreme or tail risks may also be managed through balance sheet resilience, insurance, or staged investment planning. These mechanisms are more appropriate tools for addressing such risks than embedding them directly into the asset beta.*

Accordingly, IATA submits that *a lower, forward-looking cost of equity, aligned with that applied to comparable regulated infrastructure assets, would more accurately reflect efficient financing costs. This would be consistent with AERA's statutory mandate to ensure economically efficient and viable airport operations, safeguard user interests, and allow investors a fair, but not excessive, return."*

6.4 BIAL's response to Stakeholders' Comments regarding WACC for the Fourth Control Period

6.4.1 BIAL's response to IATA's comment with regard to WACC is as follows:

"The proposed cost of equity is based on the independent study undertaken by the Indian Institute of Management Bangalore (IIM Bangalore), on behalf of the Authority, which applies the Capital Asset Pricing Model (CAPM) for estimating the cost of equity. The study considers the Equity Risk Premium (ERP) as a key input and recommends the use of historical market risk premium as the most appropriate proxy for estimating the forwardlooking ERP. It further notes that longer historical time series reduce estimation errors. Similarly, for the riskfree rate, the study relies on yields on 10-year Government of India securities over an extended historical period, recognizing that long-term averages are more appropriate for asset pricing studies than prevailing spot yields. Accordingly, BIAL submits that the methodology adopted by IIM Bangalore is robust, objective and does not warrant any modification.

With regard to IATA's contention that the proposed FRoR of approximately 12% is above efficient market levels, BIAL submits that the proposed return is consistent with the returns permitted in comparable regulated infrastructure sectors in India. For instance, the Central Electricity Regulatory Commission (CERC) allows a base Return on Equity (RoE) of 15.5% for generation and transmission projects, while the regulatory framework in the ports sector permits operators to earn a Return on Capital Employed (ROCE) or WACC broadly ranging between 12% and 16%. The proposed FRoR is therefore neither excessive nor inconsistent with prevailing regulatory practice.

BIAL further submits that the issue relating to the determination of the cost of equity is presently sub judice before the Hon'ble Supreme Court.

While IATA has referred to balance sheet strength, t BIAL wishes to highlight that improvement in our credit rating has enabled it to progressively reduce its borrowing costs, resulting in one of the lowest borrowing costs amongst major airports in India. These financing efficiencies have directly benefited airport users by reducing the debt servicing costs recoverable through airport tariffs. Accordingly, BIAL submits that its prudent financial management and efficient capital structuring have already translated into tangible benefits for airport users and should be duly recognized by the Authority."

6.5 Authority's analysis on Stakeholders' Comments regarding Weighted Average Cost of Capital (WACC) for the Fourth Control Period

6.5.1 The Authority has considered the submission of BIAL in response to the proposal on true-up of Cost of Debt for the Fourth Control Period. The Authority notes that BIAL has submitted that it has consistently endeavoured to optimise its cost of debt and would continue to explore all available avenues in this regard. At the same time, BIAL has requested that, in case of any unforeseen situation beyond its control, the actual cost of debt may be trued up at the time of tariff determination for the Fifth Control Period.

6.5.2 In this regard, the Authority notes that the proposal set out in the Consultation Paper to true up the Cost of Debt based on actuals or SBI average 1-year MCLR plus 50 basis points, whichever is lower, has been framed with due regard to the need for ensuring recovery of only the efficient financing costs to balance it with the interests of airport users. The Authority is of the view that such an approach provides an appropriate framework for recognition of actual borrowing costs, while also ensuring that the pass-through of debt costs in tariff remains aligned to a reasonable and objective benchmark.

6.5.3 The Authority further notes that BIAL has attained operational and financial maturity and has maintained a strong credit profile, as already recorded in the Consultation Paper. In the Authority's view, this supports the expectation that BIAL would be able to access debt at competitive rates and continue to exercise prudent financial management. In such circumstances, the benchmark approach proposed by the Authority remains appropriate for the purpose of true-up.

6.5.4 As regards BIAL's submission concerning unforeseen situations beyond its control, the Authority is of the view that the true-up methodology proposed in the Consultation Paper already provides a fair and balanced mechanism and does not warrant any modification. Acceptance of actual cost of debt without reference to the proposed benchmark would not be consistent with the Authority's approach of allowing only efficient and prudent financing costs in tariff.

6.5.5 In view of the above, the Authority does not find merit in BIAL's request for true-up of actual cost of debt in the manner sought. Accordingly, the Authority decides to retain its proposal to true up the Cost of Debt for the Fourth Control Period based on actuals or SBI average 1-year MCLR plus 50 basis points, whichever is lower, at the time of tariff determination for the Fifth Control Period.

6.5.6 The Authority has examined the submissions made by IATA in relation to the proposed Weighted Average Cost of Capital for the Fourth Control Period, particularly its observations that the proposed cost of equity of 15.05% is higher than efficient market levels and should be recalibrated using updated market-based CAPM inputs. In this regard, the Authority notes that the cost of equity proposed for the Fourth Control Period has not been determined in an ad hoc manner, but has been arrived at after due consideration of the independent study conducted by AERA on cost of equity through IIM Bangalore, which provides an independent and reasoned basis for determination of the cost of equity based on the relevant parameters.

6.5.7 The Authority further notes that the approach adopted for determining the cost of equity is consistent with the methodology that has already been considered and allowed in the previous tariff order. Such consistency in regulatory treatment is important for maintaining predictability and stability in tariff determination, particularly in respect of core parameters such as return on equity. The Authority is of the view that any departure from the established approach would require compelling justification and robust evidence demonstrating that the existing methodology no longer reflects a fair and reasonable return. The submissions made by IATA, while suggestive of an alternative approach, do not provide sufficient basis to disregard the independent assessment already relied upon by the Authority.

6.5.8 As regards the suggestion that risks relating to demand uncertainty, traffic variability, and operational factors ought not to be reflected in the asset beta and should instead be addressed through other mechanisms, the Authority notes that the cost of equity framework already adopted is based on an expert evaluation of such issues as part of the overall estimation process. The Authority does not consider it appropriate, in the present case, to revisit each underlying CAPM input in the manner suggested by IATA, particularly when the existing determination is supported by an independent expert report and is aligned with the approach accepted in the previous tariff order.

6.5.9 In view of the above, the Authority does not find it feasible to consider the submission of IATA for downward revision of the cost of equity or the proposed WACC for the Fourth Control Period. Accordingly, the Authority decides to retain the cost of equity and WACC as provided at **Table 211**

6.6 Authority's Decisions regarding Weighted Average Cost of Capital (WACC) for the Fourth Control Period

Based on the material before it and its analysis, the Authority decides the following with respect to Weighted Average Cost of Capital (WACC) for the Fourth Control Period:

6.6.1 To consider WACC of 11.99% for the Fourth Control Period, as detailed in **Table 211**.

6.6.2 To true up the Cost of Debt for the Fourth Control Period based on actuals (or) SBI average 1-year MCLR plus 50 bps (whichever is lower) at the time of tariff determination for the Fifth Control Period.

7. INFLATION FOR THE FOURTH CONTROL PERIOD

7.1 BIAL's Submission regarding Inflation for the Fourth Control Period

7.1.1. BIAL in the MYTP for the Fourth Control Period, has considered an inflation rate of 2.8% from FY 2027 onwards for the purpose of estimating Capital Expenditure for the Fourth Control Period.

7.1.2. The inflation rate adopted by BIAL is based on the Reserve Bank of India's (RBI) Survey of Professional Forecasters on Macroeconomic Indicators – Results of the 94th Round, conducted in May 2025.

7.1.3. Specifically, BIAL has considered mean of the Inflation rate based on WPI All Commodities i.e. 2.8%, as per the said RBI survey.

Table 212: Inflation submitted by BIAL for the Fourth Control Period

Financial Year	WPI All Commodities	Source
FY 2027 onwards	Mean as 2.8%	RBI Professional Forecaster Survey 94th round

7.2 Authority's Examination regarding Inflation for the Fourth Control Period at the Consultation Stage

7.2.1. The Authority examined the submission made by BIAL with respect to the inflation rate proposed for the Fourth Control Period.

7.2.2. The Authority proposed to consider mean of the forecasted Inflation based on WPI: All commodities as per the Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 99, which projects the inflation at 4.7% for FY 2026-27 and 3.6% for FY 2027-28.

7.2.3. Further, the Authority assumed that the inflation rate would remain stable and constant from FY2027-2028 till FY2030-31. Accordingly, the following table presents the inflation rates proposed to be considered by the Authority for the Fourth Control Period.

Table 213: Inflation rates proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

Particulars (FY ending March 31)	2027	2028	2029	2030	2031
WPI Inflation	4.7%	3.6%	3.6%	3.6%	3.6%

7.3 Stakeholders' Comments regarding Inflation for the Fourth Control Period

7.3.1. During Stakeholders' Consultation Process, the Authority has received comments/ views from BIAL, and IATA to the proposals of the Authority with regard to the Inflation for the Fourth Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below.

BIAL's comments regarding Inflation for the Fourth Control Period

7.3.2. BIAL's comment with regard to Inflation is as follows:

"AERA has proposed to consider the forecasted WPI rates based on Survey of Professional Forecasters on Macroeconomic Indicators– Results of the 99th Round. As the next report has been published by RBI, i.e. 100th round, BIAL requests AERA to consider the WPI estimates as per this report for forecasting the Operating Expenditure estimates at:

- *Escalation rate of 7.8% for FY 26-27*
- *3.4% Escalation rates for the other years in the Fourth Control Period*

INFLATION FOR THE FOURTH CONTROL PERIOD

Description	*FY 26*	*FY 27*	*FY 28*	*FY 29*	*FY 30*	*FY 31*
WPI (All Commodities)	*7.8%*	*3.4%*	*3.4%*	*3.4%*	*3.4%*	*3.4%*

"

Other Stakeholders' comments regarding Inflation for the Fourth Control Period

7.3.3. IATA's comment with regard to Inflation is as follows:

"Inflation Indexation

IATA acknowledges AERA's proposal to adopt inflation assumptions based on independent and forward-looking macroeconomic indicators. The use of an objective forecasting framework provides an appropriate starting point for projecting future costs and supports greater transparency in the regulatory process.

However, IATA submits that inflation should not be applied mechanistically across broad categories of expenditure without regard to the underlying cost drivers. Not all airport costs are equally exposed to inflationary pressures and airports retain both the ability and the obligation to improve productivity, enhance procurement practices and achieve operational efficiencies over time. Applying a uniform inflation uplift across major expenditure categories risks overstating future costs and weakening incentives for efficiency improvement.

This concern is particularly relevant where inflation may already be reflected elsewhere within the regulatory framework. Capital expenditure projections typically incorporate inflation through procurement pricing, escalation provisions and contingency allowances. Similarly, returns calculated using a nominal WACC inherently include assumptions relating to inflation and market expectations. Applying additional inflation uplifts across multiple regulatory building blocks may therefore result in the same inflationary effect being recognised more than once.

In addition, many operating cost categories already incorporate expected inflation within contractual arrangements, labour agreements and financial forecasts. Applying a further regulatory inflation adjustment on top of these assumptions may create a risk of over-indexation and automatic cost pass-through irrespective of actual efficiency outcomes achieved by the airport operator.

Taken together, these effects risk increasing the Aggregate Revenue Requirement beyond what is necessary to recover efficient costs and may ultimately result in higher tariffs for airport users. Inflation assumptions should therefore be applied in a targeted and proportionate manner that reflects the actual exposure of individual cost categories rather than through broad aggregate escalation.

Accordingly, IATA submits that AERA should adopt a more disaggregated approach to inflation indexation, whereby:

- *inflation adjustments are limited to clearly identifiable uncontrollable cost elements;*
- *indexation is linked, where appropriate, to specific external cost drivers and verifiable indices;*
- *controllable costs remain subject to efficiency expectations and productivity improvements rather than automatic escalation; and*
- *forecast assumptions are supported by robust true-up mechanisms to ensure alignment between projected and actual outcomes.*

Such an approach would better balance the need to recognise genuine inflationary pressures while preserving incentives for efficiency, avoiding over-recovery from users and ensuring that tariffs remain cost-reflective and consistent with regulatory best practice."

7.4 BIAL's response to Stakeholders' Comments regarding Inflation for the Fourth Control Period

7.4.1. BIAL's response to IATA's comment with regard to Inflation is as follows:

"BIAL submits that the Authority has adopted a conservative approach for projecting O&M expenditure on existing assets by considering the FY 2025-26 actual costs as the base and applying WPI-based indexation for subsequent years. In practice, a significant portion of airport operating and maintenance costs including spares, consumables and service contracts—is more closely aligned with CPI or sector-specific cost escalations rather than WPI. Accordingly, the Authority's approach is likely to understate, rather than overstate, the actual operating costs that may be incurred during the Control Period.

BIAL further submits that the inflation applied to O&M expenditure and the inflation embedded in capital expenditure projections relates to distinct cost components and should not be viewed as resulting in double counting. Capital expenditure escalation reflects changes in asset procurement and construction costs, whereas O&M expenditure indexation captures the increase in costs associated with operating and maintaining commissioned assets. Accordingly, the two are independent and serve different regulatory purposes.

Further, as demonstrated in Table 149 of BIAL's MYTP submission, BIAL's O&M costs compare favorably with those of peer airports, evidencing that the projected expenditure is efficient and prudent. In view of the above, BIAL submits that the concern regarding over-indexation is misplaced and not true."

7.5 Authority's Analysis on Stakeholders' Comments regarding Inflation for the Fourth Control Period

7.5.1. The Authority has considered BIAL's submission (Refer Para 7.3.2) regarding the adoption of the inflation forecasts published in the latest RBI Survey of Professional Forecasters for projecting expenditure during the Fourth Control Period.

7.5.2. The Authority notes that the actual WPI inflation for FY 2025-26, as published by the Office of the Economic Adviser, was 0.4%. Further, the inflation forecast for FY 2026-27 of 7.8% reflects a significant increase over the preceding year and appears to be influenced by prevailing geopolitical uncertainties, including tensions in the Middle East and the resultant volatility in global commodity and energy markets. The Authority is of the view that such short-term inflationary pressures may not be representative of the underlying inflation trend over the Control Period and, if adopted in full, may lead to an overstatement of projected capital and operating expenditure.

7.5.3. Accordingly, the Authority considers it appropriate to moderate the impact of the sharp year-on-year variation in inflation by considering the average of the actual WPI inflation for FY 2025-26 (0.4%) and the projected inflation for FY 2026-27 (7.8%), resulting in an inflation rate of 4.1% for FY 2026-27. The Authority is of the view that such an approach smoothens the impact of temporary macroeconomic fluctuations while ensuring that the inflation assumption remains reflective of prevailing economic conditions and provides a reasonable basis for tariff determination.

7.5.4. For the subsequent years of the Fourth Control Period, the Authority notes that the projected inflation levels remain broadly stable. Accordingly, the Authority proposes to adopt an inflation rate of 3.4% per annum for the remaining years of the Control Period.

7.5.5. The Authority is of the view that the above approach appropriately balances the need to reflect current economic conditions while safeguarding airport users from the impact of temporary inflationary spikes.

7.5.6. The Authority has also considered the submissions made by IATA (Refer Para 7.3.3) regarding the application of inflation indexation for projection of expenditure during the Fourth Control Period.

7.5.7. The Authority notes IATA's submission that inflation should not be applied uniformly across all expenditure categories and that airport operators should continue to be incentivized to achieve efficiency gains, productivity improvements and prudent cost management. The Authority agrees that only efficient and reasonable expenditure should be allowed for tariff determination and that inflation indexation should not result in automatic pass-through of inefficient costs.

7.5.8. The Authority is also of the view that inflation is a relevant and unavoidable cost driver affecting airport operations through increases in input costs, material prices, contract services, utilities, maintenance expenses and employee-related costs. Accordingly, consideration of an appropriate inflation factor is necessary to ensure realistic estimation of airport expenditure over a multi-year control period.

7.5.9. The Authority further notes that the regulatory framework provides for true-up based on actual audited figures and prudence review. Accordingly, any material variation between projected and actual expenditure is subject to regulatory scrutiny at the time of true-up, thereby mitigating the risk of over-recovery or under-recovery arising from forecast assumptions.

7.5.10. In view of the above, the Authority is of the opinion that the revised inflation assumptions appropriately balance the need to reflect prevailing economic conditions over a time cycle while safeguarding airport users from the impact of temporary inflationary spikes. Accordingly, the Authority has decided to consider the following inflation rates for the Fourth Control Period.

Table 214: Inflation rates decided by the Authority for the Fourth Control Period

Particulars (FY ending March 31)	2027	2028	2029	2030	2031
WPI Inflation	4.10%	3.40%	3.40%	3.40%	3.40%

7.6 Authority's Decision regarding Inflation for the Fourth Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Inflation for the Fourth Control Period:

7.6.1. To consider the inflation rates for the Fourth Control Period as per **Table 214.**

8. OPERATING EXPENSES FOR THE FOURTH CONTROL PERIOD

8.1 BIAL's submission regarding Operating Expenses for the Fourth Control Period

8.1.1 BIAL, in its MYTP submission, had projected Operating Expenses for the Fourth Control Period based on the following assumptions:

i. **Capacity Capitalization of PAL 2 Programme assets:** BIAL had factored in the operational impact of significant capacity additions during the Fourth Control Period, viz., the Western Cross Taxiway, Terminal 2 Phase 2 and associated apron, the Eastern Connectivity Tunnel, and various landside development projects, all of which, once commissioned, will translate into an enhanced operational area and corresponding increase in O&M outflow.

ii. **Baseline year:** BIAL adopted FY 2025-26 as the baseline year, with the actual / expected expenditure in such year forming the basis for projecting category-wise Operating Expenses for the Fourth Control Period.

iii. **Manpower planning aligned to capacity creation:** BIAL had submitted that incremental manpower had been considered only in those years in which capacity additions are commissioned, ensuring that staffing additions are phased in alignment with operational requirements and training cycles.

iv. **Aeronautical / Non-Aeronautical allocation:** BIAL had re-allocated each cost head between Aeronautical and Non-Aeronautical activities using the cost-driver-based ratio most appropriate to that head, viz., Employee Head Count Ratio, Asset Gross Block Ratio, Area / Lease Allocation Ratio, or Revenue Ratio.

8.1.2 The category-wise estimation, growth assumptions and rationale submitted by BIAL for Operating Expenses for the Fourth Control Period are summarized below:

Table 215: BIAL's estimation, rationale and growth assumptions on Operating Expenses for the Fourth Control Period

S.No.	Particulars	Growth / Estimation Basis	Rationale Submitted by BIAL
1	Personnel Costs	6.69% Y-o-Y on cost per employee + manpower additions of 43 (FY28), 300 (FY30) and 150 (FY31)	In line with the true-up workings of the Third Control Period; minimum required to retain talent and contain attrition in light of new airports being operationalized
2	Admin & General Expenses	5–10% Y-o-Y including inflation; one-time Master Plan update cost in FY31; one-time 3% step-up in FY28 on relocation to BP2	Inflation + specific events
3	O&M	Existing assets — 6% Y-o-Y; New assets — 2.27% of Gross Block	Long-term contracts and market-discovered rates for existing; benchmarked to lowest of BIAL/MIAL/DIAL/GHIAL median for new
4	Lease Rent (KSIIDC)	3% Y-o-Y as per the Land Lease Deed	Contractual escalation
5	Lease Rent (BP2 Office)	Lease for 141,000 sqft (950 employees) from BACL	Benchmarked against rent charged by BACL to a GCC operator
6	Utilities — Power	Tariff at 2% p.a.; demand charges as per BESCOM circular; in-house solar and BESCOM blended rate	Long-term solar PPA + BESCOM tariff trend
7	Utilities — Potable Water	10% rate increase in FY29; 45% in-house source	Contracted BWSSB rates
8	Utilities — Non-Potable Water	5% Y-o-Y consumption + 30% step-up in FY30 (T2 Ph-2); 53% in-house source	Contracted BWSSB / KIADB rates + T2 Ph-2 commissioning

S.No.	Particulars	Growth / Estimation Basis	Rationale Submitted by BIAL
9	Insurance	0.08% of Asset Gross Block	Average premium rate over FY22–FY26
10	Rates & Taxes	10% Y-o-Y + additional cost on incremental area post T2 Ph-2	Past trend + new area commissioning
11	Marketing & Advertisement	5% Y-o-Y including inflation; one-time launch cost in FY30	Benchmark on actuals + T2 Ph-2 launch
12	Collection Charges	Linked to UDF collections	Per arrangement with airlines
13	Other Borrowing Costs	Rs. 10 Crores per annum	Past trend
14	Concession Fee	4% of Annual Gross Revenue	Concession Agreement dated 05.07.2004
15	CSR	As per Section 135 of the Companies Act, 2013	Statutory mandate

8.1.3 Based on the above, the Total Operating Expenses submitted by BIAL for the Fourth Control Period are shown in the table below:

Table 216: Total Operating Expenses as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Personnel Costs	468.53	505.75	545.85	629.00	745.72	2,894.85
O&M	515.62	603.37	688.98	878.81	1,067.71	3,754.49
Lease Rent	25.05	41.57	42.34	43.14	46.33	198.44
Utilities	79.57	89.40	97.09	112.68	151.11	529.85
Insurance	13.07	15.10	16.93	22.19	27.28	94.56
Rates & Taxes	14.48	15.93	17.53	19.28	24.10	91.32
Marketing & Advertisement	22.46	23.58	24.76	26.00	27.30	124.11
Collection Charges	10.95	11.82	12.63	13.50	14.86	63.76
CSR	0.68	15.65	30.94	46.73	46.82	140.82
Admin & General Expense	61.43	66.55	71.44	80.44	98.81	378.67
Other Borrowing Costs	10.00	10.00	10.00	10.00	10.00	50.00
Concession Fee	375.16	406.30	436.08	466.40	517.97	2,201.92
Total Operating Expense	**1,597.00**	**1,805.02**	**1,994.57**	**2,348.17**	**2,778.01**	**10,522.78**

8.1.4 Subsequently, vide e-mail dated 21.05.2026, BIAL had submitted a revised estimation of Operating Expenses for the Fourth Control Period based on unaudited actual financials for FY 2025-26. Accordingly, changes proposed in the aforementioned submission are as follows:

i. Personnel Costs: The expenses have been revised to reflect the actual headcount of 1,758 as of the close of FY 2025-26, against the planned target of 1,830. The shortfall of 72 positions is expected to be filled in FY 2026-27.

ii. Rates & Taxes: These expenses have been updated to include a one-time 15% escalation in FY 2028-29, reflecting the incremental tax liability expected upon capitalization of the West Cross Field Taxiway, which is anticipated to increase the applicable property/municipal tax base in that year.

iii. Power Cost: The per-unit power charge has been updated to the average of the rates charged for the different power sources in FY 2026-27 to ensure a more accurate base for projecting future power costs

iv. Marketing & Advertising Expense: These expenses have been updated to include the onetime expense on account of operationalization of T2 Phase 2 in FY 2029-30.

v. The Aero Gross Block ratio has been updated to reflect the figures considering the actual capitalization and deletion during the year FY 2025-26 and the update to the capex projections for the Fourth Control Period.

8.1.5 Based on the revised submission, the total Operating Expenses submitted by BIAL for the Fourth Control Period are shown in the table below:

Table 217: Revised Total Operating Expenses as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Personnel Costs	441.49	486.12	524.66	604.59	716.78	2,773.64
O&M	505.28	604.53	699.84	898.50	1,101.72	3,809.87
Lease Rent	23.50	39.98	40.70	41.45	44.59	190.22
Utilities	67.29	76.01	83.05	97.23	129.28	452.86
Insurance	13.03	15.50	17.69	23.23	28.81	98.26
Rates & Taxes	12.88	14.17	16.29	17.92	22.40	83.66
Marketing & Advertisement	25.31	26.57	27.90	44.29	30.76	154.83
Collection Charges	9.14	10.39	11.51	12.60	13.82	57.46
CSR	0.71	13.48	27.89	43.99	48.01	134.08
Admin & General Expense	63.32	68.64	73.68	82.70	101.17	389.51
Other Borrowing Costs	10.00	10.00	10.00	10.00	10.00	50.00
Concession Fee	341.71	396.26	449.95	504.34	568.61	2,260.87
Total Operating Expense	**1,513.66**	**1,761.65**	**1,983.16**	**2,380.84**	**2,815.95**	**10,455.26**

8.1.6 BIAL has also submitted the basis of allocation of Operating Expenses between Aeronautical and Non-Aeronautical activities as per the table below:

Operating Expenses	Basis of Allocation
Personnel Costs	Employee Head Count Ratio based on categorisation of employee departments into Aero / Non-Aero / Common
O&M	Aero Gross Block Ratio
Lease Rent	Aeronautical Lease Rent has been computed by excluding land given to BACL being considered as non-airport
Utilities	Utility expenses (net of recovery) considered fully as Aeronautical
Insurance	Aero Gross Block Ratio
Rates & Taxes	Lease Rent allocation ratio
Marketing & Advertising	Aero Gross Block Ratio
CSR	Aeronautical Profit Before Tax
General admin costs	Aero Gross Block Ratio
Concession fee	Respective Aeronautical / Non-Aeronautical Revenues for the year

8.1.7 The Allocation ratio based on the above basis as submitted by BIAL for the Fourth Control Period is as follows:

Table 218: Aeronautical allocation ratios of Operating Expenses submitted by BIAL for the Fourth Control Period

FY ending March 31	2027	2028	2029	2030	2031
Personal Cost	94.37%	94.34%	94.34%	94.34%	94.40%
Operations & Maintenance Cost	89.81%	90.67%	90.80%	91.29%	91.39%
Land Lease Rent	99.82%	99.65%	99.65%	99.14%	98.77%
Utilities Cost	100.00%	100.00%	100.00%	100.00%	100.00%
Insurance Cost	89.81%	90.67%	90.80%	91.29%	91.39%
Rates & Taxes	89.81%	90.67%	90.80%	91.29%	91.39%
Marketing & Advertisement Expenses	89.81%	90.67%	90.80%	91.29%	91.39%
Collection Charges	100.00%	100.00%	100.00%	100.00%	100.00%

FY ending March 31	2027	2028	2029	2030	2031
General Administration Cost (Legal and Consultancy)	89.81%	90.67%	90.80%	91.29%	91.39%
General Administration Cost (Travel & Office Costs)	89.81%	90.67%	90.80%	91.29%	91.39%
Other Borrowing Costs	89.81%	90.67%	90.80%	91.29%	91.39%
Concession Fees	78.61%	79.23%	79.51%	79.82%	79.84%

8.1.8 Accordingly, the Aeronautical Portion of various expenses of the Fourth Control Period using above allocation principles and ratio as submitted by BIAL is given below:

Table 219: Aeronautical Operating Expenses submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Personnel Costs	416.64	458.61	494.97	570.37	676.67	2,617.26
O&M	453.79	548.13	635.45	820.27	1,006.86	3,464.50
Lease Rent	23.07	39.14	39.75	40.38	43.32	185.66
Utilities	67.29	76.01	83.05	97.23	129.28	452.86
Insurance	11.71	14.05	16.07	21.21	26.33	89.37
Rates & Taxes	12.64	13.87	15.91	17.46	21.77	81.65
Marketing & Advertisement	22.73	24.09	25.33	40.44	28.11	140.70
Collection Charges	9.14	10.39	11.51	12.60	13.82	57.46
CSR	0.71	13.48	27.89	43.99	48.01	134.08
Admin & General Expense	56.87	62.24	66.90	75.50	92.46	353.97
Other Borrowing Costs	8.98	9.07	9.08	9.13	9.14	45.40
Concession Fee	268.63	313.96	357.76	402.55	453.95	1,796.85
Total Operating Expense	**1,352.20**	**1,583.03**	**1,783.68**	**2,151.12**	**2,549.72**	**9,419.75**

8.2 Authority's examination regarding Operating Expenses for the Fourth Control Period at the Consultation Stage

8.2.1 The Authority carefully examined BIAL's submissions on Operating Expenses for the Fourth Control Period taking into account the tariff setting principles to ensure that only the efficient, justified and reasonable expenses are allowed on a projection basis.

8.2.2 The Authority reviewed the Operating Expenses and proposed to adopt following broad methodology for determining the Operating Expenses for the Fourth Control Period:

i. Base year: The Authority proposed to adopt the revised FY 2025-26 actual/expected expenditure as the base year for forecasting expenses for the Fourth Control Period.

ii. Inflationary increase: The Authority proposed to apply WPI-based inflation as the standard escalator across most operating cost heads, except in the case of:

- Employee costs, where an inflationary rate of 6% Y-o-Y has been considered;
- O&M cost on new asset additions, which was forecasted using the phased percentage-of-CAPEX methodology linked to asset gross block; and

iii. Concession Fee, which was computed at 4% of forecasted gross revenue in terms of the Concession Agreement.

iv. Re-allocation of expenses: Operating Expenses were re-allocated into Aeronautical and Non-Aeronautical categories using cost-driver based methodologies, including Aero Gross Block Ratio, Employee Head Count Ratio, Area Allocation Ratio, and Revenue Ratio, as appropriate to each cost head.

8.2.3 The Authority examined BIAL's submission regarding total Operating Expenses for the Fourth Control Period and presented its examination in the subsequent paragraphs:

Personnel Costs:

8.2.4 The Authority noted the submissions of BIAL relating to Personnel Cost and break up of manpower count as mentioned in the tables below:

Table 220: Personnel Costs submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2026	2027	2028	2029	2030	2031
Personnel Costs	441.49	486.12	524.66	604.59	716.78	2,773.64

8.2.5 The Authority had noted that BIAL, in its revised submission dated 21.05.2026, had proposed total manpower additions numbering 565 as per the following: 72 employees in FY 2026-27, being unfilled positions carried forward from FY 2025-26 in respect of existing facilities; 43 employees in FY 2027-28; 300 employees in FY 2029-30; and 150 employees in FY 2030-31. BIAL had also assumed an annual escalation of 6.69% in the cost per employee during the Fourth Control Period. BIAL had considered the aforesaid assumptions as the basis for projection of Personnel Costs for the Fourth Control Period, as detailed below:

Particulars	2026	2027	2028	2029	2030	2031	CAGR
Cost per Employee (Rs. Lacs)	24.00	25.61	27.32	29.15	31.10	33.18	6.69%
Yearly Escalation Rate		6.69%	6.69%	6.69%	6.69%	6.69%	
Opening Employee Head Count		1,758	1,830	1,873	1,873	2,173	
Manpower Additions — Existing Facilities		72	0	0	0	0	
Manpower Additions — New Infrastructure		0	43	0	300	150	
Closing Manpower	1,758	1,830	1,873	1,873	2,173	2,323	

8.2.6 The Authority noted that BIAL had projected addition of manpower during the Fourth Control Period on account of both existing facilities and new infrastructure additions, including Terminal 2 Phase 2. Insofar as manpower proposed for existing facilities was concerned, the Authority noted that BIAL had proposed addition of 72 employees during the Fourth Control Period. However, the Authority also noted that BIAL had already added 577 employees during the Third Control Period, which was considered broadly reasonable in view of the substantial increase in terminal area and associated infrastructure commissioned during that period. In the Authority's view, the manpower base created during the Third Control Period was adequate to cater to the requirements of the existing facilities during the Fourth Control Period. Accordingly, the Authority did not allow the addition of 72 employees for existing facilities.

8.2.7 The Authority further noted that BIAL had projected manpower additions on account of new infrastructure additions in FY 2027-28, FY 2029-30 and FY 2030-31. In respect of Terminal 2 Phase 2, BIAL has proposed significant manpower additions of 43 employees in FY 2027-28, 300 employees in FY 2029-30 and 150 employees in FY 2030-31. The Authority observed that the existing employee base of BIAL was already higher than that of comparable airports and, therefore, the proposed manpower additions needed to be assessed keeping in view the efficient level of staffing required for the additional capacity.

8.2.8 The Authority also noted that Terminal 2 Phase 2 was expected to commence operations only in the last quarter of FY 2029-30 and was unlikely to be fully utilized during the initial period of operations extending into FY 2030-31. Accordingly, the Authority proposed manpower additions of 100 employees

in FY 2029-30 and 100 employees in FY 2030-31, i.e., a total of 200 employees, in respect of Terminal 2 Phase 2, as against the higher manpower additions proposed by BIAL.

8.2.9 The Authority had further noted that BIAL had escalated the cost per employee for the Fourth Control Period by applying a year-on-year escalation factor of 6.69%, which, as submitted by BIAL, was in line with the CAGR of the past eight years. However, the Authority had observed that KIA is an established airport and, among the major airports in India, had one of the highest passenger traffic levels. The Authority was, therefore, of the view that BIAL would be expected to have undertaken adequate measures to improve efficiency in its overall functioning. The Authority had further noted that, over a period of time, BIAL had made significant investments in technology and digital systems and, accordingly, should have been in a position to optimize manpower costs. In view of the above, the Authority had expected Personnel Costs to grow at a rate only marginally higher than inflation during the Fourth Control Period.

8.2.10 The Authority, after analysis of the submissions made by BIAL, past trends and the approach adopted in recent tariff orders, proposed to consider a growth rate of 6% p.a. for cost per employee over the base year of FY 2025-26, in line with para 3.6.38 of the true-up of the Third Control Period.

8.2.11 Based on the above, the Personnel Costs recalculated by the Authority for the Fourth Control Period are as follows:

Table 221: Personnel Costs proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

Operating expenses	2027	2028	2029	2030	2031	Total
Personnel cost / employee in crores **(A)**	0.22	0.24	0.25	0.27	0.28	
% increase	6.00%	6.00%	6.00%	6.00%	6.00%	
Number of Employees (closing) **(B)**	1758	1758	1758	1858	1958	
Average employees **(C)**	1758	1758	1758	1808	1908	
Total Personnel Cost (A*C)	**394.50**	**418.17**	**443.26**	**483.22**	**540.54**	**2279.68**

O&M Cost

8.2.12 O&M Costs for BIAL comprised expenditure incurred towards the operation, maintenance and upkeep of airport assets and infrastructure, including terminal facilities, airside assets, engineering systems, housekeeping, repairs and maintenance, and other support services required for the efficient operation of the airport.

8.2.13 The Authority noted BIAL's submission that the Operation and Maintenance (O&M) costs have been segregated into:

- O&M pertaining to existing assets; and
- O&M pertaining to new infrastructure additions.

8.2.14 In respect of existing assets, BIAL submitted that O&M expenditure had been projected to grow at 6% annually, based on long-term contracts and rates discovered through the procurement process.

8.2.15 BIAL further submitted that most of the high-value O&M contracts relating to terminal equipment such as BHS, elevators and escalators, HVAC systems, etc., were finalized during the project stage and, accordingly, formed the basis of its projections for existing facilities

8.2.16 In respect of new infrastructure additions, the Authority noted BIAL's submission that it had analyzed the median Operating Expenses as a percentage of gross block for the last fifteen years for comparable airports, namely BIAL, MIAL, DIAL and GHIAL. BIAL submitted that, based on such benchmarking,

it adopted the lowest benchmark among the comparable airports and proposed 2.27% as the O&M rate for new infrastructure additions. On this basis, BIAL requested the Authority to consider the O&M costs as set out below:

Table 222: O&M expenses as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
O&M cost - Existing facilities	488.10	517.38	548.43	581.33	616.21	2,751.45
O&M cost - New infrastructure	17.18	87.15	151.41	317.16	485.50	1,058.41
Total O&M Cost	**505.28**	**604.53**	**699.84**	**898.50**	**1,101.72**	**3809.87**

8.2.17 The Authority examined BIAL's submission on O&M costs, wherein BIAL proposed estimation of O&M for new infrastructure additions based on historical O&M expenditure as a percentage of gross block of comparable airports. In this regard, the Authority noted that BIAL considered a relatively higher percentage for maintenance of newer assets. However, the Authority was of the view that benchmarking future O&M requirements solely with reference to historical O&M cost as a percentage of gross block might not provide an appropriate basis for estimation of future O&M expenses, particularly in the context of substantial new asset additions during the Fourth Control Period.

8.2.18 The Authority further undertook benchmarking analysis based on actual data for the period FY23 to FY25, inter alia, with reference to Repair and Maintenance (R&M) cost per passenger and O&M cost per terminal area across comparable airports. Based on such analysis, the Authority noted that BIAL's average O&M cost for the said three-year period worked out to approximately Rs. 81 per passenger and Rs. 7,231 per square metre, which was observed to be higher than the corresponding levels of other comparable airports such as MIAL, DIAL and GHIAL. In view of the above, the Authority was not inclined to accept BIAL's proposed approach for new asset O&M, as the same appeared to embed a relatively higher cost assumption.

8.2.19 Authority was also of the considered view that newer assets, particularly during the initial years of operation, generally required lower O&M expenditure as a percentage of gross block compared to older assets. Such assets typically benefitted from lower repair and maintenance requirements, warranty support, improved technology, and better operating efficiency in the early years of their useful life. Accordingly, the Authority proposed that O&M expenditure for existing assets should be allowed to grow on a year-on-year basis in line with inflation during the Fourth Control Period, while O&M for new asset additions should be estimated separately using a graded methodology linked to the age of the assets.

8.2.20 Accordingly, for additional assets capitalized during the Fourth Control Period, the Authority proposed to consider O&M cost as a percentage of CAPEX in a progressive manner over the initial years of operation. The allocation was based on the asset gross block ratio. The proposed methodology for estimation of O&M on additional assets is set out below:

Table 223: Proposed methodology for O&M computation of Additional assets in the Fourth Control Period

Additional Assets	Cost for Additional CAPEX (% of Gross Block)
O&M – Year 1	–
O&M – Year 2	0.50%
O&M – Year 3	0.60%
O&M – Year 4	0.75%
O&M – Year 5	1.00%

8.2.21 The above approach, in the Authority's view, was more reasonable and reflective of the actual maintenance profile of newly commissioned assets. It avoided overestimation of O&M expenditure in the initial years of operation and factored a gradual increase in O&M allowance based on a realistic timeline for stabilization of the asset base, factoring in the gradual increase in required maintenance intensity. Further, such an approach ensured that the O&M allowance remained linked to the age and scale of the asset base, rather than relying on historical averages that might not adequately capture the lower maintenance requirements of newer infrastructure.

8.2.22 In view of the above, Authority proposed to determine O&M expenditure for the Fourth Control Period by:

- escalating the O&M cost of existing assets on a year-on-year basis in line with inflation; and
- allowing O&M on new asset additions based on the above phased percentage of CAPEX methodology

8.2.23 Accordingly, the Authority recomputed the O&M expenses based on the asset gross block for the Fourth Control Period as per table below:

Table 224: O&M expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
O&M cost - Existing facilities	478.82	496.05	513.91	532.41	551.58	2572.77
O&M cost - New infrastructure	0.00	8.08	24.98	33.50	85.02	151.58
Total O&M Cost	**478.82**	**504.13**	**538.89**	**565.91**	**636.60**	**2724.35**

General Admin Expenses

8.2.24 The General Administration costs comprised Consultancy & Legal costs, Office costs, Travel costs and Employee Transportation costs.

8.2.25 The Authority noted the submissions of BIAL in respect of General Administration costs for the Fourth Control Period. The Authority noted that BIAL considered a year-on-year increase of 10% for Consultancy and Legal costs, with an additional one-time expense of Rs. 10.52 Crores in FY 2030-31 towards updating of the Master Plan. Similarly, BIAL considered a year-on-year increase of 5% for Travel costs, including inflation. The Authority further noted that Employee Transportation cost was estimated by BIAL in line with manpower additions in the relevant years and escalated year-on-year at 5%, considering the increase in fuel costs. Further, BIAL considered escalation of 5% year-on-year for Office costs and a one-time additional increase of 3% in FY 2027-28 on account of shifting of office from the existing buildings to the BP-2 facility.

8.2.26 The Total General Admin Expenses submitted by BIAL for the Fourth Control Period is detailed in the table below:

Table 225: Admin & General expenses as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Consultancy and Legal costs **(A)**	29.17	32.09	35.30	38.83	53.23	188.62
Travelling & Conveyance **(B)**	8.11	8.51	8.94	9.38	9.85	44.79
Staff Transportation **(C)**	18.82	20.23	21.24	25.87	29.04	115.20
Office costs **(D)**	7.22	7.81	8.20	8.61	9.04	40.90
Total General Admin Cost (A+B+C+D)	**63.32**	**68.64**	**73.68**	**82.7**	**101.16**	**389.51**

8.2.27 The Authority examined the details of Consultancy and Legal costs submitted by BIAL and noted that BIAL had incurred legal consultancy expenses during the Third Control Period. The Authority was of the view that such legal consultancy expenses were not critical or necessary for the Aeronautical Operations of the Airport and were, by their nature, expenses incurred towards legal cases / proceedings with other stakeholders. Such expenses did not add value to the services offered to airport users and, therefore, ought not to form part of the Aeronautical cost base for tariff determination.

8.2.28 The Authority also noted that even in the concession agreements executed by the Government of India for recent airports, legal expenses were excluded from the Operating Expenses considered as pass-through for the purpose of tariff determination. Accordingly, the Authority proposed to exclude the legal expenses incurred by BIAL from the base year expenditure considered for projecting Professional and Consultancy for the Fourth Control Period.

8.2.29 The Authority proposed to compute General Administration costs for the Fourth Control Period as follows:

i. The Authority proposed to exclude legal expenses of Rs. 4.47 Crores incurred by BIAL in FY 2025-26 from the base year Consultancy and Legal costs and escalate the balance Consultancy / Professional costs year-on-year by inflation. Further, the Authority proposed to allow Rs. 10.52 Crores as a one-time expense in FY 2030-31 towards updation of the Master Plan.

ii. The Authority proposed to escalate Office costs year-on-year by inflation, except for FY 2027-28, wherein Office costs had been additionally increased by 3% to account for shifting of office from the existing buildings to the BP-2 facility.

iii. The Authority proposed to escalate Travel costs year-on-year by inflation.

8.2.30 Accordingly, the General Admin Expenses recomputed by the Authority for the Fourth Control Period are as follows:

Table 226: General admin expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Consultancy Expenses (A)	18.40	19.07	19.75	20.46	31.72	**109.40**
Increase % (Inflation)	4.70%	3.60%	3.60%	3.60%	3.60%	
Consultancy & Legal - One time (Rs. In Crore)					10.52	
Travelling & Conveyance (B)	8.08	8.37	8.68	8.99	9.31	**43.43**
Increase % (Inflation)	4.70%	3.60%	3.60%	3.60%	3.60%	
Staff Transportation (C)	18.03	18.68	19.35	20.62	22.54	**99.22**
Increase % (Inflation)	4.70%	3.60%	3.60%	3.60%	3.60%	
Manpower increase %	0.00%	0.00%	0.00%	2.84%	5.53%	
Office Cost (D)	7.15	7.63	7.91	8.19	8.48	**39.36**
Increase % (Inflation)	4.70%	3.60%	3.60%	3.60%	3.60%	
One time increase %		3.00%				
Total General and Admin Expenses (A+B+C+D)	**51.67**	**53.75**	**55.68**	**58.26**	**72.06**	**291.41**

Lease Rent Expenses:

8.2.31 The Authority examined BIAL's submission in respect of Lease Rent Expenses for the Fourth Control Period. The Authority noted that BIAL included under this head lease rent payable to Karnataka State Industrial Investment and Development Corporation Limited ("KSIIDC") in respect of 4.008 acres of airport land, and lease rent payable in respect of office space at BP-2 comprising 141,000 sq. ft. leased from Bengaluru Airport City Limited ("BACL").

8.2.32 The Authority further noted that, in respect of the land lease rent payable to KSIIDC, BIAL considered an annual escalation of 3% in line with the applicable lease arrangement. In respect of the BP-2 office space, the Authority noted that BIAL assumed an escalation of 15% in FY 2030-31, with no further escalation considered during the remaining years of the Fourth Control Period.

8.2.33 Lease rent expenses as submitted by BIAL for the Fourth Control Period are detailed in the table below:

Table 227: Lease Rent expenses as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2026	2027	2028	2029	2030	2031
Lease Rent Existing Facility	23.50	24.21	24.94	25.68	26.45	124.79
Lease Rent payable to BP2 Facility	0.00	15.77	15.77	15.77	18.13	65.43
Total Lease Rent	**23.50**	**39.98**	**40.70**	**41.45**	**44.59**	**190.22**

8.2.34 The Authority also sought clarifications from BIAL regarding the basis of computation of lease rent for the BP-2 office space. In response, BIAL submitted the detailed computation of such lease rent and stated that the same had been benchmarked against the lease rental being charged by BACL to a GCC operator for comparable office space.

8.2.35 Based on its analysis, the Authority was of the view that BIAL's projection of lease rent payable to KSIIDC, based on the contractually stipulated annual escalation of 3%, was reasonable. The Authority was also of the view that the lease rental considered by BIAL for BP-2 office space was reasonable. However, in the absence of a formal lease agreement for BP-2 office space at this stage, the Authority proposed not to consider the escalation in FY2030-31.

8.2.36 Accordingly, the Lease rent expenses recalculated by the Authority for the Fourth Control Period are as follows:

Table 228: Lease Rent expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Lease Rent – Existing **(A)**	23.50	24.21	24.94	25.68	26.45	**124.79**
Escalation in lease rent	3%	3%	3%	3%	3%	
Lease Rent payable to BP2 Facility **(B)**		15.77	15.77	15.77	15.77	**63.07**
Escalation in rent		0%	0%	0%	0%	
Total Lease Rent expenses (A+B)	**23.50**	**39.98**	**40.70**	**41.45**	**42.22**	**187.86**

Insurance Expenses

8.2.37 Insurance expenses as submitted by BIAL for the Fourth Control Period is detailed in the table below:

Table 229: Insurance expenses as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2026	2027	2028	2029	2030	2031
Existing Assets	12.43	12.43	12.43	12.43	12.43	62.15
Additional Assets	0.61	3.07	5.26	10.80	16.38	36.12
Total Insurance Cost	**13.03**	**15.50**	**17.69**	**23.23**	**28.81**	**98.27**

8.2.38 The Authority noted the submissions of BIAL relating to insurance and accordingly proposed to Consider the premium rate as 0.08% of the asset gross block, based on the average premium rate for the period FY22-FY26 to forecast insurance costs for the Fourth Control Period.

8.2.39 Accordingly, the Insurance expenses recomputed by the Authority based on the asset gross block for the Fourth Control Period are as follows:

Table 230: Insurance expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2026	2027	2028	2029	2030	2031
Insurance cost of Existing Assets (A)	11.73	12.98	15.29	15.59	21.86	**77.45**
Insurance cost of Additional Assets (B)	0.62	2.40	3.70	6.99	10.22	**23.94**
Total Insurance Cost (C=A+B)	12.36	15.38	18.99	22.57	32.08	**101.39**

Rates & Taxes

8.2.40 The Authority noted BIAL's submission in respect of Rates and Taxes for the Fourth Control Period. BIAL submitted that such expenses mainly comprise property tax and had been estimated by considering a 10% annual increase over the existing level, along with additional cost on account of the increase in developed area following the commissioning of Terminal 2 Phase 2.

8.2.41 Rates & Taxes as submitted by BIAL for the Fourth Control Period are detailed in the table below:

Table 231: Rates & Taxes as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Rates & Taxes	12.88	14.17	16.29	17.92	22.40	83.67

8.2.42 The Authority examined BIAL's submission regarding the additional cost proposed on account of commissioning of WCFT and Terminal 2 Phase 2. Accordingly, the Authority proposed to allow the corresponding impact in Rates & Taxes expenses by considering escalation of 15% in FY 2028-29 for WCFT and 25% in FY 2030-31 for Terminal 2 Phase 2. The same would be subject to true-up at the time of determination of tariff for the next Control Period, based on the actual date of capitalization / commissioning of the above-mentioned assets and actual expenditure incurred, subject to prudence check.

8.2.43 Accordingly, the Rates & Taxes expenses recomputed by the Authority for the Fourth Control Period by applying inflation-based escalation are set out in the table below. However, for FY 2028-29 and FY 2030-31, escalation of 15% and 25%, respectively, had been considered in place of inflation-based escalation, factoring in the additional area on account of WCFT and Terminal 2 Phase 2, in line with BIAL's submission. The recomputed Rates & Taxes expenses are set out in the table below:

Table 232: Rates & Taxes proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Rates & Taxes	12.26	12.70	14.61	15.13	18.92	**73.62**
Increase (Inflation) %	4.70%	3.60%	15.00%	3.60%	25.00%	

Utility Expenses

8.2.44 Authority noted BIAL's submission that utility costs comprise power cost, including renewable power purchase, and potable and non-potable water costs.

8.2.45 The Authority further noted that, for power tariff estimation, BIAL considered the blended average rate per unit based on long-term solar power contracts, in-house power generation, captive sources, BESCOM rates based on tariff circulars, and open market purchase rates. Accordingly, 2% annual growth in rate per unit had been proposed, along with increase in demand charges based on BESCOM notified tariff circulars up to FY 2028-29 and similar escalation for the remaining period. The overall concessionaire recovery in respect of power cost was estimated at 45.8% (average) for the Fourth Control

Period, while the recovery percentage was expected to reduce in later years considering the incremental power consumption of new infrastructure such as WCT, Metro stations and ECT.

8.2.46 In respect of water costs, the Authority noted BIAL's submission that a significant portion of potable water consumption was proposed to be met through in-house sources, namely RWH and WTP. BIAL submitted that specific potable water consumption per passenger was expected to remain at existing levels and that overall consumption growth was projected to be in line with passenger growth, with in-house source contribution estimated at 45% for the Fourth Control Period. BIAL further submitted that the water tariff per KL had been considered in line with existing contracted rates with BWSSB, with a 10% increase projected in FY 2028-29.

8.2.47 The Authority further noted that, as per BIAL, the non-potable water consumption was expected to increase by 5% annually and by 30% in FY 2029-30 on account of commissioning of Terminal 2 Phase 2. BIAL submitted that, out of the total non-potable water consumption, 53% was expected to be met from internal sources, and that the non-potable water rate per KL had been projected based on contracted rates with BWSSB and KIADB. BIAL also submitted that 56% of total water cost was proposed to be recovered from concessionaires.

8.2.48 Utility expenses as submitted by BIAL for the Fourth Control Period are detailed in the table below:

Table 233: Utility expenses as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Net Power cost (Existing Area) (a)	128.81	133.03	137.39	141.90	146.56	
Net Power cost (Additional Area) (b)	0.00	5.56	8.49	17.51	50.56	
Recovery Rate % (c)	50.30%	48.45%	47.54%	45.43%	40.00%	
Total Power charges (d=(a+b)*(1-c))	**64.02**	**71.44**	**76.53**	**86.99**	**118.27**	**417.25**
Potable water cost (e)	6.79	9.33	12.80	15.26	16.04	
Non-potable water cost (f)	3.21	3.04	3.24	5.29	5.28	
Recovery Rate % (g)	67.34%	63.13%	59.33%	50.17%	48.37%	
Total Water Charges (h=(e+f)*(1-g))	**3.27**	**4.56**	**6.52**	**10.24**	**11.01**	**35.60**
Total Utilities Cost (i=d+h)	**67.29**	**76.01**	**83.05**	**97.23**	**129.28**	**452.85**

8.2.49 The Authority, after examining BIAL's submission on power costs, noted that, as per BIAL's revised submission for FY26 based on actual data, the power costs had reduced significantly. In this regard, the Authority proposed to consider the lower FY26 base, based on actuals, as the base for estimation of power costs for the Fourth Control Period.

8.2.50 With respect to power consumption, the Authority considered BIAL's approach of escalating consumption on a year-on-year basis by 1.5% for the existing infrastructure. However, the Authority observed a declining trend in tariff per unit and, based on the rates provided in KERC's latest Tariff Order, proposed considering the revised lower submission by BIAL which was in line with the Tariff Order released for FY26. Further, the Authority proposed to escalate demand charges by Rs. 5.00 per KVA on a year-on-year basis, having regard to historical trends and the rates specified in the latest KERC Tariff Order.

8.2.51 The Authority further noted that BIAL proposed additional utility expenses on account of various Capex projects such as WCFT, Terminal 2 Phase 2, T1 Upgrade, ECT and other associated infrastructure additions. The Authority proposed to allow such additional utility expenses in line with the implementation / commissioning of the respective Capex projects, as submitted by BIAL, so as to align the recognition of utility costs with the underlying assets and operational requirements. The same would

be subject to true-up at the time of determination of tariff for the next Control Period, based on the actual commissioning / utilization of the respective assets and the actual expenditure incurred, subject to prudence check. The Authority also proposed considering 51% as the overall concessionaire recovery rate for power costs, based on the historical average recovery of the past five years.

8.2.52 In view of the above, the Power cost recomputed by the Authority for the Fourth Control Period is given in the table below:

Table 234: Power costs proposed by the Authority for the Fourth Control Period at the Consultation Stage

Power Costs	2026	2027	2028	2029	2030	2031	Total (FY27-FY31)
Existing Area							
Monthly Contract demand (kVA) **(A)**	33214	33214	33214	33214	33214	33214	
Consumption (mn kWh) **(B)**	180.00	182.70	185.44	188.22	191.05	193.91	
% Increase		1.50%	1.50%	1.50%	1.50%	1.50%	
Contract demand charges (Rs. per KVA per annum) **(C)**	370	375	380	385	390	395	
Power unit tariff (Rs. per kWh) **(D)**	5.95	5.12	5.22	5.33	5.43	5.54	
Contract demand cost (Rs. Crores) **(E=A*C*12/crore)**		14.95	15.15	15.34	15.54	15.74	76.72
Power consumption cost (Rs. Crores) **(F=B*D/10)**		93.54	96.80	100.32	103.74	107.43	501.83
Total cost (Rs. Crores) (G)		**108.49**	**111.95**	**115.67**	**119.28**	**123.17**	**578.55**
Additional Area							
Monthly Contract demand (kVA) **(H)**			2324.98	3034.98	8473.22	8473.22	
Consumption (mn kWh) **(I)**			8.61	13.30	24.93	83.98	
Contract demand charges (Rs. per KVA per annum) **(J)**			380.00	385.00	390.00	395.00	
Power unit tariff (Rs. per kWh) **(K)**			5.22	5.33	5.43	5.54	
Contract demand cost (Rs. Crores) **(L=H*J*12/Crore)**			1.06	1.40	3.96	4.02	
Power consumption cost (Rs. Crores) **(M=I*K/10)**			4.94	7.09	13.54	46.52	
Total cost (Rs. Crores) (N=L+M)		**0.00**	**5.55**	**8.49**	**17.50**	**50.54**	**82.09**
Total Cost (Existing + Additional) (O=G+N)		108.49	117.50	124.16	136.78	173.71	660.64
Recovery in % (o)		51%	51%	51%	51%	51%	
Net Power Costs (P=N*(1-O))		**53.16**	**57.57**	**60.84**	**67.02**	**85.12**	**323.72**

8.2.53 The Authority examined BIAL's submission on water costs and noted that BIAL's projection of potable water consumption in line with traffic growth appeared reasonable. However, the Authority proposed to consider that 61% (average) of the total water consumption would be met through internal rainwater harvesting / internal sources, based on the historical average of FY 2024-25 and FY 2025-26, excluding the Covid and Covid recovery period, for the entire Fourth Control Period. The Authority further proposed to escalate potable water tariff in line with inflation.

8.2.54 In respect of non-potable water, the Authority found BIAL's proposed annual escalation of 5% in consumption to be reasonable. However, the Authority did not propose to consider the additional 30% increase in FY 2029-30 claimed by BIAL on account of Terminal 2 Phase 2 since the net water charges in FY 2025-26 were negative at Rs. (0.47) Crores, indicating an over-recovery of water costs. In view of the same, the Authority was not inclined to allow any additional water expenditure towards Terminal 2 Phase 2 at that stage. BIAL could claim such expenditure, if any, at the time of true-up for the Fourth Control Period, based on actual consumption, actual recovery, subject to prudence check.

8.2.55 The Authority further proposed to project non-potable water tariff for the Fourth Control Period using inflation. Further, considering the historical trend of recoveries and the over-recovery observed in FY 2025-26, the Authority proposed to consider 70% as the overall concessionaire recovery rate for water costs, based on the historical average recovery of the past five years.

8.2.56 In view of the above, the water cost recomputed by the Authority for the Fourth Control Period is given in the table below:

Table 235: Water charges proposed by the Authority for the Fourth Control Period at the Consultation Stage

Water charges	2026	2027	2028	2029	2030	2031	Total (FY27-FY31)
Potable water requirement - Consumption (Million kL) **(A)**	1389.03	1491.80	1694.24	1877.99	2055.51	2254.84	
Escalation based on Traffic (in %)		7.40%	13.57%	10.85%	9.45%	9.70%	
Potable water requirement met through RWH **(B)**		73.40%	64.63%	58.31%	53.27%	55.85%	
Potable water requirement - payable by BIAL in Million kL **(C=A*(1-B))**		396.80	599.24	782.99	960.51	995.59	
Cost of potable water (Rs. per L) **(D)**	102.71	107.54	111.41	115.42	119.58	123.88	
% increase		4.70%	3.60%	3.60%	3.60%	3.60%	
Potable water cost (Rs. Crores) (E=C*D/10000)		4.27	6.68	9.04	11.49	12.33	**39.20**
Non-Potable water - consumption in Million kL **(F)**	1.1	1.16	1.21	1.27	1.34	1.40	
% increase		5%	5%	5%	5%	5%	
Cost of Non Potable water (Rs. per kL) **(G)**	25	26.18	27.12	28.09	29.10	30.15	
% Increase		4.70%	3.60%	3.60%	3.60%	3.60%	
Non-Potable water cost (Rs. Crores) (H=F*G/10)		3.02	3.29	3.58	3.89	4.23	**18.01**
Gross Water Costs (I)		7.29	9.96	12.61	15.38	16.57	**61.81**
Recovery in % **(J)**		70%	70%	70%	70%	70%	
Net Water Costs (Rs. Crores) (K=I*(1-J))		**2.19**	**2.99**	**3.78**	**4.61**	**4.97**	**18.54**

8.2.57 The Authority also proposed to net off the Non-Aero Utility charges revenue from the Utility expense in accordance with the rationale vide para 3.9.10 vii.

8.2.58 Accordingly, the utility cost for the Fourth Control Period as proposed by the Authority is given below:

Table 236: Total Utility expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31 (Rs. Cr)	2027	2028	2029	2030	2031	Total
Net Power Costs (A)	53.16	57.57	60.84	67.02	85.12	323.72
Net Water Charges (B)	2.19	2.99	3.78	4.61	4.97	18.54
Less: Non-Aero Utility Charges Revenue (C)	32.12	33.28	34.48	35.72	37.00	
Total Utilities Expenses as proposed by the Authority (C=A+B-C)	**23.23**	**27.28**	**30.14**	**35.92**	**53.09**	**169.66**

Marketing and Advertising Expense

8.2.59 The Authority noted BIAL's submission that Marketing and Advertising Expenses for the Fourth Control Period had been estimated based on benchmarked actual costs incurred, together with an annual increase of 5%, including inflation. The Authority further noted that BIAL additionally claimed a one-time expense of Rs. 15 Crores in FY 2029-30 on account of commencement of Terminal 2 Phase 2.

8.2.60 Marketing & Advertising as submitted by BIAL for the Fourth Control Period are detailed in the table below:

Table 237: Marketing & Advertising expense as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Sales & Marketing Expense (A)	24.11	25.31	26.58	42.91	29.30	148.21
Aero Business Development Expense (B)	1.20	1.26	1.32	1.39	1.45	6.61
Total Marketing & Advertising Expense (C=A+B)	25.31	26.57	27.90	44.29	30.76	154.83

8.2.61 The Authority noted the submission of BIAL in respect of Marketing and Advertising Expenses projected for the Fourth Control Period. The Authority noted that Bengaluru Airport was a well-established brownfield airport and one of the major airports in India, along with Mumbai, Delhi, Hyderabad, Chennai and Kolkata, which was handling around 61% of passenger traffic of the country. Bengaluru Airport had already entered the Fourth Control Period tariff cycle and was a mature airport with strong market visibility, established airline relationships and a stable traffic base. Being located in a major technology and business hub, the traffic growth at Bengaluru Airport was primarily driven by underlying market demand, airline network requirements and regional economic activity, rather than by sustained high levels of promotional expenditure. Unlike a greenfield airport, which might require relatively higher initial marketing outlay for market creation, route development and traffic stimulation, Bengaluru Airport, in the Authority's view, did not require such Marketing and Advertising expenditure of the nature proposed by BIAL. The Authority further noted that BIAL had also been provided the benefit of a Variable Tariff Plan during the Third Control Period for attracting airline partners and supporting traffic growth.

8.2.62 The Authority further noted that the FY 2025-26 base considered by BIAL included certain expenses which were one-time, discretionary or not directly related to the provision of aeronautical services to passengers. Accordingly, for the purpose of projecting Marketing and Advertising Expenses for the Fourth Control Period, the Authority proposed to reduce the FY 2025-26 base by excluding expenditure relating to BLR Pulse, audio-visual films, and Pinnacle Awards.

8.2.63 In view of the above, the Authority proposed to adopt the adjusted FY 2025-26 base for determination of Marketing and Advertising Expenses for the Fourth Control Period. The Authority further proposed that except for FY 2026-27, no year-on-year escalation would be allowed on such base during the Fourth Control Period, considering the mature status of Bengaluru Airport and the already elevated level of

Marketing and Advertising Expenses as compared to other similarly placed established airports. Further, the Authority was not inclined to allow the additional one-time expenditure of Rs. 15 Crores claimed by BIAL in FY 2029-30 on account of commencement of Terminal 2 Phase 2, as Bengaluru Airport, being a well-established brownfield airport, did not require separate incremental marketing expenditure merely on account of expansion of an existing terminal.

8.2.64 In view of the above, the Marketing & Advertising expenses recomputed by the Authority for the Fourth Control Period are as follows:

Table 238: Marketing & Advertising expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Marketing & Advertising	13.2	13.2	13.2	13.2	13.2	65.80

Collection cost

8.2.65 The Authority also noted BIAL's submission that Collection cost had been estimated based on the projected collection charges payable to airlines towards collection of UDF and were linked to traffic.

8.2.66 Collection cost as submitted by BIAL for the Fourth Control Period are set out in the table below:

Table 239: Collection cost as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Collection cost as submitted by BIAL	9.14	10.39	11.51	12.60	13.82	57.41

8.2.67 The Authority noted that Collection cost were linked to traffic and represented charges payable towards collection of UDF. Accordingly, the Authority proposed to project Collection cost in line with traffic for the Fourth Control Period.

8.2.68 In view of the above, the Collection cost recomputed by the Authority for the Fourth Control Period are set out in the table below:

Table 240: Collection Costs proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Cr.)

FY ending March 31 (Rs. Cr)	2027	2028	2029	2030	2031	Total
Collection cost	9.12	10.36	11.48	12.56	13.78	57.30
% Increase due to Traffic	7.40%	13.57%	10.85%	9.45%	9.70%	

CSR – Corporate Social Responsibility

8.2.69 The Authority noted BIAL's submissions regarding Corporate Social Responsibility (CSR) expenses, which had been considered at the rate of 2% of the average PAT for the preceding three years.

8.2.70 CSR expenses as submitted by BIAL for the Fourth Control Period are detailed in the table below:

Table 241: CSR expense as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
CSR Expenses as submitted by BIAL	0.71	13.48	27.89	43.99	48.01	134.07

8.2.71 As mentioned in para 3.6.119 and 3.6.120 of this Consultation Paper, the Authority proposed not to consider CSR expenses under Operating Expenses for the Fourth Control Period.

Other Borrowing Costs

8.2.72 The Authority noted BIAL's submission that an amount of Rs. 10 crore per annum had been estimated towards other borrowing costs as part of Operating Expenses for the Fourth Control Period based on the table below:

Table 242: Other Borrowing costs as submitted BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31 (Rs. Cr)	2027	2028	2029	2030	2031	Total
Total Other Borrowing costs	10.00	10.00	10.00	10.00	10.00	50.00

8.2.73 The Authority noted that the said expense related to refinancing and was contingent upon future events. In the absence of reasonable certainty regarding the timing, necessity and quantum of such expense, the Authority was not inclined to admit the same at that stage. The claim might be considered, if required, on the basis of actual incurrence and subject to prudence check.

Concession Fee

8.2.74 The Authority noted that, in terms of the Concession Agreement between the Ministry of Civil Aviation, Government of India and BIAL on 05.07.2004, BIAL was required to pay annual concession fee at the rate of 4% of annual gross revenue to the Government of India for the grant of concession, exclusive rights and privileges to undertake the activities specified in the Concession Agreement. The Authority further noted BIAL's submission that the concession fee payable in accordance with the said agreement had been considered as a year-on-year expenditure for the Fourth Control Period.

8.2.75 Accordingly, BIAL proposed the following concession fee for the Fourth Control Period:

Table 243: Concession Fee as submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Aviation Revenues **(A)**	6,724.84	7,851.24	8,946.43	10,066.29	11,351.61	**44,940.41**
Aviation Concessionaries Revenue **(B)**	458.99	507.94	586.09	631.28	682.03	**2,866.33**
Non-Aero Revenue **(C)**	1,368.09	1,547.28	1,716.19	1,911.04	2,181.52	**8,724.12**
Less: Collection Cost **(D)**	(9.14)	(10.39)	(11.51)	(12.60)	(13.82)	**(57.46)**
Total Revenues (E=A+B+C-D)	**8,542.78**	**9,906.46**	**11,248.71**	**12,608.61**	**14,215.16**	**56,521.72**
Percentage % **(F)**	4.0%	4.0%	4.0%	4.0%	4.0%	**4.0%**
Concession Fees (G=E*F)	**341.71**	**396.26**	**449.95**	**504.34**	**568.61**	**2,260.87**

8.2.76 The Authority computed the concession fee on the forecasted Aero-Revenues. Accordingly, the concession fee considered by the Authority for the Third Control Period is given below:

Table 244: Concession Fees proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Aeronautical Revenues **(A)**	1771.39	2136.79	2717.72	3373.67	4135.31	14134.88
Aeronautical Concessionaries Revenue **(B)**	458.99	507.94	586.09	631.28	682.03	2866.34
Add Lease Rent related to CGF **(C)**	186.49	195.82	205.61	215.89	237.48	1041.29
Less: Collection Cost **(D)**	9.12	10.36	11.48	12.56	13.78	57.30
Total Revenues **(E=A+B+C-D)**	2407.76	2830.20	3497.94	4208.27	5041.04	17985.21
Percentage % **(F)**	4%	4%	4%	4%	4%	
Concession Fees (G=E*F)	**96.31**	**113.21**	**139.92**	**168.33**	**201.64**	**719.41**

8.2.77 Based on the above examination of each head of Operating Expenses, the Operating Expenses re-calculated by the Authority for the Fourth Control Period are as per the table below:

Table 245: Total Operating expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Cr.)

FY ending March 31	2027	2028	2029	2030	2031	Total
Personnel Costs	394.5	418.17	443.26	483.22	540.54	2279.68
General Admin Expense	51.67	53.75	55.68	58.26	72.06	291.41
O&M	478.82	504.13	538.89	565.91	636.6	2724.35
Lease Rent	23.50	39.98	40.7	41.45	42.22	187.86
Utilities	23.23	27.28	30.14	35.92	53.09	169.66
Insurance	12.36	15.38	18.99	22.57	32.08	101.39
Rates & Taxes	12.26	12.7	14.61	15.13	18.92	73.62
Marketing & Advertisement	13.2	13.2	13.2	13.2	13.2	65.80
Collection Charges	9.12	10.36	11.48	12.56	13.78	57.3
Concession Fee	96.31	113.21	139.92	168.33	201.64	719.41
Total Operating Expenses	**1,114.91**	**1,208.10**	**1,306.82**	**1,416.51**	**1,624.08**	**6,670.43**

Aeronautical Allocation of Operating Expenses proposed by the Authority

8.2.78 The segregation logic considered by the Authority for each expense is detailed below:

Table 246: Segregation logic Considered by the Authority for the Fourth Control Period

Operating expenses	Basis of allocation
Personnel Costs	Employee Head Count Ratio based on categorisation of employee departments into Aero / Non-Aero / Common
O&M	Aero Gross Block Ratio
Lease Rent	Aeronautical Lease Rent computed by excluding land given to BACL (being considered as non-airport)
Utilities	Utility expenses (net of recovery) considered fully as Aeronautical
Insurance	Aero Gross Block Ratio
Rates & Taxes	Lease Rent allocation ratio
Marketing & Advertising	Average of Last 5 years (Third Control Period)
General admin costs (Consultancy expense)	Average of Last 5 years (As per Third Control Period)
General admin costs (Travel cost)	Employee Head Count Ratio based on categorisation of employee departments into Aero / Non-Aero / Common
General admin costs (Office Costs)	Employee Head Count Ratio based on categorisation of employee departments into Aero / Non-Aero / Common
Concession fee	Fully Aeronautical as it is as considered as 4% of Aeronautical Revenue

8.2.79 Accordingly, the allocation ratio of Operating Expenses for each cost head proposed by the Authority is as follows:

Table 247: Allocation Ratio considered by the Authority for the Fourth Control Period at the Consultation Stage

FY ending March 31	2027	2028	2029	2030	2031
Personal Cost	92.24%	92.24%	92.24%	92.24%	92.25%
Operations & Maintenance Cost	90.49%	91.26%	91.27%	90.53%	90.50%
Land Lease Rent	98.16%	97.91%	97.66%	97.41%	97.16%
Utilities Cost	100.00%	100.00%	100.00%	100.00%	100.00%
Insurance Cost	90.49%	91.26%	91.27%	90.53%	90.50%
Rates & Taxes	98.16%	97.91%	97.66%	97.41%	97.16%
Marketing & Advertisement Expenses	65.00%	65.00%	65.00%	65.00%	65.00%
Collection Charges	100.00%	100.00%	100.00%	100.00%	100.00%

FY ending March 31	2027	2028	2029	2030	2031
General Administration Cost (Consultancy)	63.00%	63.00%	63.00%	63.00%	63.00%
General Administration Cost (Travel & Office Costs)	92.24%	92.24%	92.24%	92.24%	92.25%

8.2.80 Based on the above, the Aeronautical Portion of Operating Expenses proposed by the Authority for each cost head is as follows:

Table 248: Aeronautical Operating Expenses proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Personnel Costs	363.89	385.72	408.86	445.72	498.66	2,102.85
General Admin Expense	42.28	44.00	45.59	47.75	57.20	236.82
O&M	433.30	460.09	491.83	512.34	576.13	2,473.69
Lease Rent	23.07	39.14	39.75	40.38	41.02	183.36
Utilities	23.23	27.28	30.14	35.92	53.09	169.66
Insurance	11.18	14.04	17.33	20.44	29.04	92.03
Rates & Taxes	12.03	12.44	14.26	14.74	18.38	71.85
Marketing & Advertisement	8.55	8.55	8.55	8.55	8.55	42.74
Collection Charges	9.12	10.36	11.48	12.56	13.78	57.30
Concession Fee	96.31	113.21	139.92	168.33	201.64	719.41
Aeronautical Operating Expenses	**1,022.95**	**1,114.82**	**1,207.72**	**1,306.73**	**1,497.48**	**6,149.70**

8.3 Stakeholders' comments regarding Operating Expenses for the Fourth Control Period

8.3.1 During Stakeholders' Consultation Process, the Authority has received comments/ views from BIAL, IATA, GoK, APAO and Fairfax in response to the proposals of the Authority with regard to the Operating Expenses for the Fourth Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below:

BIAL's comments regarding Operating Expenses for the Fourth Control Period

8.3.2 BIAL's comments with regard to Personnel Costs is as follows:

"BIAL has submitted its detailed rationale towards per employee cost in Section 3.3.1 above in the document. BIAL requests that the Authority use the actual salary cost/ employee of FY26 as the base while projecting salary cost for the 4th control period.

BIAL has studied the proposal by the Authority with respect to the manpower additions proposed by BIAL during MYTP stage. As on date, BIAL has 1,758 personnel against the submission of 1,830 staff (projected at the time of the MYTP).In Table 201, the Authority has proposed addition of 200 staff against BIAL's requirement of 565 new hires.

BIAL submits that the personnel count for an airport is related to the operating model adopted i.e., degree of insourcing versus reliance over other group companies/ parent company. As explained in 3.4.1, all BIAL's personnel are housed in BIAL and no fee (whether in the form of corporate cost or operator fee or technical services fee) is paid to any related party. We have also made a specific reference on how ICT is structured across various airports and in the case of BIAL, the personnel count is accompanied with a significantly higher ICT revenue from aero concessionaires (including CUTE).

BIAL submits that through FY28, BIAL will be capitalizing a number of key airside projects including Western cross taxiway, Airfield expansion (which includes 2nd parallel taxiways) and new aircraft parking stands. Development of new zones will increase the overall airside operational area necessitating the need for additional staff positions in the form of airside safety, follow me vehicle

operator, additional positions in airport rescue and fire fighting for monitoring of the enhanced airside. All of these positions will require 24x7 manning requiring addition of nearly 70 additional staff in FY28.

Further, upon commissioning of Terminal 2, Terminal 2 apron , Terminal 1 and 2 connector, given the scale of addition, there will be a requirement for additional personnel. BIAL therefore requests the Authority to reconsider its stance and permit BIAL to hire 300 resources across FY30/FY31. In summary, BIAL requests the Authority to allow a total manpower addition of 370 for the 4th control period considering the 55% growth in Terminal capacity, 40% increase in Total Terminal area and large airside projects getting implemented."

8.3.3 BIAL's comment with regard to O&M Expenses is as follows:

"

- *BIAL had estimated the cost for new facilities the same at 2.21% of the asset value, in line with the past trends observed by BIAL and the same was found reasonable and efficient by the Authority.*
- *It appears that the Authority has understood BIAL submissions for new assets as R&M cost alone and hence has proposed rationalization. BIAL clarifies that the MYTP submission was the total O&M Cost which consist of R&M costs as well as costs incurred towards House Keeping, security , ICT etc.*
- *This is in line with other recent consultation papers and tariff orders issued by the Authority where O&M cost is a combination of R&M cost (which is pegged as a % of gross block) as well as costs incurred towards housekeeping, security, stores/spares and consumables, other manpower contracts (e.g., wildlife hazard management, trolley retrieval, digi buddies etc.) and ICT related contracts (e.g., Enterprise ICT management services, Microsoft licenses, network AMC, AODB subscription, laptop lease etc). The Authority in other Orders has proposed to grow non R&M spends at the rate of inflation and terminal area growth factor as applicable.*
- *In the CP, the cost proposed for new assets does not factor any growth in spend towards housekeeping, security, stores/spares and consumables, ICT and other manpower contracts due to terminal area factor.*
- *Regarding the Year 1 R&M Costs taken as 0%, we wish to submit that when an asset is put to use, there are associated AMC contracts for upkeep and maintenance activities right from the commissioning of assets, in line with OEM specifications.*
- *For the balance years, against our submission, for new assets, AERA has proposed a range of R&M cost as 0.5% to 1%.*
- *Keeping the estimate provided by AERA (totaling to Rs. 151.48 Cr. as detailed in Table 204, towards R&M costs), BIAL has reworked the total O&M costs as per AERA's principles as adopted in other comparable airports (combination of inflation and terminal area growth factor), and the same is tabulated as below. Detailed workings have been submitted as Annexure 17.*

(Rs. in Crores)

Particulars	25-26	26-27	27-28	28-29	29-30	30-31	Total
R&M - Existing	139.76	146.33	151.59	157.05	162.71	168.56	**786.24**
R&M - Addition			8.08	24.98	33.50	85.02	**151.58**
Security	26.76	28.36	30.06	31.87	38.34	52.99	**181.63**
Stores, Consumables and Spares	36.48	38.19	39.57	40.99	48.20	65.11	**232.06**

OPERATING EXPENSES FOR THE FOURTH CONTROL PERIOD

Particulars	*25-26*	*26-27*	*27-28*	*28-29*	*29-30*	*30-31*	*Total*
Housekeeping	*48.41*	*50.69*	*52.51*	*54.40*	*63.97*	*86.42*	***308.00***
Other Manpower contracts	*103.50*	*109.71*	*116.29*	*123.27*	*148.31*	*204.99*	***702.58***
ICT Operations contract	*102.41*	*107.23*	*111.09*	*115.09*	*135.33*	*182.81*	***651.54***
Total	***457.32***	***480.51***	***509.20***	***547.65***	***630.37***	***845.91***	***3,013.63***

BIAL requests that the above estimates be considered, at minimum, for estimation of Operating Expenditure for Fourth control period. It is worth highlighting that the recent geopolitical situation has led to significant depreciation of INR vis a vis USD because of which there may be an increase in ICT costs in FY27 versus FY26 creating a base effect. We therefore request the Authority that Operating expenses be trued up as per actuals subject to review of efficiency and reasonableness."

8.3.4 BIAL's comment with regard to Lease rent expense is as follows:

"AERA has, in its analysis for Rentals for BP2 stated that as BIAL has not submitted the rental agreement, escalation in has not been considered for FY 2030-31. Extract of Rental Agreement for BP-2 is enclosed as Annexure 18. Accordingly, BIAL requests AERA to consider the rental increase of 15% in FY 31 based on the executed agreement and consider the rent payable to BP2 as below.

Particulars	*26-27*	*27-28*	*28-29*	*29-30*	*30-31*	*Total*
Lease Rent – BP2	*4.61*	*15.76*	*15.76*	*18.13*	*18.13*	*72.33*

"

8.3.5 BIAL's comment with regard to Utility charges is as follows:

"AERA has computed the water charges estimate for Fourth control period in Table 215 of the Consultation Paper. The Authority has considered the water cost at Rs. 107.54 per KL for FY 2026–27. We request updation of the rate to Rs. 112 per KL, based on the BWSSB invoice for April 2026 (Annexure 19 - Consumption of 43,765 KL and water charges of Rs. 49.01 lakh, resulting in Rs. 112 per KL).

Accordingly, the re-worked Water charges are as given below:

(Rs. in Crores)

Particulars	*FY 26*	*FY 27*	*FY28*	*FY 29*	*FY 30*	*FY 31*	*Total*
Potable water consumption (Million KL) (A)	*1,389.03*	*1,491.80*	*1,694.24*	*1,877.99*	*2,055.51*	*2,254.84*	
Escalation based on traffic (%)		*7.40%*	*13.57%*	*10.85%*	*9.45%*	*9.70%*	
Potable water from RWH (B)		*73.40%*	*64.63%*	*58.31%*	*53.27%*	*55.85%*	
Purchase of Water (C=A(1B))*		*396.82*	*599.25*	*782.93*	*960.54*	*995.51*	
Cost of Potable water (Rs/KL) (D)	*102.71*	*112.00*	*116.03*	*120.21*	*124.54*	*129.02*	
% Increase		*4.70%*	*3.60%*	*3.60%*	*3.60%*	*3.60%*	
Potable water cost (E=C*D/10000)		***4.44***	***6.95***	***9.41***	***11.96***	***12.84***	***45.62***
Non-Potable water consumption (Mn KL) (F)	*1.10*	*1.16*	*1.21*	*1.27*	*1.34*	*1.40*	
% Increase		*5%*	*4%*	*5%*	*6%*	*4%*	
Cost/KL (G)	*25.00*	*26.18*	*27.12*	*28.09*	*29.10*	*30.15*	
% Increase		*4.70%*	*3.60%*	*3.60%*	*3.60%*	*3.60%*	
Non-Potable water cost		***3.04***	***3.28***	***3.57***	***3.90***	***4.22***	***18.01***

*(H=F*G/10)*							
Gross Water cost (I=E+H)		***7.48***	***10.23***	***12.98***	***15.86***	***17.06***	***63.63***
Recovery % (J)		*63%*	*63%*	*63%*	*63%*	*63%*	
Net Water cost (K=I*(1-J))		***2.74***	***3.75***	***4.76***	***5.82***	***6.26***	***23.33***

Accordingly, BIAL requests AERA to consider a total water cost of Rs. 23.33 Cr. as against Rs. 18.54 Cr. estimated by the Authority."

8.3.6 BIAL's comment with regard to Utility recovery net off is as follows:

"BIAL has provided its justification and response on the said matter in its response for True up in the Third Control period. Accordingly, BIAL requests Utility Revenue from Aero Concessionaires alone to be considered as Aeronautical and recovery from Non aero concessionaires should be treated as non-aeronautical revenue.

BIAL has segregated the Utility recovery based on the nature of user and has accordingly tabulated the revenues as below. Detailed workings are enclosed as Annexure 7.

(Rs. in Crores)

Particulars	***FY 27***	***FY28***	***FY 29***	***FY 30***	***FY 31***	***Total***
Aero Utility Recovery	*14.47*	*14.99*	*15.53*	*16.09*	*16.66*	***77.74***
Non-Aero Utility Recovery	*17.65*	*18.29*	*18.95*	*19.63*	*20.34*	***94.86***
Total Utility Recovery	***32.12***	***33.28***	***34.48***	***35.72***	***37.00***	***172.60***

"

8.3.7 BIAL's comment with regard to Marketing & Advertising expense is as follows:

"(i) General Marketing & Advertising Expense

The Authority in the consultation paper has noted that "Bengaluru Airport has already entered the Fourth Control Period tariff cycle and is a mature airport with strong market visibility, established airline relationships and a stable traffic base". It may be noted that BIAL in line with the objective of MoCA aspires to become a global hub. For BIAL to compete with global hubs and attract more international passengers, marketing and advertising forms a critical part. When compared with global hubs such as Heathrow (which is a highly mature airport) where marketing and advertising forms a significant expense item, the same is only a fraction at BIAL. The comparison of marketing expense is as shown below:

BIAL		
Total Marketing expense for FY25 (INR Crore)	*26.35*	*Source BIAL 4th CP consultation paper, Pg 97*
Total pax in FY25 (in Mn)	*41.9*	
Total marketing expense per pax (INR)	***6.3***	
Heathrow		
Marketing expense in FY25 (INR Crore) (Equivalent to 58 Million GBP)	*742*	*Heathrow airport FY25 annual report (Page 6; 135)*
Total pax (in Mn)	*84.5*	
Total marketing expense per pax (INR)	***87.8***	

Hence, we request AERA to consider the Airline Marketing Business Expenses of Rs. 6.61 Cr. as submitted by BIAL which is requirement for various Aero business development activities etc.

Further BIAL submits as follows:

•BLR Pulse application is the primary way for communication between the Airport and the Passengers and an essential, recurring cost. As per the MDC Approach submitted by BIAL, 60.66% of the Pulse Marketing cost submitted should be included and considered by AERA for 4th Control Period.

•Pinnacle Awards are a regular feature of the Airport and not one time. These awards act as an incentive to the Airport community in providing a boost to improve their overall performance (80% of last year Awardees were Aeronautical Service Providers).

•Annual audio-visual films are an essential corporate communication tool for a modern airport, reflecting the continuous evolution of its infrastructure, services, and operations. They support engagement with key stakeholders, government agencies, airlines, lenders and passengers, by effectively showcasing operational capabilities. These films also serve as valuable assets for route development, sustainability reporting, media engagement, and employee communication. Given the ongoing capital expansion, existing content becomes outdated quickly and requires periodic refresh. Accordingly, the annual production of AV films represents a prudent and necessary operating expense for stakeholder communication and institutional branding. Key AV films made in the last few years include Digit Yatra, Self Baggage Drop, Fast Track Immigration/ Trusted Traveller Programme, etc.

•One time expenditure of Rs. 15 Cr. projected in FY 2029-30 is towards the inauguration expenses when Terminal -2 Phase 2 is being inaugurated. AERA has allowed for similar expenses in case of Terminal-2 Phase 1 and in case of other Airports.

Accordingly, BIAL requests the Authority to consider the Marketing and Advertising Expenses based on the justifications as above submitted by BIAL."

8.3.8 BIAL's comment with regard to CSR expenses is as follows:

"CSR Expenditure disallowance in Second Control Period was one of the matters appealed by BIAL in TDSAT. TDSAT had ordered in favour of BIAL in this matter and Authority had also given effect to the same at the time of issuance of Order for Third Control Period. Hence, BIAL requests the authority not to change this position and accordingly consider CSR Expenditure as part of O&M cost."

8.3.9 BIAL's comment with regard to Legal expenses is as follows:

"For a concession based airport enterprise, complex contractual, statutory and regulatory obligations, legal expenditure is incurred towards drafting, vetting of construction contracts, financing agreements, multi-year concessions (Cargo, Ground handling). Further, enforcing contractual rights, recovery of dues and dispute resolution require external expertise and is incurred in the ordinary course of business. These costs therefore are essential and should be considered as an efficient expenditure for tariff determination.

Further, Airport Operator sometimes has to go to Court/Tribunal/arbitration either as a petitioner or as a respondent to establish their rights against wrongful decisions and/or to resolve disputes.If any injustice has been caused to the Airport Operator (which impedes its ability to operate the airport viably and efficiently), Airport Operator cannot be a silent spectator. In that eventuality, Airport Operator has to go to court and hence, legal expenses have to be incurred.

In view of the aforesaid facts and reasons, legal expenses are a part of O&M cost and, therefore, should be admissible as passthrough cost for airport operations. BIAL is seeking pass-through of its legal expenses which are admittedly recurring and non-profiteering in nature.

AERA's contention that legal expenses do not add value to the services offered to the airport users, is based on a restrictive interpretation of what constitutes airport operations. To ignore all such expenses

is to ignore their integral connection to the safe, compliant, and efficient operation of a major international airport.

In absence of any specific exclusion in the Concession Agreement or in the State Support Agreement, legal expenses, being a recurring operational expenditure incurred in the ordinary course of operating, maintaining and protecting the airport business, necessarily form part of O&M costs and should be admissible as pass-through expenditure. Hence, AERA's observation that legal expenses are "not related to services offered to airport users" is unsupported by any substantive reasoning.

We request AERA to consider the legal expenses incurred by BIAL in FY 26 of Rs. 4.47 Cr. as a part of the base for estimating General Admin cost for the 4th control period."

8.3.10 BIAL's comment with regard to Allocation Ratio is as follows:

"AERA has considered allocation ratios for Aeronautical O&M Expenses as detailed in Table 224 of the Consultation Paper.BIAL submits as follows:

- *Marketing & Advertising cost has been considered as Average of last 5 years. BIAL has submitted its response and justification for considering the Marketing & Advertising Cost for TCP in Gross Block ratio and not to consider a 50:50 Allocation. Accordingly, BIAL requests the Authority to consider the allocation based on Gross Block Ratio.*
- *General Admin Costs (Consultancy) has been considered as Average of last 5 years. BIAL has submitted its response and justification for considering the General Admin Costs for TCP in Gross Block ratio. Accordingly, BIAL requests the Authority to consider the allocation based on Gross Block Ratio.*
- *BIAL requests AERA to adopt the allocation ratios considered by BIAL, which is in line with principles adopted by AERA in other Airports*

BIAL requests that the allocation ratios be trued up based on actuals."

Other Stakeholders' comments regarding Operating Expenses for the Fourth Control Period

8.3.11 Government of Karnataka's (GoK) comment with regard to Operating Expense is as follows:

"With Reference to Determination of O&M costs for airport operations, the following comment has been submitted:

KIAB has consistently been rated amongst the best airports in the world and has been acknowledged by airlines, passengers and aviation agencies for its efficiency and quality of infrastructure. It is not by mere chance that key Indian carriers have consistently chosen KIAB as their first base of operations in India or that KIAB has been amongst the fastest growing airports.

In the context of how the airport has performed as well as the fact that in a regulated environment where the adherence to the highest standards of safety and security is essential, we believe that due consideration should be extended by the Authority to the submissions made by BIAL towards requirement of personnel and operations costs through the period 1st April 2027 to 31st March 2031.

With respect to the observation that the airport is a public infrastructure and cost efficiency is essential, GoK on behalf of the Board assures the Authority that your inputs will be accorded the highest consideration. However, a balance needs to be struck between the submission made by BIAL versus the present proposal."

8.3.12 Association of Private Airport Operator's (APAO) comment with regard to Operating Expense is as follows:

*"**Determination of O&M costs for 4th control period***

The assumptions on O&M costs for new asset additions do not appear realistic. The assets that are getting added to the Regulated Asset Base are new but as the Authority is aware, the nature of O&M in the airport sector is characterized by the heavy "fixed "nature of O&M costs. New assets added during the period would have costs including general maintenance, housekeeping, consumables etc. This critical input has not been considered by the Authority.

We therefore kindly request the Authority to apply reasonable norms for estimating the O&M cost for new assets and follow the principles followed in true up of O&M costs for the 3rd control period.

8.3.13 Fairfax India Holdings Corporation's comment with regard to the O&M Cost is as follows:

*"**Determination of O&M costs for airport operations***

Kempegowda International Airport has consistently been recognized amongst the highest-performing airports globally for operational efficiency, passenger experience and service quality. Maintaining these standards requires sustained investment in skilled personnel, operational capability, technology and maintenance.

While we appreciate the Authority's objective of ensuring efficient operating expenditure, we respectfully request that the proposed rationalization of operating costs, including assumptions relating to newly commissioned assets, be reconsidered in light of BIAL's detailed submissions. Sustaining world-class airport operations requires an appropriate balance between cost efficiency and operational resilience."

8.3.14 IATA's comment with regard to the Operating Expense is as follows:

"IATA acknowledges the Authority's efforts to review BIAL's operating expenditure forecasts and appreciates the application of regulatory scrutiny to the proposed expenditure base. However, given the direct impact of OPEX on aeronautical tariffs, it is important that future allowances reflect efficient and necessary costs rather than a simple extrapolation of historical expenditure trends.

The proposed methodology appears largely reliant on historical expenditure levels escalated through inflation assumptions. While historical expenditure may provide a useful starting point, past expenditure should not automatically be assumed to represent an efficient benchmark for future operations. Without explicit efficiency adjustments, there is a risk that historical inefficiencies become embedded within future tariffs and are ultimately borne by airport users.

IATA is particularly concerned that the current approach does not sufficiently distinguish between controllable and uncontrollable cost elements. Airports retain significant influence over a substantial proportion of their operating cost base through procurement practices, productivity improvements, technology adoption and efficient resource planning. Applying broad escalation assumptions across aggregate operating expenditure may weaken incentives for cost discipline and create a risk of automatic cost pass-through to users.

This concern is especially relevant for controllable expenditure categories such as personnel costs, administration expenses, contracted services and other operating activities where efficiency improvements should reasonably be expected over time. While certain costs may be genuinely exposed to external inflationary pressures, these should be assessed separately and supported by objective evidence rather than being incorporated through a general uplift across the entire OPEX base.

IATA also notes that robust benchmarking against comparable airports and infrastructure operators can provide an important tool for assessing efficiency. Such benchmarking can help identify areas where productivity improvements may be achievable and provide greater confidence that operating expenditure allowances reflect efficient airport operations.

Accordingly, IATA submits that AERA should continue to apply a targeted and evidence-based approach to operating expenditure determination, including:

- *applying explicit efficiency expectations to controllable cost categories;*
- *distinguishing between controllable and uncontrollable expenditure drivers;*
- *limiting automatic escalation mechanisms to costs demonstrably exposed to external price pressures; and*
- *strengthening the use of benchmarking and efficiency assessments in determining future allowances.*

Such an approach would help ensure that OPEX allowances remain cost-reflective, efficient and consistent with regulatory best practice, while maintaining appropriate incentives for productivity improvement and protecting airport users from unnecessary cost escalation."

8.4 BIAL's response to Stakeholders' comments regarding Operating Expenses for the Fourth Control Period

8.4.1 BIAL's response to GoK's comment is as follows:

"BIAL acknowledges and supports the comments made by the Government of Karnataka, specifically with the need to recognize the capital expenditure towards the proposed Eastern Connectivity Tunnel as well as the Airport West Metro station. BIAL requests the Authority to consider the submissions in order to provide BIAL with a reasonable assessment of ARR by adopting a fair approach and ensuring consistency in the principles adopted by the Authority."

8.4.2 BIAL's response to APAO's & Fairfax's comment on O&M Cost is as follows:

"BIAL acknowledges and notes the comments made by the Fairfax India Holdings Corporation & Association of Private Airport Operators (APAO) and thanks them for their views on the various proposals."

8.4.3 BIAL's response to IATA's comment is as follows:

"BIAL submits that the Authority has carried out a detailed review of the projected operating expenditure, based on which the Authority has set out its proposals in the Consultation Paper. BIAL has submitted its detailed responses to the Authority's proposals, and the same may be considered while addressing the issues raised by IATA."

8.5 Authority's analysis of Stakeholders' comments regarding Operating Expenses for the Fourth Control Period

Personnel Costs

8.5.1 The Authority has carefully examined BIAL's submission (Refer Para 8.3.2) regarding adoption of the actual FY 2025-26 cost per employee as the base and the proposed manpower additions during the Fourth Control Period.

8.5.2 The Authority notes that true-up of the Third Control Period and projection for the Fourth Control Period are distinct regulatory exercises. Actual Personnel Costs for the Third Control Period have been considered based on expenditure already incurred and supported by audited financial statements, after prudence and efficiency review. For the Fourth Control Period, however, the Authority is required to determine an efficient and reasonable level of manpower and employee cost on a forward-looking basis. Accordingly, consideration of actual expenses at true-up does not warrant automatic adoption of the actual FY 2025-26 cost per employee as the base for future projections.

8.5.3 The Authority notes BIAL's standalone operating model and that leadership, governance and corporate support functions are directly housed within the Airport SPV, whereas comparable airport operators may incur similar costs through group-level allocations, professional charges, technical service fees or operator fees. The Authority has also considered differences arising from the insourcing of specialised and revenue-supporting functions. However, even after normalising for such differences, BIAL's cost per employee remains at the higher of the comparable airports.

8.5.4 The Authority is of the opinion that BIAL is a mature airport entering its Fourth Control Period and has made substantial investments in digital systems, automation and technology-enabled airport operations. The Authority expects the benefits of these investments to translate into improved manpower productivity, process optimisation and moderation in employee-cost growth. Airport users cannot be required to bear a higher recurring cost base without corresponding and demonstrable efficiency gains.

8.5.5 Accordingly, the Authority considers the cost per employee, as adopted in the Consultation Paper, to be a reasonable and efficient base for projecting Personnel Costs during the Fourth Control Period. The same adequately recognises BIAL's operating model while safeguarding airport users against the automatic pass-through of a higher historical cost base.

8.5.6 Regarding manpower additions, the Authority notes that BIAL had already added 577 employees during the Third Control Period. These additions were considered broadly reasonable in view of the substantial infrastructure expansion undertaken during that period. The Authority is, therefore, of the view that the manpower base created during the Third Control Period is adequate for operating the existing facilities and near future requirements during the Fourth Control Period. Accordingly, the proposed addition of manpower for existing facilities is not considered justified.

8.5.7 The Authority has also examined BIAL's submission regarding manpower requirements for airside projects and Terminal 2 Phase 2. The Authority is of the view that manpower requirements for new infrastructure must be aligned with the approved scope, capitalization and actual operationalisation of the respective assets. Such requirements must also consider the potential for redeployment of existing manpower, technology-enabled efficiencies, automation and phased capacity utilisation.

8.5.8 Further, Terminal 2 Phase 2 is expected to be commissioned only during the later half of the Fourth Control Period and is unlikely to achieve full utilisation immediately upon commissioning. Allowing the entire manpower addition proposed by BIAL in advance of the associated operational requirement would result in front-loading of costs and impose an avoidable burden on airport users.

8.5.9 In view of the above, the Authority finds no justification to modify the approach adopted at the Consultation Stage. Accordingly, the Authority decides to retain the cost per employee, manpower additions and Personnel Costs for the Fourth Control Period as proposed in the Consultation Paper.

O&M Cost

8.5.10 The Authority has carefully considered BIAL's submission (Refer Para 8.3.3) regarding the estimation of O&M Cost for additional assets and the detailed break-up provided under various heads such as security, housekeeping, stores and consumables, ICT operations, and other manpower contracts.

8.5.11 The Authority notes that the O&M expenditure associated with airport operations comprises both repair and maintenance (R&M) costs and recurring operating costs required for upkeep and operation of airport facilities. In this regard, the Authority agrees that costs relating to security services, housekeeping, ICT operations, stores and consumables, and other operational support contracts are likely to increase with the expansion of airport infrastructure and operational area during the Fourth Control Period.

8.5.12 The Authority further notes that BIAL has now provided a detailed segregation of O&M expenditure components and has informed that the proposed O&M costs for new assets are not limited to R&M expenditure alone. The Authority observes that while R&M costs for newly commissioned assets are expected to remain relatively low during the initial years on account of warranty coverage, OEM support, Annual Maintenance Contracts (AMCs), and lower age-related maintenance requirements, certain operating costs such as housekeeping, security, utilities support, ICT services, stores and consumables, and other operational manpower requirements may arise after date of commissioning and are likely to increase in line with expansion of operational infrastructure.

8.5.13 Accordingly, the Authority is of the view that a differentiated approach is appropriate for estimation of O&M expenditure. While R&M expenditure for additional assets may continue to be estimated separately based on the age profile of newly capitalised assets, other operating expenditure components should be assessed based on efficient base-year expenditure and escalated using an appropriate inflation factor and suitable terminal area growth factor reflecting the increase in operational footprint during the Fourth Control Period.

8.5.14 Accordingly, based on the detailed break-up submitted by BIAL, the Authority decides to recompute O&M Cost for the Fourth Control Period by:

- retaining the age-linked methodology for estimation of R&M expenditure relating to additional new assets;
- considering FY26 as base-year expenditure under security, housekeeping, ICT operations, stores and consumables, and ICT operational support contracts;
- escalating such expenditure using applicable WPI inflation (Refer **Table 214**) and terminal area growth factor of 29.90% to reflect incremental operational requirements arising from expansion of airport infrastructure.

8.5.15 As per above methodology, the Total O&M Cost reworked by the Authority is reflected in the table below:

Table 249: Total O&M Cost decided by the Authority for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2026	2027	2028	2029	2030	2031	Total
R & M – Existing **(A)**	139.76	145.49	150.43	155.55	160.84	166.31	778.62
Increase due to Inflation in %		*4.10*	*3.40*	*3.40*	*3.40*	*3.40*	
R & M - Asset additions **(B)**	-	0.00	8.08	24.98	33.50	85.02	151.58
Security expense **(C)**	26.76	27.85	28.80	29.78	30.79	31.84	149.07
Increase due to Inflation in %	-	*4.10*	*3.40*	*3.40*	*3.40*	*3.40*	
Stores & Spares **(D)**	36.48	[illegible]	29.26	40.60	41.98	56.38	216.19
Increase due to Inflation in %	-	*4.10*	[illegible]	*3.40*	*3.40*	*3.40*	

FY ending March 31	2026	2027	2028	2029	2030	2031	Total
Increase due to Terminal Area in %	-	-	-	-	-	*29.90*	
Housekeeping expense **(E)**	48.41	50.40	52.11	53.88	55.72	74.83	286.94
Increase due to Inflation in %	-	*4.10*	*3.40*	*3.40*	*3.40*	*3.40*	
Increase due to Terminal Area in %	-	-	-	-	-	*29.90*	
Manpower Outsourcing **(F)**	103.50	107.74	111.41	115.19	119.11	123.16	576.62
Increase due to Inflation in %	-	*4.10*	*3.40*	*3.40*	*3.40*	*3.40*	
ICT (O&M Contracts) **(G)**	102.41	106.61	110.24	113.99	117.86	158.31	607.00
Increase due to Inflation in %	-	*4.10*	*3.40*	*3.40*	*3.40*	*3.40*	
Increase due to Terminal Area in %	-	-	-	-	-	*29.90*	
Total (A+B+C+D+E+F+G)	**457.32**	**476.07**	**500.33**	**533.97**	**559.80**	**695.85**	**2766.03**

8.5.16 The Authority based on the comments and detailed analysis as provided in preceding paras has considered the O&M Cost amounting to Rs 2766.03 Crore against the amount of Rs 2724.35 Crore proposed during the Consultation Stage.

Lease Rent

8.5.17 The Authority has examined BIAL's submission (Refer Para 8.3.4) and the extract of the BP-2 lease agreement furnished in support of the proposed escalation in lease rent.

8.5.18 The Authority notes that, at the Consultation Stage, the escalation in FY 2030-31 was not considered in the absence of a formal lease agreement. Since BIAL has now submitted the relevant extract of the executed lease arrangement evidencing the escalation clause, the Authority considers it appropriate to allow the 15% increase in office space leased at BP2 in FY 2030-31, subject to verification of the executed agreement and actual payment at the time of true-up.

8.5.19 Accordingly, the Authority has decided to revise the Lease Rent expense for FY 2030-31 in line with the executed agreement as per the table below:

Table 250: Total Lease rent expense decided by the Authority for the Fourth Control Period

(Rs. in Crore.)

FY ending March 31	2027	2028	2029	2030	2031	Total
Lease Rent – Existing **(A)**	23.50	24.21	24.94	25.68	26.45	**124.79**
Escalation in lease rent	3%	3%	3%	3%	3%	
Lease Rent payable to BP2 Facility **(B)**		15.77	15.77	15.77	18.33	**65.43**
Escalation in rent		0%	0%	0%	15%	
Total Lease Rent expenses (A+B)	**23.50**	**39.98**	**40.70**	**41.45**	**42.22**	**190.22**

8.5.20 The Authority based on the comments and detailed analysis as provided in preceding paras has considered the Lease Rent amounting to Rs 190.22 Crore against the amount of Rs 187.86 Crore proposed during the Consultation Stage.

Water Charges

8.5.21 The Authority has examined BIAL's submission (Refer Para 8.3.5) regarding revision of potable water tariff based on the BWSSB invoice for April 2026.

8.5.22 The Authority notes that BIAL has furnished documentary evidence indicating potable water charges of Rs. 112 per KL based on the April 2026 invoice. Since the same represents a more recent actual rate available for the base period, the Authority decides to consider the revised potable water rate submitted by BIAL for projection of water charges during the Fourth Control Period.

8.5.23 Accordingly, the Authority decides to revise the water cost estimate as per Table below, subject to verification of the invoice and continued prudence check at the time of true-up.

Table 251: Water charges decided by the Authority for the Fourth Control Period

Particulars	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Potable water consumption (Million KL) **(A)**	1,389.03	1,491.80	1,694.24	1,877.99	2,055.51	2,254.84	
Escalation based on traffic (%)	6.51%	7.40%	13.57%	10.85%	9.45%	9.70%	
Potable water from WTP/RWH (%) **(B)**		73.40%	64.63%	58.31%	53.27%	55.85%	
Purchase of water **(C = A × (1-B))**		396.8	599.24	782.99	960.51	995.59	
Cost of potable water (₹/KL) **(D)**	102.71	112	115.81	119.75	123.82	128.03	
Increase in rate (%)	3.00%	4.10%	3.40%	3.40%	3.40%	3.40%	
Potable water cost **(E = C × D / 10,000)** (₹ crore)		4.44	6.94	9.38	11.89	12.75	45.4
Non-potable water consumption (Million KL) **(F)**	1.1	1.16	1.21	1.27	1.34	1.4	
Increase in consumption (%)		5.00%	5.00%	5.00%	5.00%	5.00%	
Cost per KL (₹/KL) **(G)**	25	26.03	26.91	27.82	28.77	29.75	
Increase in rate (%)		4.10%	3.40%	3.40%	3.40%	3.40%	
Non-potable water cost **(H = F × G / 10)** (₹ crore)		3.01	3.26	3.54	3.85	4.18	17.84
Gross water cost **(I = E + H)** (₹ crore)		7.45	10.2	12.92	15.74	16.92	63.23
Recovery (%) **(J)**		70.00%	70.00%	70.00%	70.00%	70.00%	
Net water cost (K = I × (1-J)) (₹ crore)		**2.24**	**3.06**	**3.88**	**4.72**	**5.08**	**18.98**

8.5.24 The Authority based on the comments and detailed analysis as provided in preceding paras has considered the Water Charges amounting to Rs 18.98 Crore against the amount of Rs 18.54 Crore proposed during the Consultation Stage.

Utility Recovery cost net off

8.5.25 The Authority has considered BIAL's submission (Refer Para 8.3.6) regarding separate treatment of utility recoveries from Aeronautical and Non-Aeronautical concessionaires.

8.5.26 The Authority remains of the view that utility recoveries are in the nature of reimbursement of utility costs and do not constitute an independent revenue stream of the airport operator. Accordingly, consistent with the approach adopted at the Consultation Stage and for the true-up of the Third Control Period, the Authority decides to net off the utility recoveries against corresponding utility expenses while determining the net utility cost.

8.5.27 The Authority is therefore not inclined to modify its approach taken during the Consultation Stage.

Marketing & Advertising

8.5.28 The Authority has examined BIAL's submission (Refer Para 8.3.7) regarding marketing expenditure, BLR Pulse, Pinnacle Awards, audio-visual films and the proposed one-time expenditure for Terminal 2 Phase 2 inauguration.

8.5.29 The Authority notes that Bengaluru Airport is an established brownfield airport with strong market visibility, an established traffic base and mature airline relationships. The Authority is of the view that traffic growth at such an airport is primarily driven by underlying market demand, airline network planning, regional economic activity and airport capacity, rather than sustained high levels of promotional expenditure.

8.5.30 The Authority does not consider comparison with mature airports in developed jurisdictions such as Heathrow to be directly comparable for tariff determination in the Indian regulatory context, given differences in market structure, currency, cost base, passenger profile, regulatory framework and commercial environment. The Authority is required to assess expenditure based on prudence, efficiency and relevance to aeronautical services in the Indian airport regulatory framework.

8.5.31 The Authority further notes that expenditure relating to BLR Pulse, audio-visual films and Pinnacle Awards has elements of passenger engagement, airport branding, stakeholder communication and commercial ecosystem development. Such expenditure cannot be considered fully necessary for provision of aeronautical services. Similarly, the proposed one-time expenditure of Rs. 15 Crores for Terminal 2 Phase 2 inauguration is not considered essential for aeronautical service delivery, particularly when the expansion relates to an existing brownfield airport.

8.5.32 Accordingly, the Authority is not inclined to modify the approach adopted at the Consultation Stage and decides to retain the Marketing & Advertising expenses as proposed during the Consultation stage.

CSR Expenses

8.5.33 The Authority has examined BIAL's submission (Refer Para 8.3.8) regarding CSR expenditure.

8.5.34 The Authority reiterates that CSR expenditure arises from statutory obligations under the Companies Act, 2013 and is linked to the profits of the company. Such expenditure is in the nature of corporate social responsibility and is not directly incurred for operation, maintenance or provision of aeronautical services.

8.5.35 The The Authority is of the view that CSR expenditure represents application of profits by the company and cannot be treated as pass-through operating expenditure recoverable from airport users through aeronautical tariff. This position is consistent with the Authority's stance adopted at the Consultation Stage and for the true-up of the Third Control Period.

8.5.36 Accordingly, the Authority decides not to consider CSR expenditure as part of Operating Expenses for the Fourth Control Period.

Legal Expenses

8.5.37 The Authority has examined BIAL's submission (Refer Para 8.3.9) that legal expenses are incurred in the ordinary course of airport business for contractual, regulatory and dispute resolution matters.

8.5.38 The Authority notes that an airport operator may incur legal expenses in connection with its business activities. However, for the purpose of tariff determination, only those expenses that are directly related to and necessary for the provision of aeronautical services can be considered as part of the aeronautical cost base.

8.5.39 The Authority is of the view that legal expenses arising from litigation, arbitration, claims, dispute resolution proceedings, regulatory matters, or other corporate and strategic issues do not have a direct nexus with the provision of aeronautical services to airport users. Such expenses are incurred in the course of managing business and commercial affairs of the airport operator and do not directly contribute to airport operations, service delivery, capacity augmentation, safety, or operational efficiency. Further, the Authority does not consider it appropriate for airport users to bear the costs associated with legal disputes or proceedings involving the airport operator.

8.5.40 Accordingly, the Authority is not inclined to include legal expenses of Rs. 4.47 Crores in the base year cost for projecting General Administration expenses for the Fourth Control Period and decides to retain the approach adopted at the Consultation Stage.

Allocation Ratio

8.5.41 The Authority has carefully examined BIAL's submission (Refer Para 8.3.10) to adopt the allocation ratios proposed by BIAL, including use of Gross Block Ratio for Marketing & Advertising expenses and General Administration Consultancy expenses.

8.5.42 The Authority reiterates that allocation of operating expenses should be based on the nature of expenditure, cost driver and beneficiary of the expense. A uniform application of Gross Block Ratio may not appropriately reflect the underlying cost causation for all expense heads.

8.5.43 The Authority is of the view that Marketing & Advertising expenses benefit both Aeronautical and Non-Aeronautical activities through passenger engagement, brand visibility, commercial ecosystem development and stakeholder communication. Therefore, the allocation ratio applied in the Consultation Paper is considered reasonable.

8.5.44 Similarly, General Administration Consultancy expenses are in the nature of common administrative and professional expenses and are not directly driven by the asset base. Accordingly, the Authority does not consider Gross Block Ratio to be the most appropriate basis for allocation of such expenses.

8.5.45 The Authority therefore decides to retain the allocation methodology adopted at the Consultation Stage for the Fourth Control Period. The allocation ratios will be reviewed at the time of true-up subject to the reasonableness and efficiency.

8.5.46 The Authority notes the submission made by the Government of Karnataka (GoK) (Refer Para 8.3.11) with respect to the determination of Operation and Maintenance (O&M) expenses for airport operations at Kempegowda International Airport, Bengaluru (KIAB) for the Fourth Control Period and counter comments of BIAL on same.

8.5.47 The Authority observes that O&M Cost form an important component of the Aggregate Revenue Requirement (ARR) and are required to be assessed on the basis of prudence, reasonableness, efficiency, past trends, traffic growth, scale of operations, contractual obligations, inflationary impact, terminal/airside expansion and allocation between aeronautical and non-aeronautical activities. While determining the O&M Cost proposed in the Consultation Paper, the Authority has already considered the relevant cost drivers, including manpower requirements, repair and maintenance expenses, utility costs, security-related requirements, terminal operations, airside operations and other expenses necessary for smooth airport operations.

8.5.48 The Authority further notes that the regulatory framework requires a balance between the economic and viable operation of the airport and protection of the reasonable interests of airport users. Accordingly, while the Authority recognises the need for adequate O&M expenditure to maintain quality of service, safety and operational efficiency, such expenditure cannot be allowed merely on the basis of broad submissions. The expenditure proposed to be included in the tariff determination has to be supported by appropriate justification, past audited trends, operational necessity, cost efficiency and prudence.

8.5.49 The Authority is of the view that the observations made by GoK regarding the quality of airport operations, safety and security requirements and the overall performance of KIAB have already been duly factored while assessing the reasonable O&M Cost for the Fourth Control Period.

8.5.50 The Authority also notes GoK's submission that a balance needs to be struck between BIAL's submission and the proposal made by the Authority. In this regard, the Authority is of the considered view that the O&M Cost proposed in the Consultation Paper reflect such balance, as the same have been determined after considering the airport operator's operational requirements on one hand and the need to ensure cost efficiency and affordability for airport users on the other.

8.5.51 Accordingly, the Authority does not find merit in making any further revision to the O&M Cost proposed in the Consultation Paper on the basis of the stakeholder comment received from GoK. The Authority, therefore, decides to retain the O&M Cost for the Fourth Control Period as proposed in Consultation Paper No. 01/2026-27, except to the extent adjustments made at other places.

8.5.52 The Authority further clarifies that any variation in actual O&M Cost during the Fourth Control Period shall be considered at the time of true-up, subject to prudence check, availability of audited financial statements, appropriate allocation between aeronautical and non-aeronautical activities, and consistency with the applicable regulatory framework.

8.5.53 The Authority has considered APAO's submission (Refer Para 8.3.12) regarding O&M expenditure for new asset additions. The Authority agrees that, in addition to repair and maintenance costs, certain operating expenses such as housekeeping, consumables, ICT support, security services, AMCs and other operational support costs may arise upon commissioning of new assets.

8.5.54 The Authority notes APAO's submission regarding O&M expenditure for new asset additions. The Authority agrees that, in addition to repair and maintenance costs, certain operating expenses such as housekeeping, consumables, ICT support, security services, AMCs and other operational support costs may arise upon commissioning of new assets.

8.5.55 Accordingly, while the Authority continues to consider a lower maintenance requirement for newly commissioned assets during the initial years of operation, it is also of the view that non-R&M operating costs associated with expansion of airport infrastructure need to be appropriately recognized. Therefore, the Authority has considered the detailed break-up of O&M expenditure and has projected eligible operating cost components using inflation-linked escalation and a suitable terminal area growth factor, while continuing to assess R&M expenditure for new assets separately based on the age profile of the assets.

8.5.56 The Authority considers this approach to appropriately reflect the operational requirements arising from asset additions while ensuring prudent and efficient determination of O&M expenditure for the Fourth Control Period as reflected in the **Table 249**.

8.5.57 The Authority notes Fairfax's submission (Refer Para 8.3.13) that maintenance of world-class airport infrastructure requires sustained expenditure on operations, maintenance, technology and operational resilience.

8.5.58 In determining O&M expenditure for the Fourth Control Period, the Authority has considered BIAL's detailed submissions, including the revised O&M expenditure estimates. The Authority has recognized the incremental operating costs associated with expansion of airport infrastructure, including housekeeping, security, ICT support, consumables, AMCs and other operational support services arising from newly commissioned assets. Accordingly, eligible operating cost components have been assessed based on the revised submissions, appropriate escalation factors and operational requirements of the Airport.

8.5.59 While a prudent approach has been adopted in the assessment of certain cost elements, the Authority is of the view that the O&M expenditure allowed, as set out in **Table 249**, appropriately balances operational requirements with the principles of efficiency and prudence, and is sufficient to support continued delivery of service quality, safety and operational resilience during the Fourth Control Period.

8.5.60 The Authority notes and generally agrees with IATA's submission (Refer Para 8.3.14) that operating expenditure allowances should reflect efficient and necessary expenditure and should not result in automatic pass-through of historical inefficiencies to airport users.

8.5.61 The Authority has, while examining BIAL's operating expenditure projections, adopted a prudence-based approach and has not accepted projections solely on the basis of historical expenditure trends. The Authority has undertaken a detailed review of individual expense heads and, wherever considered necessary, modified the assumptions proposed by BIAL based on benchmarking, historical actual performance, efficiency considerations and regulatory experience.

8.5.62 The Authority has distinguished between different categories of expenditure and has applied separate methodologies depending upon the nature of the cost driver. For example, manpower additions have been moderated, marketing expenditure has been rationalized, legal expenses have been excluded from the operating cost base, utility expenses have been recalculated using revised assumptions and O&M costs for new assets have been determined using an asset-age linked methodology.

8.5.63 The Authority has also undertaken benchmarking analysis across comparable airports, including assessment of relevant operating metrics such as O&M expenditure per passenger and O&M expenditure per square metre of terminal area, while evaluating the reasonableness of BIAL's projections.

8.5.64 The Authority is of the view that the proposed approach appropriately incorporates efficiency expectations, avoids automatic escalation of expenditure categories where efficiency improvements are achievable and ensures that airport users are protected from avoidable cost increases. At the same time, the methodology provides adequate allowance for efficient operation, maintenance and development of airport infrastructure.

8.5.65 Accordingly, the Authority considers the proposed determination of Operating Expenses for the Fourth Control Period to be reasonable, balanced and consistent with regulatory principles adopted by the Authority in previous tariff determinations.

Concession Fee

8.5.66 The Authority has recomputed the forecasted aeronautical revenue in line with the changes in the other building blocks. Accordingly, the concession fee considered by the Authority for the Third Control Period is given below:

Table 252: Concession Fee decided by the Authority for the Fourth Control Period

(Rs in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Aeronautical Revenues (A) (Refer The Authority has computed the head-wise Aeronautical revenue as per the Tariff Card placed at Annexure I for calculating the tax for the Fourth Control Period. Table 272)	2604.13	2779.88	3079.19	3475.16	4044.12	15982.49
Less: Collection Cost (B)	9.12	10.36	11.48	12.56	13.78	57.30
Total Revenues (C=A+B)	2595.01	2769.53	3067.72	3462.59	4030.34	15925.19
Percentage % (D)	4%	4%	4%	4%	4%	
Concession Fees (E=C*D)	**103.80**	**110.78**	**122.71**	**138.50**	**161.21**	**637.01**

8.5.67 The Authority, while determining the Operating Expenses for the Fourth Control Period, has considered the inflation assumptions decided in Chapter 7 (Refer **Table 214**). Accordingly, the Operating Expenses have been projected by applying the inflation rates adopted by the Authority for FY 2026-27 and for the subsequent years of the Fourth Control Period.

8.5.68 Thus, based on the changes mentioned in the above section, the Total Operating Expenses decided by the Authority for the Fourth Control Period is shown in the table below:

Table 253: Total Operating Expenses decided by the Authority for the Fourth Control Period

(Rs in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Personnel Costs	394.50	418.17	443.26	483.22	540.54	2279.68
General Admin Expense	51.37	53.34	55.15	57.59	71.23	288.68
O&M	476.07	500.33	533.97	559.80	695.85	2766.03
Lease Rent	23.50	39.98	40.70	41.45	44.59	190.22
Utilities	23.27	27.36	30.23	36.03	53.19	170.09
Insurance	12.44	15.47	19.11	23.45	35.23	105.69
Rates & Taxes	12.19	12.60	14.50	14.99	18.74	73.01
Marketing & Advertisement	13.07	13.07	13.07	13.07	13.07	65.35
Collection Charges	9.12	10.36	11.48	12.56	13.78	57.30
Concession Fee	103.80	110.78	122.71	138.50	161.21	637.01
Total Operating Expenses	**1119.22**	**1201.27**	**1283.97**	**1380.52**	**1648.3**	**6633.59**

8.5.69 Accordingly, the allocation ratio of Operating Expenses for each cost head decided by the Authority for the Fourth Control Period is as follows:

Table 254: Allocation Ratio decided by the Authority for the Fourth Control Period

FY ending March 31	2027	2028	2029	2030	2031
Personal Cost	92.24%	92.24%	92.24%	92.24%	92.25%
Operations & Maintenance Cost	89.96%	90.80%	90.81%	87.05%	87.05%
Land Lease Rent	98.16%	97.91%	97.66%	97.41%	97.16%
Utilities Cost	100.00%	100.00%	100.00%	100.00%	100.00%
Insurance Cost	89.96%	90.80%	90.81%	87.05%	87.05%
Rates & Taxes	98.16%	97.91%	97.66%	97.41%	97.16%
Marketing & Advertisement Expenses	65.00%	65.00%	65.00%	65.00%	65.00%
Collection Charges	100.00%	100.00%	100.00%	100.00%	100.00%
General Administration Cost (Consultancy)	63.00%	63.00%	63.00%	63.00%	63.00%
General Administration Cost (Travel & Office Costs)	92.24%	92.24%	92.24%	92.24%	92.25%
Concession Fee	100%	100%	100%	100%	100%

8.5.70 Based on the above allocation ratios, the Aeronautical Operating Expenses considered by the Authority for the Fourth Control Period is as follows:

Table 255: Aeronautical Operating Expenses decided by the Authority for the Fourth Control Period

(Rs in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Personnel Costs	363.89	385.72	408.86	445.72	498.66	2102.85
General Admin Expense	42.03	43.67	45.15	47.21	56.52	234.58
O&M	433.28	460.07	491.84	512.32	635.39	2532.90
Lease Rent	23.07	39.14	39.75	40.38	43.32	185.66
Utilities	23.27	27.36	30.23	36.03	53.19	170.09
Insurance	11.19	14.05	17.35	20.41	30.66	93.66
Rates & Taxes	11.97	12.34	14.16	14.60	18.20	71.26
Marketing & Advertisement	8.50	8.50	8.50	8.50	8.50	42.50
Collection Charges	9.12	10.36	11.48	12.56	13.78	57.30
Concession Fee	103.80	110.78	122.71	138.50	161.21	637.01
Aeronautical Operating Expenses	**1030.12**	**1111.98**	**1190.03**	**1276.23**	**1519.44**	**6127.80**

8.5.71 Therefore, based on the above, the Authority decides to consider the Aeronautical Operating Expenses of Rs. 6127.80 Crores for the Fourth Control Period as against the Aeronautical Operating Expenses of Rs. 6149.70 Crores proposed at the Consultation Stage. The major reasons for this variation are:

i. Inflation Rate of 4.10% for FY27 and 3.40% for FY28 to rest of the years in the Control Period (Refer **Table 214**) instead of Inflation rates of 4.70% for FY27 and 3.60% for FY28 to rest of the years in the Control Period (Refer **Table 213**) considered during the consultation stage.

ii. Reworking of O&M Expenses based on the latest submission by BIAL in line with the AERA principles which has led to an increase of Rs. 59.21 Crores.

iii. Escalation of 15% considered in the rent expenses for additional Office space resulting in an increase of Rs. 2.30 Crores

iv. Revision of the water charges resulting in an increase of Rs. 0.43 Crores.

v. Revision of Insurance expenses and Gross block ratio based on the revised capitalization schedule of the new asset additions planned to be commissioned during the Fourth Control Period resulting in increase of Rs. 1.63 Crores.

vi. Revision in the Concession Fees due to reworking of the projected Aeronautical Revenue resulting in decrease of Rs. 82.40 Crores

8.6 Authority's decision regarding Aeronautical Operating Expenses for the Fourth Control Period

Based on the material before it and based on its examination, the Authority decides the following regarding Aeronautical Operating Expenses for the Fourth Control Period

8.6.1 To consider Aeronautical Operating Expenses for the Fourth Control Period as per **Table 255**.

8.6.2 To true-up Aeronautical Operating Expenses for the Fourth Control Period based on actuals at the time of tariff determination for the Fifth Control Period, subject to reasonability and efficiency.

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9. NON-AERONAUTICAL REVENUE (NAR) FOR THE FOURTH CONTROL PERIOD

9.1 BIAL's submission regarding Non-Aeronautical Revenue for the Fourth Control Period

9.1.1 BIAL had projected Non-Aeronautical Revenue for the Fourth Control Period based on the following in their MYTP:

a. **Passenger Traffic and ATM Growth:** BIAL had based the growth in revenue on the increase/decrease in passenger traffic, ATM growth, international passenger traffic, and cargo throughput, depending on the nature of the revenue stream.

b. **Terminal Expansion:** BIAL had factored in Phase 2 expansion of Terminal 2 to be commissioned in FY 2030-31, expansion of Quad 1 and Quad 2, refurbishment of Terminal 1, and the impact of the same on the commercial space and revenue per passenger.

c. **Concessionaire Model:** BIAL followed a concessionaire model for managing commercial activities at the airport. BIAL had entered into a Service Provider Right Holder Agreement (SPRH) with service providers wherein BIAL is entitled for agreed percentage of revenue share on gross turnover or Minimum Annual Guarantee (MAG) whichever is higher.

9.1.2 BIAL had classified the following services as Non-Aeronautical:

- Car Parking
- Retail
- Food and Beverage
- Advertising and Promotions
- Lounge Services
- Flight Catering
- Rent and Land Lease
- Utility Charges
- Miscellaneous Services
- Cargo, Ground Handling and Fuel Farm
- ICT

9.1.3 BIAL, in its submission, had not considered income from real estate development, including lease rentals from BACL (Bangalore Airport City Limited) and BAHL (Bangalore Airport Hotel Limited), and interest income as Non-Aeronautical Revenue. Accordingly, BIAL had not factored the revenue impact from these streams in the tariff computation, either for the purpose of true-up of the Third Control Period or for projections for the Fourth Control Period.

9.1.4 BIAL classified the various sub-heads of Non-Aeronautical Revenue into three broad categories, namely:

i. Concessionaire-based rental income;
ii. Revenue from cargo, ground handling, fuel farm and ICT; and
iii. Other non-aeronautical revenue

Concessionaire-based rental income

Table 256: Basis of Projection of Concessionaire Based Rental Income adopted by BIAL for the Fourth Control Period as part of MYTP

S. No.	Particulars	Basis of Projection as adopted by BIAL
1	Car Parking	Parking revenue had been projected considering re-tendering of the parking contract in FY 2024-25 under a concessionaire-based model with revised tariffs and market-discovered revenue share. In view of expansion of metro connectivity and consequent shift towards public transport, parking demand is expected to remain subdued up to FY 2030-31. Parking revenue had been projected to grow broadly in line with overall passenger traffic, with an uptick in FY 2030-31 on account of additional parking capacity from T2 Phase expansion. Overall, parking revenue was projected to grow at a CAGR of 12.17% during the control period.
2	Taxi Services	Revenue from taxi services had been projected considering re-tendering of taxi services contract in FY 2023-24, with tariffs remaining fixed up to FY 2028-29. During FY 2025-26, two service providers (BluSmart and Refex) ceased operations due to financial constraints. With commencement of metro operations from FY 2027-28, demand was expected to be moderated. Revenue was projected to grow at a CAGR of 13.16%.
3	Limousine	Business would continue to operate under a fixed price and Minimum Annual Guarantee (MAG) model up to FY 2028-29, with revenues increasing in line with the agreed MAG terms at 1%. The revenue increasing at a CAGR of 3.54%.
4	Retail – Domestic	In view of ongoing refurbishment of Terminal 1 and temporary closure of certain outlets, revenue per passenger was projected to decline in FY 2025-26 and FY 2026-27. Revised terminal layout resulted in reduction of retail area by about 30% (1,140 sqm) to accommodate PESC requirements. Domestic retail revenue projected to grow in line with domestic passenger traffic and inflation, with uptick in FY 2030-31 upon commissioning of Phase 2 of Terminal 2, translating to overall CAGR of 14.02%.
5	Retail – International (Including Duty Free)	Projected to grow at a CAGR of around 15.17%, in line with growth in international passenger traffic and factoring inflationary adjustments. Projections account for additional terminal capacity from Phase 2 expansion of Terminal 2 in FY 2030-31.
6	Retail – Others	Several retail outlets in Quad area temporarily closed during T1 refurbishment, leading to decline in revenue per passenger in FY 2025-26 and FY 2026-27. Revenue projected at CAGR of 15.82%, factoring increase in FY 2027-28 from reopening of expanded Quad 1 and metro operations and further increase in FY 2030-31 following commissioning of Quad 2.
7	Retail – Forex	Under the contract, fixed per international passenger MAG applies with no tariff increase; accordingly, forex revenue is projected to grow at a CAGR of 12.91%.
8	Food and Beverage – Domestic and Others	Several F&B outlets temporarily closed during T1 refurbishment, leading to decline in revenue per passenger in FY 2025-26 and FY 2026-27. Domestic F&B revenue projected to grow in line with domestic passenger traffic and inflationary adjustments, with notable uptick in FY 2030-31 upon commissioning of Phase 2 of Terminal 2. Overall CAGR of 14.64%.
9	Food and Beverage – International	Projected to grow at a CAGR of around 15.72%, in line with growth in international passenger traffic and inflationary adjustments. Projections factor additional terminal capacity from Phase 2 expansion of Terminal 2 in FY 2030-31.
10	Advertisement	BIAL had entered a 12-year contract with JCD commencing FY 2021-22, with fixed revenue share structure applicable from FY 2026-27 onwards. Increasing reliance of brands on digital and social media platforms has moderated demand for traditional advertising media. In view of limited availability of advertising space post T1 upgrade and in T2, advertising revenue projected at CAGR of 14.69% during the control period.
11	Lounges and Day Hotel	Tightening of bank policies on credit card-based lounge access and reduction in lounge benefits is likely to pose challenges to lounge penetration. On the international side, absence of lounge offerings by certain major airlines including IndiGo is expected to further limit penetration. However, lounge revenue projected to grow at a CAGR of 13.42%, in line with growth in passenger traffic.
12	Flight Catering	Flight Catering projected to grow at a CAGR of 9.97%, in line with ATM growth.

Revenue from CGF and ICT

Table 257: Basis of Projection of Revenue from CGF and ICT adopted by BIAL for the Fourth Control Period as part of MYTP

S. No.	Particulars	Basis of Projection as adopted by BIAL
1	Cargo	Cargo terminal operation contracts awarded to MABPL and WFSBPL, which commenced operations in May 2023. Tariffs for Cargo Terminal Operators (CTOs) revised in FY 2023-24, resulting in increase in cargo operator turnover and corresponding increase in revenue share payable to BIAL. Cargo revenues projected based on revised tariff and revenue share framework, aligned with revenue projections submitted by CTOs.
2	Ground Handling	Considered based on actual turnover of ground handlers. Revenue projected in line with Air Traffic Movement (ATM) growth, factoring impact of BME tariff reset. Ground handling revenues for FY 2026-27 to FY 2030-31 projected in line with ATM growth.
3	Fuel	Higher revenue CAGR projected up to FY 2025-26 on account of IOSPL not paying lease rentals up to FY 2024-25. Towards end of FY 2024-25, BIAL terminated earlier agreement and entered new contract with IOSPL, with concession period extended up to 2038. Commencement of rental payments from FY 2025-26 had resulted in relatively higher CAGR up to FY 2025-26. As per executed lease terms, rental revenue thereafter projected to grow at annual escalation of 5%.
4	ICT	Increase in revenue during FY 2022-23 to FY 2026-27 primarily attributed to higher traffic following commencement of Terminal 2 operations and improvement in revenue share. Revenue growth during FY 2026-27 to FY 2030-31 projected in line with growth in departing passenger traffic.

Other Non-Aeronautical Revenue

Table 258: Basis for Projection of Other Non-Aeronautical Revenue adopted by BIAL for the Fourth Control Period as part of MYTP

S. No.	Particulars	Basis of Projection as adopted by BIAL
1	Rent and Land Lease	Lease rent for office space considered with annual escalation of 5% up to FY 2029-30 and 10% in FY 2030-31, while other lease rentals escalated at 5% per annum over the control period.
2	Utility Charges	Current level of consumption expected to remain broadly constant during FY 2025-26 to FY 2030-31, with only normal growth of 3% considered, in line with trends observed in previous Control Period.
3	Other Income	Comprises majorly of revenue from Tender fees, Award fees, Interest from Security deposit with BESCOM, Interest on IT refund, and Exchange gain/loss. These cannot be projected and can only be accounted for on actual basis. Hence other income revenue was not projected from FY2026-27 to FY2030-31.
4	Miscellaneous Income	Includes income from annual passes, smoking lounges, meet and assist services, third-party security and line maintenance, and fines and penalties. FY 2025-26 actuals considered as base and projected across FY 2026-27 to FY 2030-31. While minor upward trends observed, not yet consistent enough to warrant revision; revenue projected to remain broadly stagnant.
5	Real Estate Income	Citing paragraphs 341 and 342 of Hon'ble TDSAT Order dated 14.02.2024, BIAL considered income from Real Estate Development as non-airport activity which cannot be treated as aeronautical or non-aeronautical. Hence, not submitted in Fourth Control Period projections.
6	Interest Income	Citing paragraphs 88 and 90 of Hon'ble TDSAT Order dated 21.07.2023, and paragraph 423 of Hon'ble TDSAT Order dated 14.02.2024, BIAL considered Authority's decision of bring Interest and Dividend income under its purview is incorrect and unjustified. Hence, not submitted for Fourth Control Period.
7	Notional Lease Rentals	As per Section 13(1)(a)(i) of AERA Act, only revenue actually received is permitted for tariff determination. Reliance placed on AERA's Order No. 13/2010-11 dated

S. No.	Particulars	Basis of Projection as adopted by BIAL
		12.01.2011, which recognised only accrued or accruing revenues. Hence, neither considered for true-up nor forecasted.
8	Lease Rentals from AAI	Lease rentals from AAI for space under CNS/ATM Agreement dated 06.04.2005 were structured on cost recovery basis, and capital cost had already been fully recovered. Actual lease rentals received from AAI were considered aeronautical revenue in earlier control periods. Hence, neither considered for true-up nor forecasted.
9	Lease Rentals from AAI – Additional Space	Additional space provided to AAI for CNS/ATM services governed by Greenfield Airports Policy, 2008, which stipulates infrastructure required for Air Traffic Services shall be provided free of cost. In view of said policy and principle laid down by Hon'ble TDSAT in MTNL v. TRAI, attribution of notional lease rentals not justified.
10	Lease Rentals from BAHL	Hotel operations by Bangalore Airport Hotel Limited classified as Non-Airport Activities under Concession Agreement and fall outside regulatory jurisdiction of the Authority. Reliance placed on decision of Hon'ble TDSAT in HIAL case. Hence, neither considered for true-up nor forecasted.
11	Rentals from BACL	Lease Rentals earned from Bangalore Airport City Limited classified as Non-Airport Activity and fall outside regulatory jurisdiction of the Authority. Reliance placed on decision of Hon'ble TDSAT in HIAL case. Hence, neither considered for true-up nor forecasted.

9.1.5 Based on the above basis, across different revenue categories and subheads, BIAL had projected revenue from Non-Aeronautical Services for Kempegowda International Airport as given in the table below:

Table 259: Non-Aeronautical Revenue projections submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

Particulars (FY ending March 31)	2027	2028	2029	2030	2031	Total
Concessionaires Rental Income						
Car Park Revenue	152.50	164.14	181.58	199.44	245.76	**943.43**
Retail Revenue	428.98	501.81	566.25	650.79	744.50	**2,892.33**
F&B Revenue	142.20	169.41	191.30	213.44	246.53	**962.88**
Lounge Revenue	217.55	250.81	281.31	318.56	360.03	**1,428.26**
Advertising & promotion	128.48	147.38	166.63	184.20	222.27	**848.96**
Flight catering	37.67	42.44	46.71	50.53	55.10	**232.46**
Sub Total (A)	**1,107.39**	**1,275.99**	**1,433.78**	**1,616.96**	**1,874.19**	**7,308.31**
Other Non-Aeronautical Revenue						
Rent and land lease	195.16	204.92	215.17	225.93	238.21	**1,079.39**
Utility Charges Revenue	31.68	32.51	33.38	34.30	35.26	**167.14**
Miscellaneous non-aeronautical	33.86	33.86	33.86	33.86	33.86	**169.30**
Sub Total (B)	**260.70**	**271.29**	**282.41**	**294.09**	**307.33**	**1,415.82**
CGF, ICT Revenues						
Cargo Revenue	178.84	192.15	206.71	222.45	239.57	**1,039.72**
Ground Handling Revenue	91.01	102.55	112.86	122.08	133.12	**561.62**
Fuel	40.84	43.75	66.09	69.84	73.95	**294.47**
ICT & CUTE CUSS	148.31	169.50	200.43	216.90	235.40	**970.53**
Sub Total (C)	**458.99**	**507.94**	**586.09**	**631.28**	**682.03**	**2,866.34**
Total NAR	**1,827.09**	**2,055.22**	**2,302.28**	**2,542.32**	**2,863.55**	**11,590.47**

9.1.6 Based on the total Non-Aero Revenue as provided in above table the overall head wise growth when assessed at CAGR level is as provided in table above:

Table 260: Growth Rates assumed by BIAL for Non-Aeronautical Revenue

S. No.	Particulars	Growth rates assumed by BIAL
	Concessionaires Rental Income	
1	Parking	Linked to total passenger traffic growth, CAGR of 12.17%
2	Taxi Services	Linked to total passenger traffic growth, CAGR of 13.16%
3	Limousine	Fixed price and MAG model up to FY 2028-29 @1%, CAGR of 3.54%
4	Retail – Domestic	Linked to domestic passenger traffic and inflation, CAGR of 14.02%
5	Retail – International (Including Duty Free)	Linked to international passenger traffic and inflation, CAGR of 15.17%
6	Retail – Others	Linked to total passenger traffic, CAGR of 15.82%
7	Retail – Forex	Fixed per international passenger MAG, CAGR of 12.91%
8	F&B – Domestic and Others	Linked to domestic / total passenger traffic and inflation, CAGR of 14.61%
9	F&B – International	Linked to international passenger traffic and inflation, CAGR of 15.72%
10	Advertising	CAGR of 14.69% during the control period
11	Lounges and Day Hotel	Linked to passenger traffic, CAGR of 13.42%
12	Flight Catering	Based on ATM growth, CAGR of 9.97%
	CGF, ICT Revenues	
13	Cargo	Based on cargo throughput growth, CAGR of 7.58%
14	Ground Handling	Based on ATM growth, CAGR of 9.97%
15	Fuel	Annual price escalation of 5%, CAGR of 16%
16	ICT	Linked to departing passenger traffic, CAGR of 12.24%
	Other Non-Aeronautical Revenue	
17	Rent and Land Lease	5% escalation up to FY 2029-30 and 10% in FY 2030-31 (office space); 5% per annum (other rentals), CAGR of 5.11%
18	Utility Charges Revenue	CAGR growth of 2.71%
19	Miscellaneous Income	Stagnant – FY 2025-26 actuals as base
20	Other Income	Not projected; to be accounted on actual basis

9.2 Authority's Examination Regarding Non-Aeronautical Revenue For the Fourth Control Period at the Consultation Stage

9.2.1 The Authority analyzed the trend of the non-aeronautical revenues over the past two Control Periods as per AERA principles which is given below:

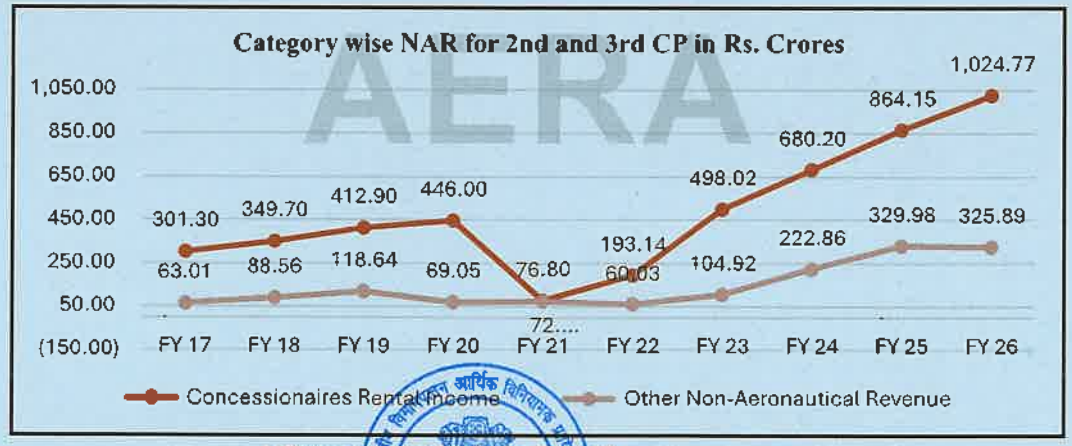

Figure 4: Category wise NAR for Second and Third Control Period

9.2.2 The Authority also compared the actual revenues vis-a-vis revenues projected by BIAL at the time of tariff determination for the past two Control Periods based on AERA principles which is given below:

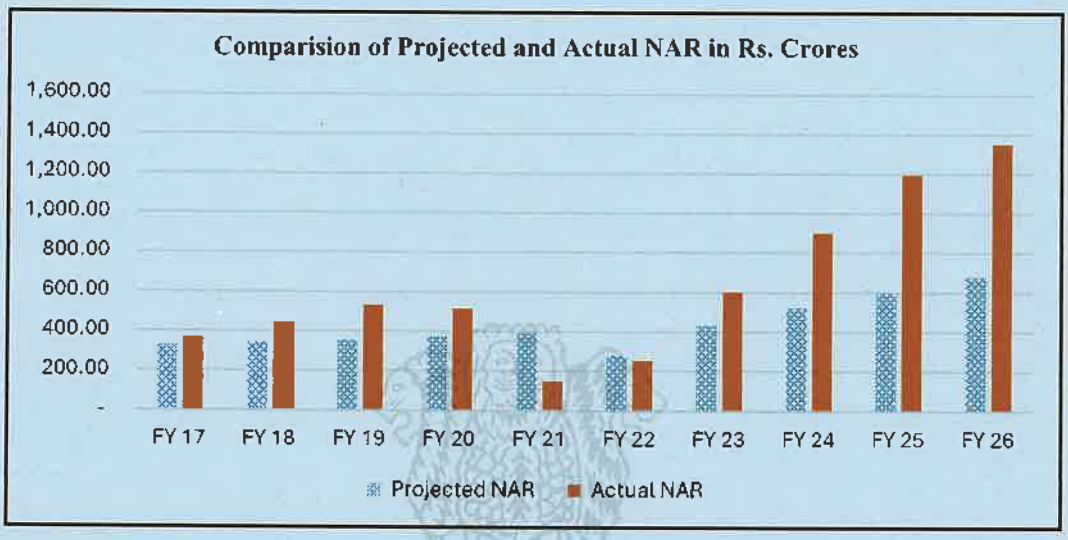

Figure 5: Comparison of Projected and Actual Non-Aeronautical Revenue

9.2.3 The Authority observed a consistent upward trend in all categories of Non-Aeronautical Revenue. It also noted that the variances between actual and projected figures were not substantial, except when influenced by external factors such as impact of COVID-19. Additionally, during the Third Control Period (3rd CP), Non-Aeronautical Revenues consistently surpassed the projected revenue outlined in the Multi-Year Tariff Proposal (MYTP). If all other factors remained unchanged, the differences between projected and actual revenues were not significant. This was then compared to the revenue trends projected by BIAL for the Fourth Control Period, as per AERA principles as detailed below:

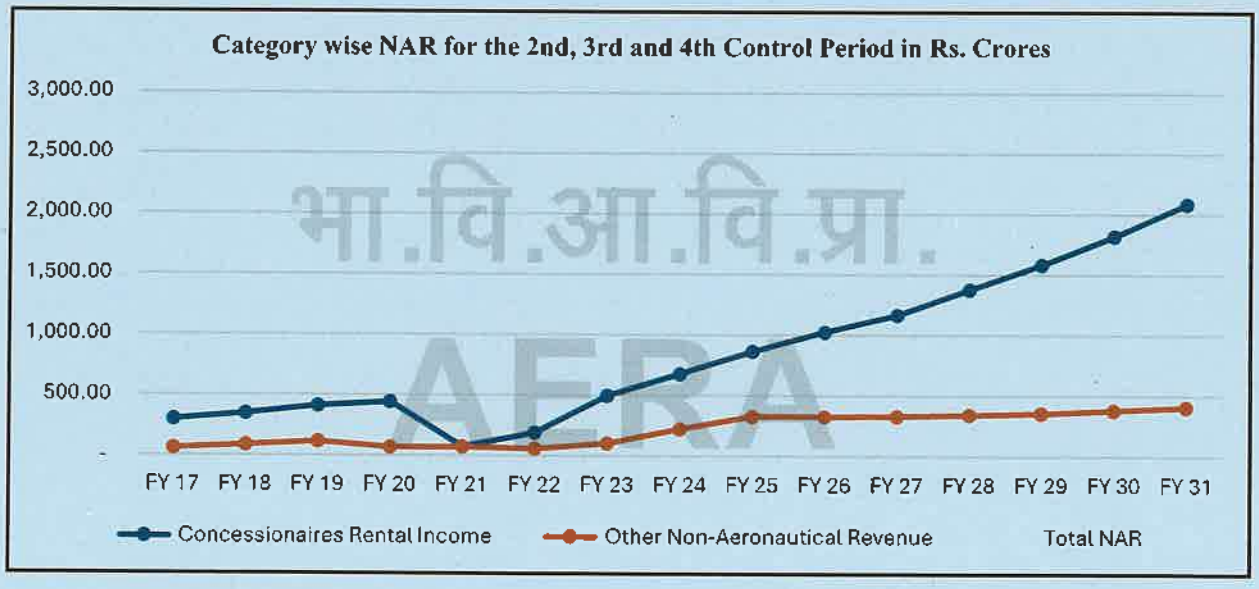

Figure 6: Category wise Non-Aeronautical Revenue for the Second, Third and Fourth Control Period

9.2.4 While optically, the trend of the amounts projected for the Fourth Control Period are in line with the trend in the Second and the Third Control Period, the Authority further delved into detailed analysis taking into consideration the CAGR for each of the two Control Periods. CAGR computed for the

Second, Third and the Fourth Control Period (under consideration) as per Authority principles is provided below:

Table 261: CAGR for the Second and the Third Control Periods based on actuals and for the Fourth Control Period based on NAR as proposed by BIAL

Particulars	CAGR for 2nd CP	CAGR for 3rd CP	CAGR for 4th CP (under consideration)
Concessionaires Rental Income	13.97% (FY17- FY20)	27.19% (FY23-FY26)	15.63% (FY27-FY31)
Other Non-Aeronautical Revenue	3.10% (FY17-FY20)	45.91% (FY23-FY26)	5.26% (FY27-FY31)

9.2.5 The Authority noted that the high CAGR for Third Control Period (FY 23-FY26) was on account of the delayed revenue recovery post Covid.

9.2.6 Since the CAGR for the Fourth Control Period was lower than the CAGR Third Control Periods but higher than the CAGR for Second Control Period, the Authority further analyzed the head wise break up of these broad categories.

9.2.7 The Authority noted that BIAL, in its submission, has considered a fixed inflation rate of 3% year-on-year for projecting Non-Aeronautical Revenue for the Fourth Control Period. However, consistent with the approach adopted in previous Control Periods, the Authority had considered the WPI forecast published in the RBI's "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 99" as the basis for inflation, as set out in Table 213 of the Consultation Paper.

9.2.8 A summary of the head wise proposals of the Authority in comparison with the basis of projection as adopted by BIAL is provided below:

Concessionaire-Based Rental Income

Table 262: Concessionaires Rental Income – Basis of projection for the Non-Aeronautical Revenue as submitted by BIAL for the Fourth Control Period and as considered by the Authority for the Fourth Control Period at the Consultation Stage

S. No.	Particulars	Basis of Projections adopted by BIAL	Basis of Projections considered by the Authority
1	Car Parking	Parking revenue has been projected to grow broadly in line with overall passenger traffic, with an uptick in FY 2030-31 on account of additional parking capacity from the T2 Phase expansion.	The Authority proposed to accept BIAL's submission to link the revenues to total passenger traffic growth rate and inflation for projections for FY27-31.
2	Taxi Services	Revenue projected considering re-tendering of taxi services contract in FY 2023-24, cessation of two providers, and commencement of metro from FY 2027-28.	The Authority proposed to accept BIAL's submission to link the revenues to total passenger traffic growth rate and inflation for projections for FY27-31.
3	Limousine	Business to operate under fixed price and MAG model up to FY 2028-29.	The Authority proposed to link the revenues to total passenger traffic growth rate and inflation for projections for FY27-31.
4	Retail – Domestic	Revenue projected to grow in line with domestic passenger traffic and inflation, with uptick in FY 2030-31 upon commissioning of Phase 2 of Terminal 2.	The Authority proposed to link the domestic retail revenues to domestic passenger traffic growth rate and inflation for projections for FY27-31.
5	Retail – International (Including Duty Free)	Revenue projected to grow in line with international passenger traffic and inflationary adjustments.	The Authority proposed to accept BIAL's proposal to link the revenues to international passenger traffic growth rate and inflation for projections for FY27-31.

S. No.	Particulars	Basis of Projections adopted by BIAL	Basis of Projections considered by the Authority
6	Retail – Others	Revenue projected factoring the increase in FY 2027-28 from reopening of Quad 1 and metro operations and further increase in FY 2030-31 from Quad 2.	The Authority proposed to link the revenues to total passenger traffic growth rate and inflation for projections for FY27-31.
7	Retail – Forex	Fixed per international passenger MAG with no tariff increase.	The Authority proposed to link the forex retail revenues to international passenger traffic growth rate and inflation for projections for FY27-31.
8	F&B – Domestic and Others	Projected in line with domestic passenger traffic and inflation, with notable uptick in FY 2030-31 from Phase 2 of T2.	The Authority proposed to link F&B Domestic Revenue toto domestic passenger traffic and F&B-Others to total passenger traffic growth rates respectively along with inflation for projections for FY27-31.
9	F&B – International	Projected to grow in line with international passenger traffic and inflationary adjustments.	The Authority accepted BIAL's proposal to link the revenue to international passenger traffic growth rate and inflation for projections for FY27-31.
10	Advertisement	12-year contract with JCD with fixed revenue share from FY 2026-27.	The Authority proposed to consider inflation rate and total passenger growth rate as revenue drivers for the purpose of forecasting the said revenues.
11	Lounges and Day Hotel	Projected to grow in line with passenger traffic, notwithstanding challenges from bank policies and absence of lounge offerings by certain airlines.	The Authority proposed to consider domestic, international, and total passenger traffic growth rates respectivelyfor lounge revenues from domestic, international, and hotel operations along with inflation for projections for FY27-31.
12	Flight Catering	Based on ATM growth.	The Authority proposed to consider inflation rates along with total passenger growth rate for the purpose of forecasting the said revenues.

Other Non-Aeronautical Revenue

9.2.9 The Authority noted that BIAL had considered revenues from Rent and Land Lease and Utility Charges recovered from concessionaires as entirely non-aeronautical in nature. With regard to the Rent and Land Lease revenue, the Authority, consistent with the approach adopted in its previous tariff determinations, proposed to consider only the non-aeronautical portion of revenues from Rent and Land Lease. Further, with regard to the Utility Charges, the Authority was of the view that the Utility Charges recoveries did not constitute revenue for the Airport Operator. Accordingly, consistent with the approach adopted in the Tariff Determination process for other airports, the Authority adjusted these revenues against Operating Expenses (Opex), rather than classifying them separately as Non-Aeronautical Revenue, for the purpose of tariff determination for the Fourth Control Period.

9.2.10 The Authority further noted that BIAL had not considered any adjustment in Rent and Land Lease revenue on account of the projected increase in Terminal Area during the Fourth Control Period. The Authority observed that the operationalisation of T2 Phase 2 was expected to increase the terminal area available at the airport, which would correspondingly enhance the potential for earning non-aeronautical revenue from space rentals and leases. Therefore, in line with the methodology adopted in its previous decisions, the Authority considered the impact of the increase in Terminal Area while estimating the non-aeronautical portion of Rent and Land Lease revenue.

9.2.11 In this regard, the Authority applied a Terminal Area increase factor in FY 2029-30. Since T2 Phase 2 was expected to be operationalised by 31st December 2029, the Authority considered the impact of such increase for three months during FY 2029-30. Accordingly, the Authority applied an adjustment

equivalent to two-thirds of the percentage increase in Terminal Area from FY 2028-29 to FY 2029-30, thereby proportionately capturing the impact of Terminal Area expansion up to March 2030.

9.2.12 In view of above and additional considerations for respective growth drivers, the final approach taken by the Authority with regard to Other Non-Aeronautical Revenue is listed in the table below:

Table 263: Other Non-Aeronautical Revenue – Basis of projection for the Non-Aeronautical Revenue as submitted by BIAL for the Fourth Control Period and as considered by the Authority for the Fourth Control Period at the Consultation Stage

S. No.	Particulars	Basis of Projections adopted by BIAL	Basis of Projections proposed by the Authority
1	Rent and Land Lease	Lease rent for office space at 5% escalation up to FY 2029-30 and 10% in FY 2030-31; other lease rentals at 5% per annum.	The Authority proposed to accept BIAL's approach and, for the purpose of projections for FY27–31, has only considered the non-aeronautical portion of the Rent and Land Lease revenue, which excludes MRO Rentals. Further, the Authority proposed to factor in the additional impact of the increase in terminal area by considering two-thirds of the overall area growth. Accordingly, the area-related growth factor considered by the Authority worked out to **33.64%**, i.e., {(2/3) × 67.28% × 9/12}
2	Utility Charges	Consumption to remain broadly constant; nominal growth considered in line with past trends of the Third Control Period	The Authority adjusted the revenue from Utility Charges against Operating Expenses (Opex), rather than classifying it separately under non-aeronautical or aeronautical revenue, as proposed by BIAL.
3	Other Income	Not projected by BIAL and to be accounted on actual basis.	While BIAL had not projected other income for the 4th Control Period, considering the historical trend, the Authority proposed to project other income by applying the escalation based on the Compound Annual Growth Rate (CAGR) observed during the 3rd Control Period.
4	Miscellaneous Income	FY 2025-26 actuals considered as base; revenue projected to remain broadly stagnant.	The Authority proposed to use the inflation rate as the growth driver for all the years FY27-31.
5	Real Estate Income	Not submitted, citing paragraphs 341 and 342 of Hon'ble TDSAT Order dated 14.02.2024 (non-airport activity).	The Authority proposed to consider rental lease income to be received from BAHL and BACL, as projected by BIAL, as Real Estate Income.
6	Interest Income	Not submitted, citing paragraphs 88 and 90 of Hon'ble TDSAT Order dated 21.07.2023, and paragraph 423 of Order dated 14.02.2024.	The Authority noted BIAL's submission on Interest Income, which had been projected independently from the NAR calculations, and proposed to consider the same.
7	Notional Lease Rentals from AAI	Not considered, citing Section 13(1)(a)(v) of AERA Act and AERA Order dated 12.01.2011 which recognizes only accrued/accruing revenues.	The Authority proposed to consider Notional Lease rentals from AAI, the projections of which were given by BIAL in response to queries raised by the independent consultant.
8	Lease Rentals from BAHL	Not considered, as hotel operations by BAHL classified as Non-Airport Activities under Concession Agreement, citing Hon'ble TDSAT decision in HIAL case.	The Authority included lease rentals from BAHL in its Real Estate Income projections.
9	Lease Rentals from BACL	Not submitted, citing paragraphs 341 and 342 of Hon'ble TDSAT Order dated 14.02.2024 (non-airport activity).	The Authority considered Lease Rentals from BACL in its Real Estate Income projections.

Revenue from CGF, ICT

9.2.13 The Authority noted that the Airport Operator had treated revenue from Cargo, Ground Handling, Fuel Farm and ICT services as Non-Aeronautical Revenue. The Authority examined the matter and was of the view that revenues from Cargo, Ground Handling and Fuel-related services were in the nature of Aeronautical Revenue as per Section 2(a) of the AERA Act, 2008. Further, ICT services, including CUTE, CUSS, BRS and related IT services, were integral to airport operations and facilitated the provision of aeronautical services. Therefore, in line with the provisions of the AERA Act and the consistent regulatory treatment adopted by the Authority from the First Control Period onwards, the Authority considered revenues from Cargo, Ground Handling, Fuel Farm and ICT services as Aeronautical Revenue and excluded the same from the computation of Non-Aeronautical Revenue.

9.2.14 In view of above, the final approach taken by the Authority with regards to Revenue from Cargo, Ground Handling, Fuel Farm and ICT services is listed in the table below:

Table 264:Revenue from CGF, ICT – Basis of projection for the Non-Aeronautical Revenue as submitted by BIAL for the Fourth Control Period and as proposed by the Authority for the Fourth Control Period at the Consultation Stage

S. No.	Particulars	Basis of Projections adopted by BIAL	Basis of Projections proposed by the Authority
1	Cargo	Cargo revenues projected based on revised tariff and revenue share framework with MABPL and WFSBPL. BIAL has classified Cargo revenue as non-aeronautical in accordance with Hon'ble TDSAT Order dated 14.02.2024.	The Authority proposed to treat this revenue as aeronautical, consistent with the approach adopted during the tariff determination for the 3rd Control Period.
2	Ground Handling	Ground handling revenue based on actual turnover, projected in line with ATM growth. BIAL has classified this revenue as non-aeronautical in accordance with Hon'ble TDSAT Order dated 14.02.2024.	The Authority proposed to treat this revenue as aeronautical, consistent with the approach adopted during the tariff determination for the 3rd Control Period.
3	Fuel	Higher CAGR up to FY 2025-26 due to commencement of rental from IOSPL; thereafter 5% annual escalation. BIAL has classified fuel farm revenue as non-aeronautical in accordance with Hon'ble TDSAT Order dated 14.02.2024.	The Authority proposed to treat this revenue as aeronautical, consistent with the approach adopted during the tariff determination for the 3rd Control Period.
4	ICT	Increase up to FY 2026-27 due to T2 operations and improved revenue share; thereafter projected in line with departing passenger traffic. BIAL has classified ICT revenue as non-aeronautical in accordance with Hon'ble TDSAT Order dated 14.02.2024.	The Authority proposed to treat this revenue as aeronautical, consistent with the approach adopted during the tariff determination for the 3rd Control Period.

9.2.15 Based on the above approach for computation of Non-Aeronautical Revenue for the Fourth Control Period, considering passenger traffic, ATMs and inflation adjustment, the overall CAGR considered by the Authority for the Fourth Control Period is presented in the table below:

Table 265: Growth Rates considered by the Authority for Non-Aeronautical Revenue

S. No.	Particulars	Growth rates considered by the Authority
	Concessionaires Rental Income	
1	Car Parking	Linked to total passenger traffic growth rate and inflation, CAGR of 14.87%
2	Taxi Services	Linked to total passenger traffic growth rate and inflation, CAGR of 14.87%
3	Limousine	Linked to total passenger traffic growth rate and inflation, CAGR of 14.87%
4	Retail – Domestic	Linked to domestic passenger traffic growth rate and inflation, CAGR of 14.44%

S. No.	Particulars	Growth rates considered by the Authority
5	Retail – International (Including Duty Free)	Linked to international passenger traffic growth rate and inflation, CAGR of 16.97%
6	Retail – Others	Linked to total passenger traffic growth rate and inflation, CAGR of 14.87%
7	Retail – Forex	Linked to international passenger traffic growth rate and inflation, CAGR of 16.97%
8	F&B – Domestic and Others	Linked to domestic and total passenger traffic growth rates respectively along with inflation, CAGR of 14.61%
9	F&B – International	Linked to international passenger traffic growth rate and inflation, CAGR of 16.97%
10	Advertisement	Linked to total passenger growth rate and inflation, CAGR of 14.87%
11	Lounge- Domestic	Linked to domestic passenger traffic growth rate and inflation, CAGR of 14.44%
12	Lounge- International	Linked to international passenger traffic growth rate and inflation, CAGR of 16.97%
13	Lounge- Day Hotel and Others	Linked to total passenger traffic growth rate and inflation, CAGR of 14.87%
14	Flight Catering	Linked to total passenger traffic growth rate and inflation, CAGR of 14.87%
	Other Non-Aeronautical Revenue	
15	Rent and Land Lease	BIAL's approach accepted; Only considering the lease rentals to be earned from non-aeronautical portions and considering Terminal Area increase while factoring the revenues, CAGR of 8.71%
16	Notional Lease Income from AAI	Numbers taken as projected by BIAL as a response to our request for information (RFI), CAGR of 5%
17	Utility Charges	Year-on-year escalation in line with the inflation rates (adjusted with Opex Utility Expenses), CAGR of 3.60%
18	Other Income	CAGR observed during the 3rd Control Period, of 19.91%
19	Miscellaneous Income	Inflation rate as growth driver, CAGR of 3.60%
20	Real Estate Income	Numbers taken as projected by BIAL for BACL and BAHL income under Non-Airport Activities, CAGR of 58.74%, which were projected as a Non-Airport and Non- NAR income.
21	Interest Income	Numbers taken as projected by BIAL, calculated as per Updated TDSAT Reconciliation excel file sent by BIAL on 21.05.2026.

9.2.16 Based on the growth factors applied and the considerations made for each revenue sub-head, the Authority computed Non-Aeronautical Revenue for the Fourth Control Period by considering the unaudited actual figures for FY 2025-26 as the base and applying the respective growth drivers thereafter. The total Non-Aeronautical Revenue proposed by the Authority for the Fourth Control Period is provided in the table below:

Table 266: Non-Aeronautical Revenue as proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Concessionaires Rental Income						
Car Park Revenue	160.19	188.47	216.43	245.42	278.91	**1,089.43**
Retail Revenue	438.59	521.23	598.67	700.09	809.52	**3,068.09**
F&B Revenue	155.64	183.15	210.32	238.61	271.26	**1,058.99**
Lounge Revenue	227.76	268.89	308.80	353.87	404.60	**1,563.91**
Advertising & Promotion	144.65	170.19	195.44	221.61	251.85	**983.74**
Flight Catering	39.87	46.91	53.86	61.08	69.41	**271.13**
Sub Total (A)	**1,166.68**	**1,378.84**	**1,583.52**	**1,820.69**	**2,085.55**	**8,035.28**
Other Non-Aeronautical Revenue						
Rent and Land Lease	8.67	9.10	9.56	11.01	12.11	**50.44**

FY ending March 31	2027	2028	2029	2030	2031	Total
Notional Lease Rental from AAI	18.51	19.44	20.41	21.43	22.50	**102.29**
Miscellaneous non-aeronautical	35.45	36.73	38.05	39.42	40.84	**190.49**
Real Estate	8.42	14.99	20.67	37.15	53.44	**134.67**
Interest Income	244.07	244.07	244.07	244.07	244.07	**1,220.35**
Other Income	16.51	19.80	23.74	28.47	34.14	**122.66**
Sub Total (B)	**331.63**	**344.12**	**356.50**	**381.54**	**407.09**	**1,820.89**
Total NAR (C=A+B)	**1,498.31**	**1,722.96**	**1,940.02**	**2,202.23**	**2,492.64**	**9,856.17**

Table 267: Cross Subsidy as proposed by The Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

Particulars (Rs. Cr)	2027	2028	2029	2030	2031	Total
Total NAR (C=A+B)	**1,498.31**	**1,722.96**	**1,940.02**	**2,202.23**	**2,492.64**	**9,856.17**
Cross subsidy (@ 30%) from NAR	(449.49)	(516.89)	(582.01)	(660.67)	(747.79)	(2,956.85)

9.2.17 Thus, based on the above table, the Authority proposed Non-Aeronautical Revenue of Rs. 9,856.17 Crores for the Fourth Control Period as against BIAL's submission of Rs. 11,590.47 Crores.

Summary of reason for variation

9.2.18 The variance between the Non-Aeronautical Revenue of Rs. 11,590.47 Crores submitted by BIAL in its MYTP and Rs. 9,856.17 Crores proposed by the Authority for the Fourth Control Period was on account of the following qualitative differences:

- **Growth Drivers and Growth Rates:** The Authority independently assessed and applied growth drivers and growth rates for each NAR sub-head, anchored to traffic projections, historical trends, contractual escalations, and inflationary adjustments, which differed from those adopted by BIAL
- **Exclusion of CGF, ICT Revenues:** The Authority excluded Cargo, Ground Handling, ICT Fees from NAR, having treated the same as an aeronautical revenue stream, whereas BIAL had included them under NAR.
- **Rent and Land Lease Revenue:** The Authority considered only the non-aeronautical portion of Rent and Land Lease Revenue under NAR, with the aeronautical portion accounted for under aeronautical revenue. BIAL had not adopted such bifurcation.
- **Utility Charges Recovery:** The Authority had netted off the revenue from Utility Charges against Operating Expenses in accordance with para **3.9.10 vii** of this tariff Order.
- **Real Estate Income:** The Authority included Real Estate Income within NAR, recognising it as a revenue stream from monetization of airport assets, which had not been factored in BIAL's projection.
- **Interest Income:** The Authority included Interest Income as part of NAR, in line with its established principle, whereas BIAL had not included it in its NAR submission.
- **Notional Lease Rental from AAI:** The Authority additionally considered Notional Lease Rentals from AAI as part of NAR, consistent with the regulatory treatment of such flows under the arrangement, which had not been included by BIAL.

9.3 Stakeholders' Comments on Non-Aeronautical Revenue for the Fourth Control Period

9.3.1 During Stakeholders' Consultation Process, the Authority has received comments/ views fromvarious stakeholders in response to the proposals of the Authority with regard to the Non-Aeronautical Revenue for the Fourth Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below:

BIAL's comments Regarding Minimum Threshold of Non-Aeronautical Revenue for the Fourth Control Period

9.3.2 BIAL's comments with regard to Non-Aeronautical Revenue are as follows:

"AERA has estimated Non-Aeronautical Revenues for the Fourth Control period and has also proposed as follows:

9.3.2 To true up NAR for the current control period, at the time of determination of tariff for the next control, subject to minimum threshold as proposed by the Authority in Table 237.

AERA has noted that BIAL has made reasonable estimates for Non-Aeronautical Revenues and has also surpassed the estimates and achieved higher Non-Aeronautical Revenues which helps cross subsidise the charges. However, a minimum floor in terms of Non-Aeronautical Revenues in absolute terms means that the traffic risk and risk of any unforeseen event is to the account of BIAL where the traffic is proposed to be trued up by the Authority. Further certain Non-Aero income (example Interest Income as considered by Authority) and Other income which are non-recurrent, are not dependent on passenger traffic and are not fully under BIAL's control.

BIAL submits that the proposal to establish a minimum threshold for non-aeronautical revenues, while providing true-up only where actual revenues exceed that threshold, appears inconsistent with the long-standing regulatory recognition that these revenues are fundamentally linked to passenger traffic and inflation adjustments, variables that are outside the airport operator's direct control. As a matter of fact, the ongoing geo-political situation (which is still unfolding) has already impacted passenger traffic in FY27 impacting the realizable non aeronautical revenues in the first 3 months of FY27.

Neither the AERA Act nor the Tariff Guidelines nor the Concession Agreement nor the NCAP 2016 confer any power to AERA to determine a minimum threshold of Non Aeronautical Revenues or to make true up conditional upon actuals crossing such threshold. AERA's proposal is a one sided true up mechanism because it protects against underestimation only when actual Non-Aeronautical Revenue is higher than AERA's estimate but gives no corresponding relief when actual revenue is lower. A true up mechanism, by its very nature, is intended to correct both under recovery and over recovery based on actuals.

The true and correct legal position under the AERA Act, 2008, is that AERA may use projections at the tariffsetting stage, but, the final true-up must be carried out on the basis of actual non-aeronautical revenue received during the Control Period, without imposing any floor, minimum threshold or one-sided condition that the trueup will be available only if actuals exceed a notional benchmark.

Further, there are specific non aeronautical revenue streams where we have witnessed downward revision of contractual payments (post MYTP submission in July 2025) and would like to update the submissions as follows:"

9.3.3 BIAL's comments with regard to Real Estate Income are as follows: *"Please refer our submissions to true up in Third Control Period in Para 3.6.4 (of BIAL's responses document)"*

9.3.4 BIAL's comments with regard to AAI Notional Lease Rent are as follows:

"BIAL has detailed its response in Para 3.6.1(of BIAL's response document) relating to True up of the Third Control Period.

Hence, we request the Authority not to consider notional lease rentals from AAI as a part of the projections for 4th control period. The net block of the buildings Alpha 1 and Alpha 2 presently occupied by AAI is Rs. 0.81 crores as of 31st March 2026. BIAL is agreeable to removing the asset from Regulated asset base from 1st April 2026 to address AERA's concern (Para 3.9.25 of TCP Order) that BIAL is earning aeronautical revenues from the space offered to AAI without generating a corresponding income."

9.3.5 BIAL's comments with regard to Utility Charges Recovery are as follows:

"Refer BIAL's Submission in para 8.5. Basis the explanation provided, BIAL requests that Rs 94.86 Cr. of non-aeronautical utility recovery be treated as non-aeronautical revenue.Refer Annexure 7.

Particulars	2027	2028	2029	2030	2031	Total
Aero Utility Recovery	14.47	14.99	15.53	16.09	16.66	77.74
Non-Aero Utility Recovery	17.65	18.29	18.95	19.63	20.34	94.86
Total Utility Recovery	**32.12**	**33.28**	**34.48**	**35.72**	**37.00**	**172.60**

"

9.3.6 BIAL's comments with regard to Retail Revenue-Forex are as follows:

"AERA has projected Forex Revenues based on the past trends. The forex business has been seeing a downward trend as passengers continue to prefer credit cards and prepaid cards instead of currency conversion at BIAL. In January 2026, the concessionaire providing forex services at KIAB T2 has pulled out citing non viability of the business. Subsequently, the new concessionaire (selected through a tendering process) has offered a significantly lower MAG and revenue share as a result of which BIAL's earnings from forex have shown the following trend over the last 12 months:

Month	Name	RS%	Billing Value (Higher of MAG or RS)	Int Pax
Apr-25	Old Concessionaire	14.25%	4.00	5,72,302
May-25	Old Concessionaire	14.25%	4.24	6,05,742
Jun-25	Old Concessionaire	14.25%	3.94	5,63,347
Jul-25	Old Concessionaire	14.25%	4.05	5,78,495
Aug-25	Old Concessionaire	14.25%	4.06	5,81,038
Sep-25	Old Concessionaire	14.25%	4.19	5,65,343
Oct-25	Old Concessionaire	14.25%	4.55	6,13,681
Nov-25	Old Concessionaire	14.25%	4.76	6,42,647
Dec-25	Old Concessionaire	14.25%	5.15	6,94,550
Jan-26	New Concessionaire	11.51%	0.94	4,05,482
Feb-26	New Concessionaire	11.51%	1.37	5,92,937
Mar-26	New Concessionaire	11.51%	1.20	5,18,987
Apr-26	New Concessionaire	11.51%	1.17	5,06,309
May-26	New Concessionaire	11.51%	1.34	5,81,100
Jun-26	New Concessionaire	11.51%	1.35	5,86,700

Accordingly, BIAL requests AERA to revise the Non-Aeronautical Revenue from Forex Services as below

Particulars	*2027*	*2028*	*2029*	*2030*	*2031*
Revenue from Forex considered by AERA in Table 230 under Retail Revenue	*47.16*	*54.24*	*60.14*	*68.39*	*76.64*
Revised revenue estimate as against the above	*18.46*	*21.71*	*24.61*	*28.33*	*32.45*

BIAL requests AERA to consider the above revision as these reflect the reasonable estimate of revenue, based on the existing conditions."

9.3.7 BIAL's comments with regard to Car Parking Revenue are as follows:

"AERA has considered an estimated Car Park Revenue of Rs. 1089.43 Cr. for Fourth Control Period (Table 237) as against the estimate of Rs. 943.43 Cr. considered by BIAL. BIAL has, as part of its MYTP submitted the following.

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, which itself is aggressive given there will be a shift of users from self drive and taxis to metro rail. An uptick is anticipated in FY 2030-31, driven by additional parking capacity and demand arising from the T2 Phase expansion. Accordingly, revenue from parking is projected to grow at a CAGR of 10%, which is line with projected passenger growth.

Taxi services

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. Post filing of MYTP, another concessionaire viz., OHM had commenced taxi operations but subsequently shut operations citing limited growth. Commencement of Metro operations effective FY 2027-28 is expected to further temper demand for taxi services through FY 2030-31. In view of these developments, BIAL requests Authority to accept the revenues projected by BIAL.

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.

Considering the on-ground situation, BIAL submits that the substantial increase in Car Parking Revenues estimated by AERA is not reasonable and that the estimate submitted by BIAL be considered for NonAeronautical Revenues from Car Parking."

9.3.8 BIAL's comments with regard to Advertising Revenues are as follows:

"AERA has estimated Advertisement Revenues considering Passenger Growth rate and inflation. BIAL submits as follows:

• ***Advertising revenue cannot be directly linked to passenger growth :*** *Unlike aeronautical revenues, advertising revenue is driven by advertiser demand, market conditions, pricing, and overall economic*

sentiment. ***Further, airport advertising inventory is restricted by BCAS-approved advertising spaces and nearly 95% of these****have been utilized. As no significant expansion of advertising inventory is envisaged during the Control Period, passenger growth alone cannot justify the higher revenue projections proposed by AERA.*

*• **Advertising is a discretionary spend and is highly sensitive to market conditions:** Marketing budgets are typically among the first to be rationalized during periods of economic uncertainty and geopolitical instability. BIAL has experienced campaign deferments and cancellations, including major international campaigns such as Danube and national campaigns like Amazon, SBI, Scapia reflecting the cautious approach adopted by advertisers. These market realities reinforce that advertising revenues are inherently volatile and cannot be assumed to grow at a fixed rate.*

*• **The proposed revenue projections are not supported by industry trends:**As per the Pitch Madison Advertising Report 2026, the Indian Out of Home (OOH) advertising market is expected to grow by approximately 5% in 2026, while the global OOH market is projected to grow by approximately 4.1%. The report also highlights that Out of Home continues to account for only 4% of the total advertising market, reflecting measured growth of the medium.*

*• **BIAL's projections are already stretched growth** :The submitted projections have factored in passenger growth, premiumization of media assets, digital expansion, improved utilisation of inventory and market development initiatives. These assumptions already represent a stretched yet achievable business plan. Any further enhancement would require demonstrable evidence of additional advertising inventory, sustained pricing growth and materially higher advertiser demand, none of which is supported by current market conditions or industry forecasts.*

Accordingly, BIAL requests AERA to consider the Advertisement Income estimate submitted by BIAL"

9.3.9 BIAL's comments with regard to Other Income are as follows:

"AERA has estimated "Other Income" of Rs. 122.66 Cr for the Fourth Control Period. This head relates to income which are largely one time such as "Interest on Income Tax Refund", "Penalty", "Tender Fee", "Exchange gain/loss"etc. which are not recurring revenues. The Authority has proposed to apply a CAGR of 19.91%. Considering the non-recurrent nature of such income, BIAL requests AERA not to consider any income on this account for estimation. Actuals may be considered during true up."

9.3.10 BIAL's comments with regard to Rent and Land Lease Income are as follows:

"In AERA's analysis of Non-Aeronautical Revenues for Fourth Control Period, AERA has considered Lease Rentals from Aeronautical Service Providers as Aeronautical. AERA has noted in S # 15, Table 236 as "Only considering the lease rentals to be earned from nonaeronautical Portions" as the basis for computing the Land Lease Revenues to be considered as Non-Aeronautical. Accordingly, a total of Rs. 50.44 Cr. has been considered as Non-Aeronautical Land Lease Rental for Fourth Control Period in Table 237 of the Consultation Paper.

Based on the detailed, user wise analysis carried out for the Third control period, BIAL has classified the Lease Rental estimation for Fourth Control period also, as follows. Detailed workings are included in Annexure 9. BIAL requests the Authority to correct the classification based on the details provided below.

Particulars	***FY 27***	***FY28***	***FY 29***	***FY 30***	***FY 31***	***Total***
Aero Rental	*134.39*	*141.10*	*148.16*	*155.57*	*164.15*	***743.37***
Non-Aero Rental	*64.9[illegible]*	*68.93*	*73.09*	*77.41*	*81.77*	***366.11***

Particulars	FY 27	FY28	FY 29	FY 30	FY 31	Total
Total Rental	199.29	210.03	221.25	232.98	245.92	1,109.47

Note: FY 26 had certain one-time revenues which have been excluded for this estimation."

9.3.11 BIAL's comments with regard to Interest Income are as follows:

"BIAL wishes to point out that the current proposal of AERA considers a total interest income of Rs. 244 Cr. per year for the next 5 years and this is based on assuming that the FY26 figures of Interest Income will be earned by BIAL in each of the 5 years of the 4th control period. This assumption is flawed and does not relate to the ground realities. AERA has approved a total capital expenditure of Rs 12,902 crs and based on a D:E of 70:30, the total equity investment requirements will be around Rs 3,900 crs. Given the Incremental ARR approach , the ability for BIAL to generate fresh accruals through FY27 to FY29 will be limited as nearly 1,925 crores of ARR is linked to completion of 3 large projects. Consequently, the surplus cash (presently generating interest income) will be deployed towards Expansion Project, thereby limiting interest income generation.

In BIAL's estimate the Interest income estimate for the 5 years based on its estimated cash flow is expected to be approximately ~ Rs 550 crores and the same may be considered by AERA, as per table below.

(Rs. in Crores)

Particulars	FY 27	FY28	FY 29	FY 30	FY 31	Total
Interest Income estimates	140	110	90	60	150	550

"

9.3.12 BIAL's comments with regard to Treatment of Revenues from MRO Rentals are as follows:

"Based on Table 237 where non aero lease rentals for 4th control period is estimated at only 50.44 crores, BIAL believes that the lease rent revenue from MRO operators has also been treated as aeronautical revenue.

BIAL submits the following for the Authority's consideration:

1. In the third control period, AERA as per para 8.2.46 has considered lease rental income from MRO agencies as non-aeronautical.

> *Order No. 11/ 2021-22 for the Third Control Period KIA, Bengaluru*
>
> 8.2.45 The Authority noted that BIAL had projected a slower growth rate for miscellaneous non-aeronautical revenues (existing) in the Third Control Period as compared to a CAGR growth of 34% for the period FY17 – FY20. The Authority proposes to revise the miscellaneous non-aeronautical revenues (existing) such that it reaches the pre-COVID levels by FY25.
>
> 8.2.46 BIAL in its submission dated 12 April 2021 provided the details of additional revenues streams in the miscellaneous non-aeronautical revenues for the Third Control Period. These included the rentals from the petrol pump and MRO facility. The Authority has included these rentals as part of the miscellaneous non-aeronautical revenues (new).

Based on the clarity provided by the Authority in the TCP order, BIAL has gone ahead and repurposed nearly 80 acres of land earmarked for Real estate development towards MROs to be developed by Air India, Tata Advanced Systems Limited (Defense MRO) and Indigo. It is well understood that Real estate land offers higher returns than usage towards MRO infrastructure. The Authority's treatment of MRO revenues during the Third Control Period formed the basis of BIAL Board's decision to repurpose land

originally intended for commercial real estate development towards MRO facilities, thereby supporting national aviation objectives and creating long-term ecosystem benefits.

The proposal in the consultation paper to treat rental income from MRO as aeronautical alters the economic assumptions underpinning those decisions and hence the Authority is requested to maintain continuity in its stance.

2. AERA's proposal in Jewar Airport tariff order

AERA mentioned in the order for Jewar Airport that it "only intends to regulate the airport operator's revenue from providing the airside ecosystem (land, hangar location, utilities, clearances) to the MRO to ensure that there is no abuse of the monopolistic status of the concerned airport and these are fixed in a fair manner by the Airport Operators complying with the extant corporate norms & regulations".

BIAL submits that over the past 2 years, BIAL has successfully signed MRO lease rental agreements with Air India, Tata Advanced Systems Limited and Indigo. All these entities had the option of approaching other airports but chose BIAL (duly supported by Government of Karnataka) clearly demonstrating there was no abuse of monopolistic status.

In the Jewar Airport Tariff order, the Authority acknowledges that MRO services are not a part of the definition of Aeronautical services as per AERA Act. Despite the above, AERA has proposed to consider rentals received by BIAL from MRO entities as aeronautical.

In the context of functions of AERA Act, in the case of DIAL vs AERA (SCC 716, 2024), the Hon'ble Supreme Court of India has observed that regulatory approach adopted by AERA must ensure regulatory consistency and must be in adherence to the statutory framework.

"Before the complete legislative structure was set in place, operations were proceeded on the understanding of the agreement between the parties, and the legislative intent is also apparent. This provides for due honour and consideration being given to the aforesaid intent as per the provisions of Section 13 of the said Act. The objective is 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."

3. Definition of Regulated Charges as per Concession agreement does not include MRO

The Concession Agreement, a pre-legislative contract, is recognized under the SOR of the AERA Act, 2008. Section 13(1)(a)(vi) mandates AERA to consider concessions granted by the Central Government while determining tariffs. The Hon'ble Supreme Court in DIAL SC Judgment has held that "[...] legislative intent itself incorporates and requires the prior agreements to be taken into consideration albeit along with certain other parameters/requirements".

As per Schedule 6 of the Concession Agreement, only landing, parking, housing charges and UDF form a part of the Regulated Charges that are to be determined by the Authority. In BIAL's case, revenue from lease of land to MRO entities is not a part of Regulated Charges. It is to be classified as a part of "Other Charges" (as defined in the Concession Agreement) and BIAL is free without any restriction to determine such charges. . The tariff structure in the concession agreement ought to be honored by AERA hence revenues from lease of land to MRO entities cannot be considered as a part of aeronautical revenues.

Accordingly, BIAL requests the Authority to continue with the stance adopted at the time of Third control period for 4th Control period and treat rentals from MROas Non-Aeronautical."

Other Stakeholders' comments Regarding Non-Aeronautical Revenue for the Fourth Control Period

9.3.13 Airline Operator's Committee (Bengaluru Airport) comments with regard to Non-Aeronautical Revenue are as follows:

*"**Leveraging Non-Aeronautical Revenues for CAPEX Recovery at BLR***

Historically, CAPEX recovery has relied disproportionately on aeronautical charges, placing heavy cost burdens on airlines and passengers. At BLR, however, non-aeronautical revenues (NAR) have shown strong growth, driven by retail concessions, duty-free, F&B, advertising, parking, cargo and real estate leasing. BLR's international passenger base and rising domestic traffic provide significant scope for per-passenger NAR growth, aligning with global benchmarks where non-aero contributes 35–40% of airport revenues. Under India's hybrid till model, only 30% of NAR is currently cross-subsidized to offset aeronautical charges, leaving airlines exposed to higher tariff burdens despite strong commercial revenue growth. Over dependence on aeronautical recovery has historically led to sharp tariff hikes, undermining airline viability and passenger affordability. AOC-BLR recommends that AERA consider a calibrated increase in the share of NAR earmarked for CAPEX recovery at BLR. BLR should be encouraged to expand its commercial ecosystem retail, F&B, advertising, parking, mobility services, and real estate to strengthen NAR streams. A structured mechanism should be instituted to channel a greater portion of NAR towards CAPEX recovery, thereby reducing reliance on aeronautical charges.

Investments in passenger experience and commercial offerings should be recognized as indirect enablers of CAPEX recovery, since higher satisfaction correlates with higher NAR per passenger. This approach will ensure that CAPEX recovery at BLR is balanced, sustainable and aligned with the best global practices, while protecting airlines and passengers from avoidable tariff escalation."

9.3.14 Adani Airport Holdings Limited (AAHL) comments with regard to Non-Aeronautical Revenue are as follows:

*"**To remove minimum threshold for Non-Aeronautical Revenues (NAR)***

(Ref: Para 9.3.2 "To true up NAR for the current control period, at the time of determination of tariff for the next control, subject to minimum threshold as proposed by the Authority in Table 237.")

The proposal to stipulate a minimum threshold for Non-Aeronautical Revenues needs to be reconsidered.

NAR is a commercial revenue stream and not a guaranteed source of income. All Airport Operators try to maximize NAR since after deducting the mandatory 30% cross-subsidization (of aero tariffs) and revenue share to the Authority, the balance goes to the airport operator. However, the Airport's NAR is finally determined by the customers' preferences and not by the Airport Operator.

By prescribing a minimum threshold, AERA would effectively convert a multi-factor commercial projection into a fixed regulatory assumption. This would expose the Airport Operator to the risk of under-recovery even when the lower revenues are earned due to customers' preferences and real market conditions; and not due to any inefficiency or lack of efforts on the part of the Airport Operator.

The hybrid-till framework does not require the airport operator to guarantee a minimum level of non-aeronautical contribution for tariff purposes.

As per the Hon'ble TDSAT's Judgement dated 11th September 2025 pertaining to Mopa Airport, Goa: "Para 230. We hereby direct AERA the true-up exercise for the next Control Period shall be based upon actual non-aeronautical revenue irrespective of the fact that whether it exceeds or not, the minimum threshold of Rs.509.47 Crores, as fixed by AERA towards non-aeronautical revenue."

In light of the above, we request the Authority to accept Non-Aeronautical Revenues based on actuals and remove the minimum threshold for the same."

9.3.15 Association of Private Airport Operators (APAO) comments with regard to Non-Aeronautical Revenue are as follows:

*"**Minimum Threshold Non-Aeronautical Revenues (NAR) for True up***

AERA has proposed a minimum threshold of Non-Aeronautical Revenues of Rs9,856.17 crores for the 4th control period and will undertake true-up only if the actual revenues exceed the minimum threshold. This proposal would have an adverse effect upon economic and viable operations of the airport.

As per Section 13(1)(a)(v) of the AERA Act, 2008, AERA must consider the revenues "received" instead of any minimum threshold revenues.

This approach of minimum threshold effectively results in indirect regulation of NAR services, since the Airport Operator bears the entire downside risk where actual NAR falls below the projected levels, while any surplus revenue is subjected to true-down adjustment. Such an approach disturbs the intended allocation of commercial risks and undermines the market-driven nature of non-aeronautical activities. Non-Aeronautical Revenue at a major international airport is an inherently variable commercial quantity driven by passenger volumes, consumer spending patterns, the composition of airline services, and global macroeconomic conditions, none of which are within the control of the Airport Operator.

We humbly submit that the Authority should not propose something that is ultra vires to the AERA Act, 2008 and should therefore allow true up of Non-Aeronautical Revenues based on actuals in the subsequent control period."

9.3.16 Fairfax India Holdings Corporation comments with regard to Non-Aeronautical Revenue are as follows:

*"**Approach to Non-Aeronautical Revenues***

We request the Authority to reconsider certain aspects of the proposed treatment of non-aeronautical revenues.

First, the proposal to establish a minimum threshold for non-aeronautical revenues, while providing true-up only where actual revenues exceed that threshold, appears inconsistent with the long-standing regulatory recognition that these revenues are fundamentally linked to passenger traffic, a variable that is outside the airport operator's direct control. As a matter of fact, the ongoing geopolitical situation (which is still unfolding) has already impacted passenger traffic in FY27.

Secondly, we support BIAL's submissions regarding the continued inclusion of notional lease rentals relating to facilities occupied by Airports Authority of India under the existing CNS/ATM arrangements. In circumstances where no corresponding revenue can legally accrue to the airport operator, recognizing notional income for tariff determination does not appear to reflect the underlying commercial reality.

Finally, we request the Authority to consider BIAL's revised projections relating to interest income in light of the substantial capital investment Programme proposed during the control period and the associated funding requirements in combination with the Incremental ARR approach wherein ability to generate internal accruals will be constrained during the initial half of the consultation paper."

9.3.17 Fairfax India Holdings Corporation's comment regarding treatment of MRO rentals as aeronautical is as follows:

"The Authority's treatment of MRO revenues during the Third Control Period formed the basis of BIAL Board's decision to repurpose land originally intended for commercial real estate development towards MRO facilities, thereby supporting national aviation objectives and creating long-term ecosystem benefits. The proposal in the consultation paper to treat rental income from MRO as aeronautical alters the economic assumptions underpinning those decisions. We request the Authority to maintain consistency in established positions and continue treating income from MRO as non-aeronautical."

9.3.18 GMR Airports Limited comments with regard to Non-Aeronautical Revenue are as follows:

*"**Minimum Threshold for true up of NAR:***

GHIAL respectfully submits that true-up of non-aeronautical revenue should be based on actual revenue earned during the Control Period, in line with the Hon'ble TDSAT judgements in the GGIAL and MIAL matters. It is important to note that, Non-aeronautical revenue is driven by several external factors, including passenger spending behavior, traffic mix, dwell time, macroeconomic conditions, consumer sentiment, retail market dynamics, passenger demographics and changes in airline networks, many of which are beyond the direct control of the airport operator.

Further, Section 13(1)(a)(v) of the AERA Act requires consideration of revenue actually received from non-aeronautical services. Neither the AERA Act nor the AERA Tariff Guidelines provide for a minimum threshold of non-aeronautical revenue for the purpose of true-up. Moreover, a true-up mechanism that permits adjustment only when actual revenue exceeds the prescribed threshold, while denying a corresponding adjustment when actual revenue falls short, is inconsistent with the fundamental objective of a true-up exercise, which is intended to correct both over-estimation and under-estimation based on actual outcomes. Such an approach effectively transfers the risk of under-achievement of non-aeronautical revenue entirely to the airport operator, notwithstanding that such revenues are influenced by several external factors beyond its control.

Accordingly, GHIAL respectfully requests the Authority to undertake true-up of non-aeronautical revenue based solely on audited actual revenue earned during the Control Period, without application of any minimum threshold, in line with the aforesaid TDSAT judgements."

9.3.19 International Air Transport Association (IATA) comments with regard to Non-Aeronautical Revenue are as follows:

*"**Non-Aeronautical Revenue***

Non-aeronautical revenue represents a critical offset to the Aggregate Revenue Requirement (ARR) and plays an important role in moderating the level of aeronautical charges borne by airlines and passengers. Given the hybrid till framework applicable in India, it is important that the Authority ensures that non-aeronautical revenue projections appropriately reflect the commercial potential of the airport over the Fourth Control Period.

BLR has developed a diversified non-aeronautical revenue base supported by commercial concessions, retail activities, food and beverage outlets, advertising, real estate and other passenger-driven revenue streams. These revenue sources have historically benefited from continued traffic growth, increasing passenger spend and contractual arrangements that incorporate periodic escalations. As a result, non-aeronautical revenue forecasts should remain robust, evidence-based and reflective of the airport's full commercial potential.

IATA also notes that several infrastructure investments proposed for the Fourth Control Period, including landside developments, commercial facilities and multimodal connectivity initiatives, may generate or support additional non-aeronautical revenue streams over time. Where airport users are

being asked to fund infrastructure through the RAB, it is important that any associated non-aeronautical benefits are appropriately recognised within the regulatory framework and reflected in revenue projections.

At the same time, IATA supports the Authority's proposed treatment of revenues derived from cargo, ground handling, fuel and ICT-related services as aeronautical in nature. These services are directly linked to the provision of aviation services and their classification should remain consistent with established regulatory principles.

Accordingly, IATA submits that the Authority should ensure that:

• non-aeronautical revenue forecasts fully reflect the airport's commercial opportunities and expected growth over the Fourth Control Period;

• revenues associated with airport-funded commercial and landside infrastructure are appropriately recognised within the regulatory model;

• assumptions remain evidence-based and supported by historical performance and contractual arrangements; and

• aeronautical and non-aeronautical activities continue to be classified consistently with established regulatory principles.

A robust assessment of non-aeronautical revenue is essential to preserving the integrity of the hybrid till approach and ensuring that airport users receive the full benefit of the airport's commercial success through lower aeronautical charges."

9.3.20 Yamuna International Airport Private Limited (YIAPL) comments with regard to Non-Aeronautical Revenue are as follows:

*"**Minimum Threshold proposed by the Authority in respect of Non-Aeronautical Revenue***

Authority's consideration and proposal put forth in the Consultation Paper

Vide paragraph 9.3.2 of the Consultation Paper, the Authority has proposed that the true-up of Non-Aeronautical Revenue ("NAR") for the Fourth Control Period, to be undertaken at the time of determination of tariff for the succeeding Control Period, shall be subject to a minimum threshold as proposed by the Authority in Table 237.

YIAPL's response and submission

A minimum threshold on NAR is negating the very concept of a true-up

A true-up is meant to fairly compare projected revenue with actual revenue and adjust for any differences, whether positive or negative. However, under the proposed approach, if actual NAR is higher than the threshold, the additional benefit is shared with users through higher cross subsidy. On the other hand, if actual NAR is lower than the threshold, the entire shortfall is borne by the Airport Operator because the ARR continues to be reduced based on revenue that was never actually earned. As a result, the mechanism operates only in one direction—users benefit when revenues are higher, but the Airport Operator bears the full impact when revenues are lower. This does not reflect a balanced true-up process.

As a result, the Airport Operator is effectively required to bear the risk of achieving a revenue level that is not guaranteed under the regulatory framework, without receiving any corresponding benefit. This creates a one-sided mechanism rather than a fair true-up process and allocates the risk to a party that is not always best placed to manage it.

NAR is materially driven by variables which the Authority itself trues up on actuals

Non-Aeronautical Revenue is not an independent revenue stream within the exclusive control of the Airport Operator. It is a derived revenue stream, being a function of passenger traffic, passenger mix, the proportion of international traffic, dwell time, concessionaire performance and prevailing macroeconomic conditions.

The Authority has proposed to true-up traffic for the Third Control Period based on actual traffic numbers, acknowledging that traffic is beyond the Airport Operator's control and cannot be predicted accurately. Given this, it seems inconsistent to adjust traffic based on actuals while at the same time applying a minimum revenue requirement for Non-Aeronautical Revenue (NAR), which is largely dependent on those same traffic levels.

In view of above, YIAPL request authority to remove the minimum thresholds on Non-Aeronautical Revenue and provide instead for a true-up of Non-Aeronautical Revenue on the basis of actuals."

9.4 BIAL's Response to Stakeholders' Comments Regarding Non-Aeronautical Revenue for the Fourth Control Period

9.4.1 BIAL's response to Airline Operators' Committee (AOC)- Bengaluru Airport is as follows:

"The Hybrid Till Model wherein 30% of NAR is used to cross subsidize aeronautical charges is based on Government of India's NCAP 2016. AERA has also adopted the same for Tariff determination purposes. Any change to the said NCAP Policy can be done only by Government of India and only post such revisions can AERA adopt the same. Hence, this is a policy related change request made by AOC and does not involve any changes to the Tariff determination principles.

AOC's statements like "over dependence on aeronautical recovery has historically led to sharp tariff hikes, undermining airline viability and passenger affordability" are generic statements and is not backed up with any facts and hence are devoid of any merit. There is no recorded instance of an Indian Airline becoming unviable due to Airport Charges. It is most unfortunate that the bogey of Airport Charges (despite its meagre 5-6% contribution to the overall cost structure of the Airlines) is being framed as the key variable affecting the profitability and viability of airlines.

We request AOC, being an important stakeholder, to understand that Airport Operators cannot be used as cross subsidization agents to improve Airlines' viability. Instead, we would request AOC to look into the Government of India's Price Stabilization Fund initiative launched for Scheduled Indian Airlines towards ATF pricing for their domestic and international operations. The proposed mechanism will help maintain affordable air connectivity, support airline operations, and reduce the burden on passengers. With respect to passenger affordability, airport charges are predictable and do not vary and hence AOC must look at why airfares spike during different holiday seasons hurting passengers and demand.

As presented in the stakeholder presentation, 98% of the retained profits (which are shareholder funds) of BIAL (including non-aeronautical business) from the Airport Opening Date (AoD), have been reinvested in the expansion of the Airport. Hence, the concern expressed by AOC does not have any merit."

9.4.2 BIAL's response to Adani Airport Holdings Limited (AAHL) is as follows:

"BIAL acknowledges and notes the comments made by Adani Airport Holdings Limited (AAHL) and thanks them for their views on the various proposals."

9.4.3 BIAL's response to Association of Private Airport Operators (APAO) is as follows:

"BIAL acknowledges and notes the comments made by Association of Private Airport Operators (APAO) and thanks them for their views on the various proposals."

9.4.4 BIAL's response to Fairfax India Holdings Corporation is as follows:

"BIAL acknowledges and notes the comments made by Fairfax India Holdings Corporation and thanks them for their views on the various proposals."

9.4.5 BIAL's response to GMR Airports Limited is as follows:

"BIAL acknowledges and notes the comments made by GMR Airports Limited and thanks them for their views on the various proposals."

9.4.6 BIAL's response to International Airport Transport Association (IATA) is as follows:

"BIAL submits that the Authority has carried out a detailed review of the projected Non-Aeronautical Revenue, based on which the Authority has set out its proposals in the Consultation Paper. BIAL has submitted its detailed responses to the Authority's proposals, and the same may be considered while addressing the issues raised by IATA."

9.4.7 BIAL's response to Yamuna International Airport Private Limited (YIAPL) is as follows:

"BIAL acknowledges and notes the comments made by Yamuna International Airport Private Limited (YIAPL) and thanks them for their views on the various proposals."

9.5 Authority's Analysis of Stakeholders' Comments Regarding Non-Aeronautical Revenue for the Fourth Control Period

9.5.1 The Authority has carefully reviewed the comments received from BIAL and other stakeholders on non-aeronautical revenue. The Authority analysis of these comments is presented below:

Real Estate Income

9.5.2 The Authority has examined BIAL's submission regarding the treatment of Real Estate Income (para 9.3.3) derived from commercial land development activities in the Fourth Control Period estimate.

9.5.3 The Authority notes BIAL's submission that income from commercial land development constitutes income from non-airport activities as detailed in Schedule 3 Part 2 of the Concession Agreement and should not be treated as aeronautical or non-aeronautical revenue. The Authority further notes BIAL's contention that such non-airport activities undertaken beyond the precincts of the airport are unrelated to airport operations and fall beyond the regulatory jurisdiction of AERA.

9.5.4 However, the Authority is of the considered view that Real Estate Revenue generated by the airport operator, notwithstanding the characterization of the underlying activity as falling outside the core airport operations, represents a financial return accruing to the airport entity and should appropriately be recognized within the regulatory framework. The Authority observes that revenues generated from airport-related assets and facilities, including land holdings, constitute part of the overall financial profile of the airport operator and should be factored into the cost base to ensure that airport users are not required to bear tariff burdens that could be offset through consideration of available revenues.

9.5.5 The Authority further notes that the treatment of Real Estate Revenue as Non-Aeronautical Revenue is consistent with the approach adopted in Decision No. 8.6.2 of the Third Control Period Tariff Order and reflects the principle that all revenues available to the airport operator should be recognized for purposes of cost-reflective tariff determination.

9.5.6 In view of the foregoing, the Authority does not find merit in BIAL's request for exclusion of Real Estate Income from Non-Aeronautical Revenue. The Authority therefore decides to continue treating Real Estate Revenue as Non-Aeronautical Revenue for the Fourth Control Period, in line with the approach adopted in the Third Control Period.

AAI Notional Lease Rentals

9.5.7 The Authority notes BIAL's submission requesting that notional lease rentals from Airports Authority of India ("AAI") (para 9.3.4) should not be considered for the Fourth Control Period. BIAL has submitted that, instead of considering notional lease rentals, the Alpha-1 and Alpha-2 buildings presently occupied by AAI may be excluded from the Regulatory Asset Base ("RAB") with effect from 01.04.2026. BIAL has further submitted that the net block of the relevant assets as on 31.03.2026 is ₹0.81 crore.

9.5.8 The Authority has examined the submission. As observed by the Authority in Paragraph 3.9.25 of Tariff Order No. 11/2021-22 dated 28.08.2021 for determination of aeronautical tariffs for Kempegowda International Airport, Bengaluru for the Third Control Period, the Authority had expressed concern regarding a situation where assets occupied by AAI continued to form part of the regulated airport business and the associated return on RAB and depreciation continued to be recovered through aeronautical tariffs, despite there being no corresponding revenue recognized in relation to the space occupied by AAI.

9.5.9 The Authority notes that the proposal to consider notional lease rentals was intended to address this regulatory concern. The objective of such treatment was not to require AAI to make any payment to BIAL, nor to create an additional source of revenue for BIAL. Rather, the purpose of recognizing notional lease rentals was to ensure that airport users were not required to bear the cost of assets through the tariff framework without corresponding recognition of the economic value associated with use of those assets.

9.5.10 The Authority further notes that where an asset remains within the Regulatory Asset Base, airport users continue to bear the associated depreciation and return on RAB through aeronautical tariffs. In such circumstances, recognition of notional lease rentals serves as a regulatory adjustment that offsets, wholly or partly, the recovery of such costs from airport users.

9.5.11 The Authority has also examined BIAL's alternative proposal to remove the Alpha-1 and Alpha-2 buildings from the Regulatory Asset Base with effect from 01.04.2026. The Authority is of the view that such treatment addresses the same underlying regulatory concern through a more direct mechanism. Once the relevant assets are excluded from the Regulatory Asset Base, airport users would no longer bear the associated depreciation and return on RAB through aeronautical tariffs. Consequently, there would no longer be any requirement to recognise a notional lease rental in order to offset recovery from airport users.

9.5.12 The Authority therefore considers that both approaches—(i) retention of the assets within the Regulatory Asset Base coupled with recognition of notional lease rentals, and (ii) exclusion of the assets from the Regulatory Asset Base—seek to achieve the same regulatory objective, namely ensuring that airport users do not bear the cost of assets from which no corresponding benefit accrues to the regulated airport business. In the present case, the Authority is of the view that exclusion of the relevant assets from the Regulatory Asset Base represents the simpler and more transparent regulatory treatment.

9.5.13 The Authority further notes BIAL's submission that the net block of the Alpha-1 and Alpha-2 buildings as on 31.03.2026 is ₹0.81 crore. The Authority is of the view that exclusion of the relevant assets from

the Regulatory Asset Base would appropriately address the concern identified in Paragraph 3.9.25 of Tariff Order No. 11/2021-22 dated 28.08.2021.

9.5.14 Accordingly, the Authority agrees with BIAL's proposal to exclude the Alpha-1 and Alpha-2 buildings occupied by AAI from the Regulatory Asset Base with effect from 01.04.2026 and, correspondingly, does not consider notional lease rentals from AAI in the projections for the Fourth Control Period.

9.5.15 The Authority, based on the comments and detailed analysis as provided in the preceding paragraphs, has considered the exclusion of Notional Lease Rent from AAI against the amount of Rs 102.29 Crores proposed during the Consultation Stage.

Utility Recovery Charges

9.5.16 The Authority has carefully considered BIAL's submission regarding the treatment of Utility Charges Recovery for the Fourth Control Period (para 9.3.5).

9.5.17 However, the Authority is of the considered view that utility charges recovery, regardless of whether derived from aeronautical or non-aeronautical concessionaires, does not constitute revenue for the airport operator in the traditional sense. The Authority observes that utility charges recovery represents a pass-through mechanism whereby the airport operator recovers costs incurred on behalf of concessionaires and should appropriately be adjusted against the corresponding operating expenses rather than classified as revenue. This treatment ensures that the airport operator is neither over-compensated nor under-compensated for utility costs incurred on behalf of users.

9.5.18 The Authority further notes that the adjustment of utility charges recovery against Operating Expenses is consistent with the approach adopted in the Tariff Determination process across all airports and reflects the principle that only genuine revenues should be recognized for purposes of cost-reflective tariff determination.

9.5.19 In view of the foregoing, the Authority does not find merit in BIAL's request for differential treatment of utility charges recovery based on the nature of concessionaire. The Authority therefore decides to retain its approach adopted at the consultation stage and continue to adjust 100% of Utility Charges Recovery against Operating Expenses for the Fourth Control Period.

Retail Revenue- Forex

9.5.20 The Authority has carefully considered BIAL's submission regarding the treatment of Forex Retail Revenue for the Fourth Control Period (para 9.3.6).

9.5.21 The Authority notes BIAL's submission that the forex business has been experiencing a downward trend as passengers increasingly prefer credit cards and prepaid cards over currency conversion services. The Authority further notes BIAL's contention that the concessionaire providing forex services at KIAB T2 exited in January 2026 citing business non-viability, and that the new concessionaire selected through a tendering process has offered significantly lower Minimum Annual Guarantee (MAG) of Rs 69/intl pax as compared to previous Rs 107/intl pax and revenue share of 11.51% compared to the previous 14.25%. The Authority also notes BIAL's submission that based on actual data from the last 12 months, forex revenues have declined from approximately Rs. 4-5 crores per month under the old concessionaire to approximately Rs. 1-1.5 crores per month under the new concessionaire.

9.5.22 The Authority has taken cognizance of the matter as presented by BIAL in its comments. The Authority recognizes that the concessionaire transition represents a material structural change in the forex revenue economics, with the new concessionaire offering lower revenue share terms (11.51% versus 14.25%) and significantly lower monthly billings despite similar or higher passenger volumes. The Authority further recognizes that this reflects genuine market conditions wherein the new concessionaire has

assessed forex services as substantially less viable, thereby reducing the potential for revenue recovery from this vertical.

9.5.23 Taking these matters into consideration, the Authority decides to consider the numbers as per BIAL's revised projections for the Fourth Control Period.

9.5.24 The Authority based on the comments and detailed analysis as provided in preceding paras has considered the Retail Revenue- Forex amounting to Rs 125.56 Crores against the amount of Rs 347.72 Crores proposed during the Consultation Stage.

Car Parking Revenue

9.5.25 The Authority has carefully considered BIAL's submission regarding the treatment of Car Parking Revenue for the Fourth Control Period (para 9.3.7).

9.5.26 The Authority notes BIAL's submission that the parking contract was re-tendered in FY 2024-25 for a 5-year period with revised parking tariffs, shifting from self-managed operations to a concessionaire-based model with market-discovered revenue share. The Authority further notes BIAL's contention that with the expansion of metro connectivity, passengers are expected to increasingly opt for public transit over private vehicles, leading to subdued parking demand outlook. The Authority also notes BIAL's submission that parking revenues are projected to grow broadly in line with overall passenger traffic at a CAGR of 10%, with an uptick anticipated in FY 2030-31 driven by additional parking capacity from T2 Phase expansion.

9.5.27 The Authority additionally notes BIAL's submissions regarding taxi services, where two major service providers ceased operations in FY 2025-26, and that the commencement of metro operations in FY 2027-28 is expected to further temper demand for taxi services. The Authority further notes BIAL's contention that the substantial increase in Car Parking Revenues estimated by AERA is not reasonable given these on-ground developments.

9.5.28 However, the Authority is of the considered view that revenue projections for car parking and related ground transportation services should be anchored to the underlying passenger traffic growth and inflation assumptions established for the Fourth Control Period. The Authority observes that these macroeconomic parameters provide a systematic and transparent basis for revenue estimation that ensures consistency across all revenue heads and reflects the overall growth trajectory of the airport.

9.5.29 The Authority further notes that while localized factors such as metro connectivity expansion and concessionaire transitions may create short-term volatility, the long-term revenue potential of parking and ground transportation services should be assessed within the framework of overall passenger growth rather than being constrained by near-term operational disruptions.

9.5.30 In view of the foregoing, the Authority does not find merit in BIAL's request for downward revision of car parking revenue projections. The Authority consequently stands by its prior determination to retain its number projections based on total passenger traffic and inflation rate assumptions for the Fourth Control Period.

Advertisement Revenue

9.5.31 The Authority has carefully considered BIAL's submission regarding the treatment of Advertisement Revenues for the Fourth Control Period (para 9.3.8).

9.5.32 The Authority notes BIAL's submission that advertising revenue cannot be directly linked to passenger growth, as it is driven by advertiser demand, market conditions, pricing, and overall economic sentiment. The Authority further notes BIAL's contention that advertising inventory is restricted by BCAS-

approved advertising spaces with nearly 95% utilization, and that no significant expansion of advertising inventory is envisaged during the Control Period. The Authority also notes BIAL's submission that advertising is a discretionary spend highly sensitive to market conditions, citing instances of campaign deferrals and cancellations by major advertisers such as Danube, Amazon, SBI, and Scapia.

9.5.33 The Authority additionally notes BIAL's reference to the Pitch Madison Advertising Report 2026, which projects the Indian Out of Home (OOH) advertising market to grow by approximately 5% in 2026 and the global OOH market by approximately 4.1%, with OOH continuing to account for only 4% of the total advertising market. The Authority further notes BIAL's contention that its projected revenue growth already factors in passenger growth, premiumization of media assets, digital expansion, improved utilization of inventory and market development initiatives, and that any further enhancement would require demonstrated evidence not supported by current market conditions or industry forecasts.

9.5.34 However, the Authority is of the considered view that advertisement revenues should be projected systematically based on the underlying growth drivers of the airport, including passenger traffic growth and inflation, which provide objective and transparent parameters for revenue estimation. The Authority observes that while advertising markets may experience cyclical variations and discretionary spending patterns, the long-term revenue trajectory should be anchored to the fundamental growth of the airport's user base and the macroeconomic environment established for the Fourth Control Period.

9.5.35 The Authority further notes that upgrading assets and services, digital expansion, and better utilisation of existing facilities offer genuine opportunities to increase revenue. These opportunities should be reflected in revenue projections to support cost-reflective tariff determination.

9.5.36 In view of the foregoing, the Authority does not find merit in BIAL's request for downward revision of advertisement revenue projections. The Authority consequently stands by its prior determination to retain its approach and number projections decided at the consultation stage for the Fourth Control Period.

Other Income

9.5.37 The Authority has carefully considered BIAL's submission regarding the treatment of Other Income for the Fourth Control Period (para 9.3.9).

9.5.38 The Authority notes BIAL's submission that Other Income relates to largely one-time items such as Interest on Income Tax Refund, Penalty, Tender Fee, and Exchange gain/loss, which are not recurring revenues. The Authority further notes BIAL's contention that given the non-recurrent nature of such income, no income should be considered on this account for estimation, and that actuals may be considered during true-up.

9.5.39 The Authority notes BIAL's response and is of the view that it has projected Fourth Control Period Other Income values based on a historical Third Control Period CAGR which is less than the Fourth Control Period CAGR proposed in the consultation paper. The Authority observes that this conservative approach of anchoring projections to historical growth rates rather than adopting higher escalation factors demonstrates prudence in revenue estimation.

9.5.40 The Authority is of the considered view that Other Income, while comprising items of a non-recurrent or discretionary nature, represents legitimate financial inflows to the airport operator that have historically materialized during the control periods. The Authority observes that excluding such income entirely from revenue projections would not reflect the actual financial profile of the airport operator and could result in artificially inflated tariffs that do not account for available financial resources.

9.5.41 The Authority further notes that the application of historical CAGR observed during the Third Control Period provides a systematic and transparent methodology for projecting Other Income based on demonstrated trends, thereby ensuring consistency in revenue estimation approaches across control periods, and accordingly retains its decision and approach as was taken in the consultation paper.

Lease Rentals

9.5.42 The Authority has carefully considered BIAL's submission regarding the treatment of Lease Rentals for the Fourth Control Period (para 9.3.10).

9.5.43 The Authority notes BIAL's submission that in the Fourth Control Period analysis, the Authority has considered Lease Rentals from Aeronautical Service Providers as Aeronautical revenue and only lease rentals from non-aeronautical portions as Non-Aeronautical revenue. The Authority further notes BIAL's contention that based on detailed user-wise analysis carried out for the Third Control Period, BIAL has reclassified the Lease Rental estimation for the Fourth Control Period, distinguishing between Aeronautical Rentals (Rs. 134.39-164.15 Crores annually) and Non-Aeronautical Rentals (Rs. 64.91-81.77 Crores annually), totaling Rs. 366.11 Crores for the Fourth Control Period.

9.5.44 The Authority notes that in consultation stage proposal, it had accepted BIAL's actual numbers of rent and land lease from non-aeronautical sources, took FY26 actuals as the base, and escalated the numbers based on the escalation rates mentioned in the MYTP. The Authority had proposed to factor in the additional impact of the increase in terminal area by applying a Terminal Area increase factor which was not incorporated by BIAL in its original projections.

9.5.45 The Authority clarifies that it has maintained the same systematic approach adopted at the consultation stage for projecting Non-Aeronautical Lease Rentals for the Fourth Control Period. The Authority has analysed the Non-Aeronautical lease rentals line-item wise, taking the revised actual FY26 amounts as submitted by BIAL as the base, and increased them at escalation rates of 5% year-on-year and 10% as per the relevant line items and contract details furnished by BIAL in Table 163 of the MYTP. The Authority has applied a Terminal Area increase factor in office rentals and rentals from Ground Support Equipment (GSE) in FY31 to reflect the impact of terminal expansion anticipated during the Fourth Control Period.

9.5.46 The Authority further notes that, consistent with the regulatory approach adopted in tariff determinations for other major airports, revenues earned/received by the Airport Operator from provision of land, hangar space and other ground facilities for MRO services/activities at the airport in connection with the aircraft operations would fall under the category of Aeronautical Revenue from aeronautical services in terms of section 2(a)(ii) and section 2(b) of the AERA Act, 2008. Accordingly, lease rentals received by the Airport Operator for providing ground facilities for MRO services/activities have not been considered under the Non-Aeronautical Revenue head for the purpose of projection of NAR for the Fourth Control Period and the same has been included as Aeronautical Revenue. the detailed rationale for this regulatory treatment of revenues received by the Airport Operator for providing ground facilities for MRO services/facilities is set out in Paragraphs 9.5.48 to 9.5.58 below.

9.5.47 The Authority based on the comments and detailed analysis as provided in preceding paras has considered the Rent and Land Lease Revenue amounting to Rs 197.65 Crores as presented in **Table 268** against the amount of Rs 50.44 Crores proposed during the Consultation Stage.

Treatment of Revenues from MRO Rentals

9.5.48 The Authority has examined BIAL's comments on Table 237 of the Consultation Paper pertaining to the treatment of revenue from MRO facilities as Aeronautical Revenue. The Authority states that under Section 2(a)(ii) of the AERA Act, 2008, ground facilities connected with aircraft operations are included

as "aeronautical services", while Section 2(b) includes "aircraft maintenance" within the definition of an "airport". Accordingly, ground facilities for MRO services provided at the airport are directly related to aircraft operations and would fall under the aeronautical category.

9.5.49 It is further stated that MRO services are integral to maintaining the airworthiness and Operationalisation of aircraft and, therefore, have a direct link with aircraft operations. Accordingly, revenues earned/received by the airport operator through lease rentals, licence fees, royalty or concession fees for providing land, hangar space or other airport facilities to MRO service providers are appropriately treated as Aeronautical Revenue. Thus, treating the revenues earned by the airport operator for providing airport ground facilities for MRO activities/services as aeronautical revenue is consistent with the statutory framework and the principles of tariff determination.

9.5.50 The Authority has also examined BIAL's submission that, under Schedule 6 of the Concession Agreement, only landing, parking, housing charges and UDF form a part of the "Regulated Charges" that are to be determined by the Authority. BIAL has further submitted that, revenue from lease rentals from MRO services/ facilities providers is not a part of Regulated Charges and it is to be classified as part of "Other Charges". In this regard, the following is submitted:

i. The Authority observes that, mere reference to a revenue from lease rentals as 'Other Charges' does not preclude its treatment in the form of regulated charges if the lease rentals are accruing from an activity which has been categorised as a core aeronautical activity under the AERA Act, 2008. In this case, the ground facilities offered in connection with the aircraft operations at an airport are categorised as "aeronautical service" as per section 2(a)(ii) of AERA Act, 2008. MRO service providers primarily make available services in connection with the aircraft operations and any ground facility/facilities provided for making available such services by MRO Service Provider would also be considered as aeronautical service as per section 2(a)(ii) of AERA Act, 2008 and the revenues accruing to the Airport Operators for such provision of ground facilities would naturally fall under aeronautical revenues. Thus, the nature, scope and effect of the aforementioned provision of the Concession Agreement as brought out by BIAL in their submission would accordingly need to be examined in correct perspective from actual operations at the airport along with the applicable provisions of the AERA Act, 2008. Therefore, the charges for such services which are covered in the definition of aeronautical services as provided in section 2(a)(ii) of AERA Act, 2008 can be regulated by the AERA. Accordingly, the revenue received by the Airport Operator in any manner by rendering such services would be treated as aeronautical revenue.

ii. Additionally, from a careful reading of list of activities included in part-1 of Schedule 3 of the concession agreement, it emerges that heavy maintenance as well as line maintenance services in relation to Aircraft are included in the list of Airport Activities for which in terms of para 10.1 of Article-10, the charges and resultant revenue generated by the Airport Operator would be treated as per the applicable law i.e. as per the provisions of the AERA Act, 2008. Further, from a holistic reading of Article 10 and schedule 3 of the concession agreement and section 2 (a) (ii) read with section 2(b) of AERA Act, it emerges that the ground facility provided to the MRO service providers providing Aircraft maintenance services at airport would be covered in section 2 (a) (ii) being aeronautical service and consequently, the revenue received by the Airport Operator by providing any ground facility to MRO service providers would invariably be treated as aeronautical revenue for the purpose of determining aeronautical tariff. Therefore, the concession agreement does not provide this concession to BIAL to treat revenue received by the Airport Operator for offering ground facilities to MRO services/facilities as non-aeronautical revenue.

9.5.51 In view of above, the Authority is of considered view that the collective and holistic reading of relevant provisions of concession agreement and AERA Act, allows AERA to treat revenues received by the Airport Operator for providing ground facilities to MRO services/facilities as aeronautical revenue.

9.5.52 The Authority has also adopted similar treatment at other airports, where lease rentals, licence fees, royalty, concession fees and revenue share, as the case may be, received for providing ground facilities for MRO services have been considered as Aeronautical Revenue. Consistent regulatory treatment across similarly placed airports is considered appropriate.

9.5.53 The treatment adopted during the Third Control Period does not preclude the Authority from reviewing the classification for the Fourth Control Period based on the applicable statutory framework and the Authority's assessment of the nature and functional linkage of the activity. The Authority, therefore is of the view that the ground facilities provided by Airport Operator at the airport for MRO services/activities are directly connected with aircraft operations at the airport. Accordingly, revenues earned by the airport operator from providing ground facilities for MRO activities have a direct link with aeronautical operations and are appropriately considered as Aeronautical Revenue.

9.5.54 Accordingly, the Authority decides that lease rentals/licence fees/royalty/concession fees and similar revenues earned/received by BIAL for providing ground facilities for MRO services shall be treated as Aeronautical Revenue for the Fourth Control Period. This is consistent with the AERA Act and the Authority's regulatory approach adopted for such type of revenues for other airports.

Interest Income

9.5.55 The Authority has carefully considered BIAL's submission regarding the treatment of Interest Income for the Fourth Control Period (para 9.3.11).

9.5.56 The Authority notes BIAL's submission that the current proposal considers a total interest income of Rs. 244 Crores per year for the next five years based on FY26 figures, which BIAL contends does not reflect ground realities. The Authority further notes BIAL's contention that given the approved capital expenditure of Rs. 12,902 Crores and a Debt-Equity ratio of 70:30, the equity investment requirement of approximately Rs. 3,900 Crores, combined with the Incremental ARR approach wherein nearly Rs. 1,925 Crores of ARR is linked to completion of three large projects, will necessitate deployment of surplus cash towards expansion projects during FY27 to FY29, thereby limiting interest income generation. The Authority also notes BIAL's submission that based on its estimated cash flow, interest income for the five-year period is expected to be approximately Rs. 550 Crores in aggregate, with year-wise projections of Rs. 140 Crores (FY27), Rs. 110 Crores (FY28), Rs. 90 Crores (FY29), Rs. 60 Crores (FY30), and Rs. 150 Crores (FY31).

9.5.57 The Authority notes that at the consultation stage, BIAL had not submitted independent interest income projections for the Fourth Control Period citing the TDSAT Order dated 14.02.2024. The Authority, consistent with its regulatory principles, projected Fourth Control Period interest income by considering FY26 actuals as the base. The FY26 actuals amount of Rs. 244.07 Crores was applied uniformly for each of the years in the Fourth Control Period from FY27 to FY31, totalling Rs. 1,220.35 Crores.

9.5.58 The Authority also notes the financial constraints arising from the substantial capital expenditure requirements and the application of the Incremental ARR approach during the Fourth Control Period. While the Authority maintains its approach adopted at the consultation stage regarding the projected Interest Income of ₹1,220.35 crore, it has, after due consideration of BIAL's position, decided to exclude Interest Income from the minimum threshold for the Fourth Control Period. This approach balances the need for appropriate revenue considerations with the expected cash deployment requirements, which may limit BIAL's ability to generate interest income during the Control Period.

Response to Airline Operators' Committee (AOC) - Bengaluru Airport

9.5.59 The Authority notes the submission of AOC-BLR (para 9.3.13) that non-aeronautical revenues at KIAB have demonstrated significant growth and that a larger proportion of such revenues should be utilized towards CAPEX recovery so as to reduce the burden of aeronautical tariffs on airlines and passengers. AOC-BLR has further submitted that greater reliance on non-aeronautical revenues may support airport investment requirements while moderating tariff increases.

9.5.60 The Authority has examined the submission in light of the AERA Act, 2008 (read together with amendments in 2019 and 2021), the AERA Guidelines, 2011, the prevailing Hybrid Till framework adopted by the Authority as laid out in the Authority's Order No.14/2016-2017 dated 12.01.2017 and the analysis contained in Consultation Paper No. 01/2026-27.

9.5.61 The Authority notes that tariff determination for major airports is presently undertaken under the Hybrid Till framework adopted pursuant to the National Civil Aviation Policy, 2016. Under this framework, 30% of non-aeronautical revenues are considered for cross-subsidization of aeronautical charges while the balance remains with the airport operator.

9.5.62 The Authority further notes that the Hybrid Till framework was adopted after considering the need to strike an appropriate balance between the interests of airport users and airport operators. While non-aeronautical revenues contribute towards moderation of aeronautical tariffs through the prescribed cross-subsidization mechanism, the framework also recognises the need for airport operators to retain a substantial portion of such revenues to support future investments, improve commercial efficiency, incentivize development of non-aeronautical business streams and facilitate timely capacity augmentation at airports. The underlying premise of the Hybrid Till approach is that sustained airport development requires both reasonable tariff moderation for users and adequate incentives for airport operators to continue investing in infrastructure expansion and service improvement.

9.5.63 Accordingly, the Authority is of the considered view that the prevailing Hybrid Till framework aims to strike a balance between protection of airport users from excessive tariff burdens and the need to ensure long-term financial sustainability and investment capacity of airport operators.

9.5.64 The Authority further notes that non-aeronautical revenues projected by AERA has been duly factored in the determination of the Aggregate Revenue Requirement in accordance with the applicable Hybrid Till framework.

9.5.65 Accordingly, while noting AOC-BLR's suggestion regarding greater utilisation of non-aeronautical revenues for tariff moderation, the Authority observes that the proportion of non-aeronautical revenues to be considered (viz. 30%) for tariff determination purposes is governed by the prevailing Hybrid Till framework applicable to all major airports (pursuant to NCAP, 2016) and hence cannot not be revisited for any specific airport.

Response to Fairfax India Holding Corporation

9.5.66 The Authority notes the submission made by Fairfax India Holdings Corporation (para 9.3.16) regarding the proposed treatment of Non-Aeronautical Revenue (NAR), the application of a minimum threshold for true-up purposes, the treatment of notional lease rentals relating to facilities occupied by Airports Authority of India, and the revised projections relating to interest income.

9.5.67 The Authority notes Fairfax's submission regarding the relationship between NAR and passenger traffic volumes and the external factors that may influence such revenues. The Authority notes that the approach proposed in the Consultation Paper has been framed keeping in view the unique characteristics of BIAL as an established operating airport with demonstrated commercial performance and revenue

generation history. With regard to the minimum threshold on NAR, the Authority's detailed response is covered in the para 9.5.80 to 9.5.89 of this Tariff Order.

9.5.68 Regarding the issue of notional lease rentals relating to facilities occupied by Airports Authority of India, the Authority notes Fairfax's submission that recognizing notional income for tariff determination does not reflect the underlying commercial reality. The Authority has addressed this matter in detail in the earlier paragraphs of this Tariff Order, wherein it has agreed with BIAL's proposal to exclude the Alpha-1 and Alpha-2 buildings occupied by AAI from the Regulatory Asset Base with effect from 01.04.2026 and, correspondingly, does not consider notional lease rentals from AAI in the projections for the Fourth Control Period. For detailed response on this matter, please refer para 9.5.7 dealing with Notional Lease Rentals.

9.5.69 Regarding the submission on interest income in light of the substantial capital investment programme and associated funding requirements in combination with the Incremental ARR approach, the Authority notes Fairfax's concern regarding the constraints this may impose on interest income generation. The Authority has carefully examined this matter and has addressed it in detail in the earlier paragraphs of this Tariff Order. While the Authority retains its interest income projections of Rs. 1,220.35 Crores for the Fourth Control Period, it has decided to remove Interest Income from the minimum threshold calculations for the Fourth Control Period, thereby acknowledging the cash deployment pressures that will constrain BIAL's interest income generation capacity. For detailed response on this matter, please refer para 9.5.55 dealing with Interest Income.

9.5.70 Accordingly, having considered the submissions made by Fairfax, the Authority maintains its overall position regarding the treatment of Non-Aeronautical Revenues as set out in Consultation Paper No. 01/2026-27, with the modifications noted above.

Response to International Air Transport Association (IATA)

9.5.71 The Authority notes the submission made by the International Air Transport Association (IATA) regarding the projection of Non-Aeronautical Revenue (NAR) and the importance of ensuring that NAR forecasts reflect the airport's commercial potential and contribute to tariff moderation under the Hybrid Till framework.

9.5.72 The Authority notes IATA's observations that non-aeronautical revenues play an important role in moderating aeronautical tariffs and that BIAL has developed a diversified NAR base supported by multiple revenue streams. The Authority also notes IATA's submission that infrastructure investments proposed for the Fourth Control Period may generate or support additional non-aeronautical revenue streams.

9.5.73 At the outset, the Authority reiterates that the assessment of NAR has been undertaken based on a detailed review of the submissions made by the Airport Operator, supported by benchmarking with comparable airports, analysis of traffic projections, commercial potential, and stage of airport development. The Authority has also exercised prudence in evaluating the projections and, where considered appropriate, has made suitable adjustments to ensure that the NAR considered reflects a reasonable estimate.

9.5.74 The Authority further notes that non-aeronautical revenue projections considered at the Consultation Paper stage have been assessed taking into account the airport's commercial potential, traffic profile, market benchmarks and the growth prospects of relevant revenue streams, including retail, parking and other commercial activities. The Authority further recognizes that optimal development and monetisation of non-aeronautical assets is an important element within the Hybrid Till framework.

9.5.75 Accordingly, the intrinsic growth potential of non-aeronautical revenues has been duly factored into the Authority's assessment for tariff determination. The Authority is of the view that the proposed threshold-based true-up mechanism balances regulatory certainty, user interest and incentive for commercial efficiency, while ensuring that extraordinary upside gains beyond projections are appropriately shared in the tariff framework.

9.5.76 With regard to IATA's submission regarding classification of aeronautical and non-aeronautical activities, the Authority notes that the treatment of revenues has been undertaken consistently with established regulatory principles and the provisions of the Concession Agreement applicable to BIAL.

9.5.77 In view of the above, the Authority is of the view that the NAR considered in the Consultation Paper represents a balanced and prudent estimate reflecting the airport's commercial potential for the Fourth Control Period. Accordingly, no further revision is proposed at this stage.

9.5.78 The Authority therefore retains its proposals as set out in Consultation Paper No. 01/2026-27.

Matter related to Minimum Threshold of NAR

9.5.79 The Authority has carefully examined the submissions made by BIAL, Fairfax, AAHL, APAO, GMR Airports Ltd, and YIAPL on the issue of application of a minimum threshold level for consideration and true-up of Non-Aeronautical Revenue (NAR) during the Fourth Control Period. The stakeholders have, inter alia, submitted that the Authority should not prescribe any minimum threshold for NAR and that the actual NAR realised by the Airport Operator (AO) alone should be considered for tariff determination and true-up.

9.5.80 In this regard, the Authority notes that under the Hybrid Till framework presently applicable, only 30% of the eligible NAR is considered for the purpose of cross-subsidisation of aeronautical charges, whereas the balance 70% remains with the AO. In such a framework, the AO has both the commercial incentive and the operational ability to maximise NAR through efficient development, deployment and monetisation of airport assets and commercial opportunities.

9.5.81 The Authority is of the view that the regulatory approach cannot be such as to rely entirely on the actual NAR reported by the AO, without any reference to the reasonable revenue-generating potential of the airport and the AO's responsibility to efficiently realise such revenue.

9.5.82 The Authority further notes that NAR is not a revenue stream that is entirely disconnected from the airport's operational and commercial parameters. NAR is closely linked to factors such as passenger traffic, aircraft movements, terminal capacity and utilisation, commercial area available for exploitation, retail and F&B space, car parking, advertising, cargo and other allied commercial activities.

9.5.83 Therefore, historical trends in NAR, read with growth in passenger traffic, ATM and other relevant operational parameters, provide a reasonable and objective basis to assess the prudence of NAR projections and the reasonableness of actual NAR realisation.

9.5.84 The Authority has also observed, based on experience from tariff determination and true-up exercises, that actual NAR in certain cases may be lower than the level reasonably supported by the historical performance of the airport and the underlying growth in traffic and commercial activity. While such variation may arise on account of several reasons, the Authority is of the view that the regulatory framework should contain an appropriate safeguard to ensure that airport users are not adversely affected in cases where NAR is under-projected, under-realised or not adequately monetised, despite the availability of commercial opportunities and the AO's ability to influence such outcomes.

9.5.85 The Authority considers that the minimum threshold mechanism serves as such a safeguard. The purpose of prescribing a minimum threshold is not to assure or guarantee any specific level of commercial

revenue to the AO. Rather, it is intended to establish a reasonable benchmark for the minimum NAR that may be recognised for tariff purposes, based on objective and airport-specific parameters such as historical NAR performance, passenger and ATM growth, terminal and commercial space available and utilised, and other relevant operational and commercial considerations.

9.5.86 The Authority is of the considered view that such a mechanism assumes importance under the Hybrid Till framework. Since only 30% of the NAR is shared with airport users through tariff determination, while the balance 70% is retained by the AO, it is necessary that the AO continues to remain incentivised to maximise NAR and that the regulatory framework does not create a situation wherein lower NAR realisation may indirectly result in higher aeronautical charges for airport users. Airport users ought not to bear the tariff consequences of any inefficiency, sub-optimal monetisation or inadequate commercial exploitation of airport assets by the AO.

9.5.87 The Authority also observes that the application of a minimum threshold promotes regulatory certainty, transparency and consistency in the true-up exercise. In the absence of such a benchmark, the treatment of NAR for tariff purposes would depend solely on the actual revenue reported by the AO, without adequate regulatory scrutiny of whether such revenue appropriately reflects the commercial potential of the airport. Such an approach may dilute the incentives for efficient NAR generation and may not be consistent with the principles of user protection and cost-effective tariff determination.

9.5.88 At the same time, the Authority clarifies that the minimum threshold is not intended to be applied in a rigid or mechanical manner. The threshold is required to be determined having due regard to airport-specific facts and circumstances and on the basis of objective, transparent and verifiable parameters.

9.5.89 In view of the above, the Authority decides that the minimum threshold mechanism for NAR shall continue to be applied during the Fourth Control Period. Accordingly, the Authority based on the comments given by BIAL, and other stakeholders and based on the materials presented above, decides to consider the Non-Aeronautical Revenue for the Fourth Control Period as per the table below:

Table 268: Non-Aeronautical Revenue decided by the Authority for the Fourth Control Period

(Rs. in Crore)

FY ending March 31	2027	2028	2029	2030	2031	Total
Concessionaires Rental Income						
Car Park Revenue	159.27	187.03	214.36	242.61	275.18	**1,078.45**
Retail Revenue	405.45	480.59	550.64	641.71	739.96	**2,818.36**
F&B Revenue	154.75	181.75	208.31	235.88	267.62	**1,048.31**
Lounge Revenue	226.45	266.83	305.84	349.81	399.18	**1,548.11**
Advertising & Promotion	143.82	168.89	193.57	219.07	248.48	**973.82**
Flight Catering	39.64	46.55	53.35	60.38	68.48	**268.40**
Sub Total (A)	**1,129.38**	**1,331.64**	**1,526.08**	**1,749.45**	**1,998.91**	**7,735.45**
Other Non-Aeronautical Revenue						
Rent and Land Lease	35.00	36.75	38.59	40.52	46.80	**197.65**
Miscellaneous non-aeronautical	35.25	36.45	37.69	38.97	40.29	**188.64**
Real Estate	8.42	14.99	20.67	37.15	53.44	**134.67**
Interest Income	244.07	244.07	244.07	244.07	244.07	**1,220.35**
Other Income	16.51	19.80	23.74	28.47	34.14	**122.66**
Sub Total (B)	**339.25**	**352.06**	**364.76**	**389.18**	**418.74**	**1,863.99**

FY ending March 31	2027	2028	2029	2030	2031	Total
Total NAR (C=A+B)	1,468.62	1,683.69	1,890.84	2,138.62	2,417.65	9,599.41

9.5.90 Therefore, based on the above, the Authority decides to consider the Non-Aeronautical Revenue of Rs. 9,599.41 Crores for the Fourth Control Period as against the Non-Aeronautical Revenue of Rs. 9,856.17 Crores proposed at the Consultation Stage. The major reasons for variances are:

i. Consideration of revised Inflation Rate as provided at **Table 214**

ii. Exclusion of Notional Lease Rentals receivable from AAI, resulting in a decrease in NAR by Rs. 102.29 Crores.

iii. Revised Forex revenue projections, resulting in decrease of forex revenue by Rs. 222.16 Crores.

iv. Reclassification of only 50% of Rental Income from Cargo Village as Non-Aeronautical Revenue.

v. Reclassification of Rent and Land Lease items into the respective Aeronautical and Non-Aeronautical revenue streams.

9.6 Authority's Decisions Regarding Non-Aeronautical Revenue for the Fourth Control Period

Based on the material before and its analysis, the Authority decides the following for Non-Aeronautical Revenues for the Fourth Control Period:

9.6.1 To consider Non-Aeronautical Revenue for the Fourth Control Period for Kempegowda International Airport as per **Table 268.**

9.6.2 To consider Interest Income outside the minimum threshold at the time of true-up of NAR for the current Control Period.

9.6.3 To true up NAR for the current control period, at the time of determination of tariff for the next control period, as decided by the Authority in **Table 268** , subject to minimum threshold and para **9.6.2** of this Tariff Order.

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10. AERONAUTICAL TAXES FOR THE FOURTH CONTROL PERIOD

10.1 BIAL's submission regarding Aeronautical Taxes for the Fourth Control Period

10.1.1 BIAL, in its MYTP submission, computed the building block 'T' towards taxes pertaining to regulated charges for the Fourth Control Period. BIAL has stated that the computation of projected tax payments has been made based on the prevailing Income Tax laws and rules, considering the applicable MAT provisions and Section 80 IA of the Income Tax Act.

10.1.2 BIAL had considered the calculation of Aeronautical Taxes in line with AERA Guidelines 5.5.1 as provided below:

"corporate tax paid on income from assets/ amenities/ facilities/ services taken into consideration for determination of Aggregate Revenue Requirement (ARR)"

10.1.3 BIAL had estimated the Aeronautical Profit Before Tax and accordingly computed the tax estimate under MAT for the five years in the Fourth Control Period. BIAL has submitted that it expects to pay taxes under MAT and has computed the tax accordingly. In computing Aeronautical Profit, BIAL has considered 30% of Non-Aeronautical Revenue as part of Aeronautical Revenues, as detailed in its submission.

10.1.4 The Aeronautical Taxes submitted by BIAL for the Fourth Control Period (as received vide its revised MYTP financial model submission dated May 21, 2026) are shown in the table below:

Table 269: Aeronautical Taxes submitted by BIAL for the Fourth Control Period as per MYTP

(Rs. in Crore)

Particulars	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Aviation Charges (A)	6,724.84	7,851.24	8,946.43	10,066.29	11,351.61
30% of Non-Aeronautical Revenue (B)	548.13	616.57	690.69	762.70	859.07
Aero Operating Expenditure (C)	(1,352.20)	(1,583.03)	(1,783.68)	(2,151.12)	(2,549.72)
EBITDA (D = A + B – C)	**5,920.77**	**6,884.77**	**7,853.43**	**8,677.87**	**9,660.95**
Aero Depreciation as per RAB (E)	(844.25)	(1,029.18)	(1,198.33)	(1,727.44)	(2,252.29)
Interest Expense (F)	(354.81)	(446.99)	(518.99)	(739.86)	(938.40)
Profit Before Tax (G = D – E - F)	**4,721.71**	**5,408.60**	**6,136.12**	**6,210.56**	**6,470.26**
Accumulated Losses (H)	-	-	-	-	-
Taxable Income (I = G – H)	**4,721.71**	**5,408.60**	**6,136.12**	**6,210.56**	**6,470.26**
Tax rate as per MAT (J)	18.88%	18.88%	18.88%	18.88%	18.88%
MAT Tax (K = J x I)	**891.34**	**1,021.01**	**1,158.35**	**1,172.40**	**1,221.42**

10.2 Authority's examination regarding Aeronautical Taxes for the Fourth Control Period at the Consultation Stage

10.2.1 The Authority observed that BIAL had considered 30% NAR in the estimation of aeronautical profit before tax (PBT), which was then used in computation of aeronautical taxes under the Minimum Alternate Tax (MAT) framework. The fact that a part of NAR is used for cross-subsidization as per the hybrid till mechanism didn't change the nature of such revenue to aeronautical. Further, cross-subsidization through the hybrid till mechanism is done to reduce tariff pressure on passengers and incentivize BIAL to make effective investments in non-aeronautical income generating sources.

10.2.2 The Authority also noted that for the purpose of tax calculation, BIAL had considered interest cost by applying a notional gearing ratio. However, the Authority considered actual aeronautical gearing for calculation of interest expenses.

10.2.3 The Authority further noted Airport Operator's submission of calculation of tax under Minimum Alternate Tax (MAT) regime and consideration of MAT rate for arriving at the Tax entitlement. However, the Authority relied upon the judgement of Hon'ble Supreme Court dated 11.07.2022 and worked out the corporate tax based on regulatory accounts/regulatory building blocks.

10.2.4 Based on the above, the Authority proposed the following aeronautical tax estimates for the Fourth Control Period:

Table 270: Aeronautical Taxes proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

Particulars	Ref	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Aeronautical Revenue	(A)	1771.39	2136.79	2717.72	3373.67	4135.31	14134.88
Expenditure / Allowances:							
Operation and Maintenance Expenditure (Refer Table 248)	(B)	1022.95	1114.82	1207.72	1306.73	1497.48	6149.70
Aeronautical Depreciation (Refer Table 198)	(C)	617.95	730.53	816.97	980.90	1148.58	4294.93
Aeronautical Interest expenses	(D)	538.63	640.06	701.90	879.53	1039.64	3799.76
Sub-total (E) = (B + C + D)	(E)	2179.52	2485.41	2726.59	3167.16	3685.71	14244.39
Earnings pertaining to the Regulated Charges (F) = (A) – (E)	(F)	(408.13)	(348.62)	(8.87)	206.50	449.61	(109.51)
Accumulated Losses:							
Opening Accumulated Losses	(G)	0.00	(408.13)	(756.75)	(765.62)	(559.12)	
Current year losses	(H)	(408.13)	(348.62)	(8.87)	0.00	0.00	
Current year set-off	(I)	0.00	0.00	0.00	206.50	449.61	
Closing Accumulated Losses (K) = (G+H+I)	(J)	(408.13)	(756.75)	(765.62)	(559.12)	(109.51)	
Earning on which normal tax is calculated [Max (G-K), 0[	(K)	0.00	0.00	0.00	0.00	0.00	
Tax @ 17.472%	(L)	17.472%	17.472%	17.472%	17.472%	17.472%	
Aeronautical Tax (M) = (K) × (L)	(M)	0.00	0.00	0.00	0.00	0.00	0.00

10.3 Stakeholders' Comments regarding Aeronautical Taxes for the Fourth Control Period

10.3.1 During Stakeholders' Consultation Process, the Authority has received comments/ views from BIAL and IATA in response to the proposals of the Authority regarding Aeronautical Tax for the Fourth Control Period in the Consultation Paper No. 01/2026-27 dated 12th June 2026. The Comments of the Stakeholders are presented below:

BIAL's comments regarding Aeronautical Tax for the Fourth Control Period

10.3.2 BIAL's comments with regard to Tax is as follows:

"BIAL had submitted the estimated Tax reimbursement for Fourth Control Period based on Aeronautical Revenues, 30% Non-Aeronautical Cross subsidization and after adjusting the Aeronautical Expenses, depreciation etc.

AERA has recomputed the Tax reimbursement in Table 240 of the Consultation Paper.BIAL notes that AERA has cited reference of Supreme Court Judgement issued in July 2022 as the basis for the proposed

tax workings. BIAL submits that this interpretation is incorrect.The said judgement of the Hon'ble Supreme Court relates specifically tothe issue of non-consideration of fee paid to AAI by DIAL as an expenditure in computing Aeronautical P&L statement. This issue is based on the specific provisions of the State Support Agreement (SSA) of DIAL& MIAL. . Para 111 of the said judgement clearly shows that the Hon'ble Supreme Court has looked into the SSA of DIAL & MIAL to decide on the issue appealed.

> 111. No doubt, it is a principle of taxation that it is the actual tax which is paid and which has to be taken into account. This is what the AERA and the TDSAT have done ostensibly on the premise that there should not be any undue enrichment of the Airport Operators. However, to our mind, the more important factor is to look at what the contract says and whether some other construction would be required to be given to the contract.

Hence the reliance on the decision regarding tax in the above referred judgement of the Hon'ble Supreme Court is not applicable to BIAL. In fact, concession fee is a part of expenses approved by the Authority, clearly establishing the non-applicability of this portion of the judgement.

BIAL requests the Authority to review the following submissions with respect to recomputation of Aeronautical Tax for Fourth Control period.

1) *Inclusion of 30% Non-Aero Revenues for computing Aeronautical Profit – As detailed in Para 3.5 above*
2) *Interest Expenses for the purpose of computing Aeronautical Profit – As detailed in Para 3.5 above*
3) *Aeronautical revenues – BIAL requests AERA to update the values based on the final Aeronautical Revenues to match the Net Present value of the ARR.*
4) *Rate of Tax – BIAL requests the Authority to consider the new tax rate of 18.878% in line with the update to tax rates in the budget accordingly."*

Other Stakeholders' comments regarding Aeronautical Tax for the Fourth Control Period

10.3.3 IATA's comment in regard to Tax is as follows:

"IATA supports the Authority's approach to ensuring that tax-related costs included within the Aggregate Revenue Requirement are assessed rigorously and allocated in a manner that is consistent with the principles of the hybrid till framework. Given the direct pass-through impact of tax allowances on airport charges, it is important that only taxes that are properly attributable to aeronautical activities and efficiently incurred are ultimately recovered from airport users.

In particular, IATA supports the Authority's proposal to reject the treatment advanced by BIAL whereby a portion of non-aeronautical revenue was effectively reclassified for tax recovery purposes. Such an approach would have the effect of transferring tax liabilities associated with non-aeronautical activities onto aeronautical users, thereby undermining the cost allocation principles that underpin the hybrid till regime.

IATA further submits that tax allowances should remain closely aligned with the underlying regulatory treatment of revenues and costs. Where an activity is recognised as non-aeronautical for regulatory purposes, the associated tax effects should likewise remain with the non-aeronautical segment. Any

departure from this principle risks distorting tariff outcomes and reducing the benefit that airport users derive from non-aeronautical revenues.

More broadly, airport users should not be expected to bear tax-related costs arising from avoidable actions, inefficient structuring arrangements, compliance failures, penalties or matters that are not directly linked to the provision of aeronautical services. Tax allowances should therefore be limited to those obligations that are demonstrably necessary, properly attributable and consistent with accepted regulatory practice.

Accordingly, IATA supports the Authority's proposed approach and requests AERA to ensure that:

tax costs recovered from airport users are directly attributable to aeronautical activities;

- *tax treatment remains fully consistent with the hybrid till framework and the classification of underlying revenues;*
- *non-aeronautical tax liabilities are not transferred to aeronautical users through the ARR; and*
- *penalties, fines, non-compliance costs or other avoidable tax-related expenses are excluded from recovery through airport charges.*

Such an approach would help preserve the integrity of the regulatory framework, ensure fair cost allocation between aeronautical and non-aeronautical activities and protect users from bearing costs that are not directly related to the provision of airport services."

10.4 BIAL's response to Stakeholders' Comments regarding Aeronautical Taxes for the Fourth Control Period

10.4.1 BIAL's response to IATA's comment is as follows:

"BIAL notes IATA's support for the Authority's proposal to exclude non-aeronautical revenues from the aeronautical base for the purpose of tax calculations. BIAL submits that the issue is presently sub judice before the Ld. TDSAT and is pending adjudication for BIAL. Further, Ld. TDSAT has, in respect of other major airports, already held that non-aeronautical revenues are to be considered as part of the aeronautical base for the purpose of computing tax allowances under the hybrid till framework. Accordingly, BIAL respectfully submits that the Authority may consider the judicial precedents while arriving at its final determination."

10.5 Authority's Analysis of Stakeholders' Comments regarding Aeronautical Taxes for the Fourth Control Period

10.5.1 The Authority notes BIAL's submission regarding the computation of aeronautical tax entitlement for the Fourth Control Period and its contention that the reliance placed by the Authority on the judgment of the Hon'ble Supreme Court dated 11.07.2022 is not applicable to BIAL. BIAL has further requested reconsideration of the treatment of (i) 30% non-aeronautical revenues, (ii) interest expenses, (iii) aeronautical revenues and (iv) the applicable tax rate for the purpose of computing aeronautical tax entitlement.

10.5.2 The Authority has examined BIAL's submission regarding Aeronautical Taxes for the 4th Control Period. The Authority notes that BIAL has shifted to a new tax regime and has claimed benefits of MAT credit. The applicable tax rate for BIAL will be 18.878%. Accordingly, the Authority has decided to compute aeronautical tax for the Fourth Control Period by considering the tax rate of 18.878%.

10.5.3 With regard to BIAL's submission that 30% of non-aeronautical revenues should be included while computing aeronautical tax entitlement. The Authority has continued the approach as adopted in the true-up of the Third Control Period and discussed in detail in Para 3.8.12 and 3.8.13.

10.5.4 With regard to interest expense, the Authority notes BIAL's submission that a gearing ratio of 48% should be adopted for computation of interest cost for determining aeronautical profit and the corresponding tax entitlement. The Authority has continued the approach as adopted for the true-up of the Third Control Period and discussed in detail in Para 3.8.14 to 3.8.24.

10.5.5 Accordingly, BIAL's aeronautical tax entitlement for the Fourth Control Period has been determined by the Authority based on the above principles and regulatory approach.

Table 271: Aeronautical Taxes decided by the Authority for the Fourth Control Period

(Rs. in Crore)

Particulars	Ref	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Aeronautical Revenue (Refer: **Table 272**)	(A)	2604.13	2779.88	3079.19	3475.16	4044.12	15982.49
Expenditure / Allowances:							
Operation and Maintenance Expenditure (Refer: **Table 255**)	(B)	1030.12	1111.98	1190.03	1276.23	1519.44	6127.80
Aeronautical Depreciation (Refer: **Table 206**)	(C)	687.63	766.29	777.34	903.30	1046.35	4180.91
Aeronautical Interest expenses	(D)	524.45	622.88	685.12	890.29	1080.17	3802.91
Sub-total (E) = (B + C + D)	(E)	2242.19	2501.15	2652.49	3069.82	3645.96	14111.61
Earnings pertaining to the Regulated Charges (F) = (A) – (E)	(F)	361.94	278.74	426.70	405.34	398.16	1870.88
Accumulated Losses:							
Opening Accumulated Losses	(G)	(100.35)	0.00	0.00	0.00	0.00	
Current year losses	(H)	0.00	0.00	0.00	0.00	0.00	
Current year set-off	(I)	361.94	278.74	426.70	405.34	398.16	
Closing Accumulated Losses	(J)	0.00	0.00	0.00	0.00	0.00	
Earning on which normal tax is calculated [Max (G-K), 0]	(K)	261.59	278.74	426.70	405.34	398.16	1770.53
Tax @ 18.878%	(L)	18.878%	18.878%	18.878%	18.878%	18.878%	
Aeronautical Tax (M) = (K) × (L)	**(M)**	**49.38**	**52.62**	**80.55**	**76.52**	**75.16**	**334.24**

10.5.6 The Authority has computed the head-wise Aeronautical revenue as per the Tariff Card placed at **Annexure I** for calculating the tax for the Fourth Control Period.

Table 272: Aeronautical Revenue Projections for the Fourth Control Period *(Rs. in Crore)*

(Rs. Crores)

Revenue Head	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
UDF charges	1,274.99	1,346.84	1,493.00	1,715.20	2,028.71	7,858.74
Landing charges	663.47	702.98	774.83	885.06	1,068.89	4,095.23
Parking charges	32.97	39.60	45.33	51.62	59.20	228.72
CUTE charges	156.46	177.80	197.08	216.10	237.30	984.75
Rents and Land Leases related to CGF	165.55	174.22	183.29	192.79	203.39	919.24
Revenue from CGF	310.69	338.44	385.66	414.38	446.64	1,895.80

Revenue Head	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Total Revenue (B)	**2,604.13**	**2,779.88**	**3,079.19**	**3,475.16**	**4,044.12**	**15,982.49**

10.6 Authority's Decisions regarding Aeronautical Taxes for the Fourth Control Period

Based on the material before it and its analysis, the Authority decides the following regarding Aeronautical Taxes for the Fourth Control Period:

10.6.1 To consider Aeronautical Taxes, for the Fourth Control Period as per **Table 271.**

10.6.2 To true-up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the next control period.

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11. QUALITY OF SERVICE FOR THE FOURTH CONTROL PERIOD

11.1 BIAL's Submission regarding Quality of Service for the Fourth Control Period

11.1.1 BIAL in its MYTP has submitted that it undertakes every possible step to achieve the appropriate quality of Services offered, as mentioned in the Concession agreement.

11.1.2 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.

11.1.3 BIAL has submitted the list of notable awards won by KIAB for services provided during Third Control Period as are provided in the table below:

Table 273: List of Awards / Recognitions won by Bangalore International Airport

Year	Awards / Recognitions won by Bangalore International Airport
2021	1. Airport Customer Experience Accreditation – Level 1, dated 30.04.2021 2. Airport Customer Experience Accreditation – Level 2, dated 01.04.2021 3. ACI's "Voice of the Customer" recognition 4. "Best Airport Staff in India and Central Asia" at the Skytrax World Airport Awards 2021
2022	1. Best Airport at Arrivals – selected by passengers 2. Airport Customer Experience Accreditation – Level 3, dated 12.10.2022 3. Best Regional Airport in India & South Asia
2023	1. BIAL became a signatory to the United Nations Global Compact, aligning its operations with its ten universal principles 2. Best Airport at Arrivals – selected by passengers 3. Terminal 2 recognised by UNESCO as one of the "World's Most Beautiful Airports"
2024	1. First airport in Asia to receive Level 5 Accreditation under ACI's Airport Carbon Accreditation programme 2. Best Regional Airport in India and South Asia at the Skytrax World Airport Awards 3. Cleanest Airport in India & South Asia 4. World's Best New Airport Terminal 2024 – 2nd place for Bangalore Terminal 2 5. Best Airport at Arrivals – selected by passengers 6. Airport Customer Experience Accreditation – Level 4, dated 21.08.2024 7. Accessibility Enhancement Accreditation – Level 1, dated 30.12.2024 8. AAA credit rating, highest credit rating for a PPP airport, by ICRA Ltd, India Ratings and Research Pvt. Ltd. and CRISIL Ratings Ltd
2025	1. Best Regional Airport in India & South Asia 2. Best Airport Hotel in India & South Asia 3. Terminal 2, KIAB awarded 5-Star Airport Terminal Rating in April 2025

11.2 Authority's Examination regarding Quality of Service for the Fourth Control Period

11.2.1 The Authority examined BIAL's submission regarding Quality of Service taking into account the provisions of AERA Act 2008 and service quality parameters achieved by the Airport Operator at the Airport.

11.2.2 The Authority noted that:

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."*.

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."*

11.2.3 The Authority further noted the provisions of the Concession Agreement with respect to performance standards (particularly Article 9 and Schedule 9 Part 2 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 upto 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.

11.2.4 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 BIAL'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 ... "

11.2.5 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."

11.2.6 The Authority also noted the methodology carried out by ACI for arriving at the ASQ ratings for Airports as follows:

i. ACI ASQ is a quarterly benchmarking programme measuring passenger's satisfaction and experience about an Airport with participation from around 350-400 airports across the world.

ii. The passenger experience is measured based on passenger emotions and their impact to arrive at Emotional Score.

iii. The passenger satisfaction is measured based on various service quality parameters as mentioned below:

   i. Arrival at the airport (Ease of getting to the Airport, Signage to access terminal and parking facilities)

   ii. Check-in (Ease of finding check-in area, waiting time at check-in, courtesy and helpfulness of staff)

   iii. Security screening (Ease of going through security screening, waiting time at the security screening and courtesy and helpfulness of security screening staff)

   iv. Border/passport control (Waiting time at Border/passport control and courtesy and helpfulness of staff)

   v. Shopping/dining (Restaurants/bars and value for money, shops and value for money, courtesy and helpfulness of staff)

vi. Gate areas (Comfort of waiting and availability of seats at gate areas)

vii. Throughout the airport (Ease of finding way, availability of flight information, walking distance inside terminal, ease of making connection with other flight, courtesy and helpfulness of staff, wi-fi service quality, availability of charging stations, entertainment and leisure options, availability and cleanliness of washrooms/toilets)

viii. Airport atmosphere (Health, safety, cleanliness and ambience)

iv. Additional service quality parameters considered by ACI ASQ are ground transportation to/from the airport, availability of baggage carts/trolleys, efficiency of check-in staff and business/executive lounges.

v. ACI ASQ also evaluates the service quality satisfaction level through three indexes namely Ease of traveling index, Waiting time index and staff index.

11.2.7 The Authority through its independent consultant reviewed the ACI ASQ performance reports of BIAL for the past five calendar years (i.e. CY 2021 till CY 2025) and noted that BIAL had achieved Annual score above 4.50.

11.2.8 The Authority noted the Departure and Arrival ASQ Scores from CY 2021 till CY 2025 for KIA as follows:

Table 274: ACI ASQ Score for KIAB

Year (Calendar Year)	Quarter	Departure ASQ rating	Arrival ASQ rating
2021	Q1	4.94	4.96
	Q2	4.95	4.96
	Q3	4.95	4.96
	Q4	4.96	4.96
	Annual Score	**4.95**	**4.96**
2022	Q1	4.97	4.97
	Q2	4.96	4.97
	Q3	4.94	4.98
	Q4	4.43	4.47
	Annual Score	**4.82**	**4.85**
2023	Q1	4.82	4.92
	Q2	4.85	4.93
	Q3	4.89	4.86
	Q4	4.82	4.94
	Annual Score	**4.84**	**4.91**
2024	Q1	4.96	4.96
	Q2	4.96	4.98
	Q3	4.97	4.98
	Q4	4.97	4.99
	Annual Score	**4.97**	**4.98**
2025	Q1	4.96	5.00
	Q2	4.98	5.00
	Q3	4.99	5.00
	Q4	5.00	**5.00**
	Annual Score	**4.98**	**5.00**

11.2.9 BIAL had achieved ACI ASQ rating above 4.50 since CY 2021 as per Table 274 above.

11.2.10 Based on the above, the Authority did not propose any adjustment towards tariff determination for the Fourth Control Period on account of quality of service maintained by the Kempegowda International

Airport, as BIAL had been able to consistently maintain ASQ rating above 4.50 which was better than the minimum benchmark stipulated as per the Concession Agreement.

11.2.11 The Authority had also issued Consultation Paper No. 03/2025-26 dated August 18, 2025 on the "Formulation of Performance Standards for Major Airports relating to Quality and Continuity and reliability of service and related activities". The final order will be issued in due course and shall be applicable to BIAL as and when the same becomes effective and applicable to major airports.

11.3 Stakeholders' Comments regarding Quality of Service for the Fourth Control Period

11.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from BAOA in response to the proposals of the Authority in the Consultation Paper No. 01/2026-27 dated 12th June 2026 regarding Quality of Service for the Fourth Control Period. The Comments of the Stakeholders are presented below:

BIAL's Comments regarding Quality of Service for the Fourth Control Period

11.3.2 BIAL has not shared any comments in regard to Quality of Service.

Other Stakeholders' Comments regarding Quality of Service for the Fourth Control Period

11.3.3 Business Aircraft Operators' Association (BAOA)'s comment is as follows :

"The Business Aircraft Operators Association (BAOA) appreciates the opportunity to provide comments on AERA Consultation Paper No. 01/2026-27 and the Annual Tariff Proposal (ATP) submitted by Bangalore International Airport Limited (BIAL) for the Fourth Control Period.

BAOA supports the continued development of Kempegowda International Airport Bengaluru as one of India's leading aviation gateways and recognizes the importance of a transparent, predictable and sustainable tariff framework that facilitates long-term infrastructure development while ensuring fair treatment of all airport users. As the 'non-profit' representative body of India's business and general aviation community, BAOA respectfully submits the following comments for consideration during the tariff determination process.

BAOA's principal concern relates to the transparency, reasonableness and structure of charges applicable to business and general aviation operators. While aeronautical tariffs are subject to regulatory oversight, experience across multiple airports has demonstrated that a significant portion of the operational cost burden on business aviation arises from ancillary and operational service charges that are often bundled, insufficiently itemized or not readily transparent to users.

Accordingly, BAOA requests AERA to ensure that all charges applicable to business and general aviation operators are clearly identified, transparently published and separately itemized. Ground handling, passenger handling, baggage handling, marshalling, towing, GPU services, water services, lavatory services, terminal usage, security-related services and other ancillary operational services should be separately priced and charged strictly on an actual-use basis. The approved tariff framework should discourage bundled charging structures and preserve operator choice, transparency and cost visibility.

BAOA further submits that any General Aviation Terminal (GAT), executive terminal, VIP terminal, lounge, concierge facility or similar premium passenger service, whether existing or introduced during the Control Period, should remain entirely optional in nature. Access to airport infrastructure and the conduct of aircraft operations should not be made conditional upon the use of premium passenger facilities or associated services. Such facilities should be separately identified, transparently priced and utilized solely at the discretion of the operator or passenger concerned.

BAOA also requests AERA to ensure that airport users are provided adequate visibility regarding all airport-related charges, whether regulated or unregulated, so that users can make informed operational and commercial decisions. Greater transparency in the publication and application of such charges will contribute significantly to ease of doing business and improve stakeholder confidence in the airport charging framework.

From a broader regulatory perspective, BAOA submits that airport performance and service quality assessment frameworks should not be limited solely to passenger-centric indicators such as those reflected in Airport Service Quality (ASQ) surveys. While passenger experience remains an important measure of airport performance, equal consideration should also be given to operatorcentric parameters, particularly in relation to business and general aviation operations.

Business and general aviation operators interact extensively with airport systems and service providers through processes such as slot allocation, parking allocation, ground handling coordination, operational approvals, access arrangements, turnaround support and the procurement of ancillary services. Accordingly, airport performance evaluation should also consider factors such as transparency and predictability of charges, availability and accessibility of airport infrastructure, efficiency of operational processes, responsiveness to stakeholder concerns, timeliness of resolution of operational issues and complaints, fairness in service delivery, ease of obtaining required operational services and the absence of mandatory or bundled premium service requirements. Incorporating such operator-focused performance indicators would provide a more balanced and comprehensive assessment of overall airport service quality and better reflect the experience of all categories of airport users.

BAOA further recommends that an appropriate mechanism be established for the reporting, monitoring and resolution of operator concerns relating to such performance parameters. While the responsibility for corrective action should rest with the airport operator and relevant service providers, AERA may consider periodically monitoring these parameters as part of its broader mandate to promote efficiency, transparency, quality of service and the reasonable interests of airport users. Such oversight would encourage greater accountability and contribute to the efficient and cost-effective functioning of airports for the benefit of the aviation ecosystem as a whole.

BAOA also recommends that any future implementation, modification or revision of the approved Airport Master Plan, including development of terminals, aprons, aircraft parking areas, access arrangements, business aviation facilities or operational procedures affecting general and business aviation, should be undertaken only after structured consultation with affected stakeholders. Early engagement with industry users is essential to ensure that infrastructure development remains aligned with operational realities and minimizes avoidable disruption.

In addition, BAOA requests that the Authority encourage continued stakeholder consultation by the airport operator on matters affecting business and general aviation, including infrastructure planning, operational procedures, service standards and charging mechanisms. Such engagement supports regulatory transparency and promotes balanced growth across all aviation segments.

Finally, BAOA respectfully submits that tariff determination, infrastructure planning and service delivery should continue to be guided by the principles of transparency, cost causation, proportionality, stakeholder consultation and user choice. BAOA requests AERA to reflect these principles in its final determination for Bengaluru Airport and in any future approvals relating to airport infrastructure, facilities and associated services during the Fourth Control Period.

BAOA thanks the Authority for the opportunity to provide its comments and would be pleased to participate in any further stakeholder discussions on matters affecting business and general aviation operations at Kempegowda International Airport Bengaluru. "

BIAL's response to Stakeholders' Comments regarding Quality of Service for the Fourth Control Period

11.3.4 BIAL's response to BAOA's comment is as follows:

"With reference to the views expressed by Business Aircraft Operators Association (BAOA) and Lufthansa Group,

BIAL has submitted its views on the issues raised by the above stakeholders, as part of its response to the Consultation Paper submitted on 13th July 2026 and requests the Authority to consider the same."

11.4 Authority's Analysis on Stakeholders' Comments regarding Quality of Service for the Fourth Control Period

Operator-Centric Service Quality Framework

11.4.1 The Authority has examined the submissions of BAOA pertaining to introduction of Operator-Centric Service Quality Framework, Grievance and Monitoring Mechanisms and Continued Stakeholder Engagement.

The Authority notes that service quality and obligations and monitoring mechanisms are already embedded withing the prevailing regulatory and concession framework.

Further, the establishment of a broader operational performance framework and associated service-delivery metrics falls beyond the immediate scope of the present tariff determination.

Grievance and Monitoring Mechanism

11.4.2 The Authority recognises the importance of effective stakeholder engagement and timely resolution of operational concerns. However, the establishment and administration of detailed operational grievance management processes are not matters that form part of the tariff determination exercise being undertaken for the Fourth Control Period.

The Authority expects BIAL to continue maintaining suitable arrangements for stakeholder engagement and resolution of operational issues consistent with applicable regulatory and operational requirements and in alignment with the relevant provisions of BIAL's Concession Agreement.

Continued Stakeholder Engagement

11.4.3 The Authority recognises the value of continued engagement between airport operators and airport users. Constructive stakeholder consultation promotes transparency, facilitates resolution of operational concerns and contributes to the efficient utilisation and development of airport infrastructure.

11.4.4 The Authority expects the airport operator to continue engaging with relevant stakeholders on matters affecting airport users, consistent with applicable regulatory, contractual and operational requirements.

11.5 Authority's Decisions regarding Quality of Service for the Fourth Control Period

Based on the material before it and its analysis, the Authority decides the following with respect to Quality of Service for the Fourth Control Period.

11.5.1 To not consider any adjustment in the Aggregate Revenue Requirement on account of Quality of Service for the Fourth Control Period.

11.5.2 BIAL should ensure that service quality at Kempegowda International Airport, Bengaluru adheres to the performance standards outlined in the Concession Agreement and shall comply with such performance standards as may be notified pursuant to the final order referred to in paragraph 11.2.11 once the same become applicable to major airports.

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12. AGGREGATE REVENUE REQUIREMENT FOR THE FOURTH CONTROL PERIOD

12.1 BIAL's submission regarding Aggregate Revenue Requirement for the Fourth Control Period

12.1.1 BIAL had submitted Aggregate Revenue Requirement (ARR) for the Fourth Control Period based on projected Regulatory building blocks. Thereafter, BIAL submitted actuals for FY 2025-26 and correspondingly revised ARR. The summary of Aggregate Revenue Requirement submitted by BIAL for the Fourth Control Period in MYTP is as follows:

Table 275: Aggregate Revenue Requirement submitted by BIAL for the Fourth Control Period

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB	A	8,959.16	10,914.84	12,391.92	17,470.63	22,063.31	
FRoR	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on RAB	C=A*B	1,074.25	1,308.75	1,485.86	2,094.83	2,645.52	8,609.22
Aeronautical Depreciation	D	844.25	1,029.18	1,198.33	1,727.44	2,252.29	7,051.49
Operating Expenses (including concession fee)	E	1,352.20	1,583.03	1,783.68	2,151.12	2,549.72	9,419.76
Aeronautical Taxes	F	891.34	1,021.01	1,158.35	1,172.40	1,221.42	5,464.52
Sub-total	G=C+D+E+F	4,162.04	4,941.97	5,626.22	7,145.79	8,668.95	30,544.97
Less: 30% of non-aeronautical revenue	H	(548.13)	(616.57)	(690.69)	(762.70)	(859.07)	(3,477.16)
Aggregate Revenue Requirement	**I=G+H**	**3,613.91**	**4,325.40**	**4,935.53**	**6,383.09**	**7,809.88**	**27,067.81**
(Over) / Under Recovery of previous Control Periods as on 31.03.2027	J	14,331.12					14,331.12
Net Aggregate Revenue Requirement	**K=I+J**	**17,945.03**	**4,325.40**	**4,935.53**	**6,383.09**	**7,809.88**	**41,398.93**
Projected Aero Revenue	L	6,724.84	7,851.24	8,946.43	10,066.29	11,351.61	44,940.41
PV Factor as on 01.04.2027 (WACC of 11.99%)	M	1.00	0.89	0.80	0.71	0.64	
Present Value of Net ARR	**N=K*M**	**17,945.04**	**3,862.30**	**3,935.24**	**4,544.51**	**4,965.00**	**35,252.08**
Present Value of Net Aggregate Revenue Requirement (ARR)	O	**35,252.08**					

12.2 Authority's examination regarding Aggregate Revenue Requirement for the Fourth Control Period at the Consultation Stage

12.2.1 The Authority based on its examination across the regulatory building blocks including true up for the past control periods, recalculated the Aggregate Revenue Requirement for the Fourth Control Period.

12.2.2 As mentioned in Para 1.6.1, 1.6.2, 1.6.3, 1.7.1, 1.7.2, 1.7.3, 1.7.4 and 1.7.5 of this Tariff Order, with regard to the appeals filed by BIAL in Hon'ble Supreme Court and in Hon'ble TDSAT and appeals filed by AERA in Hon'ble Supreme Court, the Authority is of the view that presently it needs to continue the tariff determination exercise in line with the decisions taken in the Tariff Order for the Third Control Period as the matter is sub-judice before the Hon'ble Supreme Court.

12.2.3 Considering the above and after due analysis, prudence check and rationalisation of each regulatory building blocks, the Authority at the Consultation Stage proposed the following Aggregate Revenue Requirement and Yield Per Pax for the Fourth Control Period:

Table 276: Aggregate Revenue Requirement proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	A	8,948.50	9,703.89	11,730.29	11,253.81	17,229.01	
Additions to RAB	B	1,373.34	2,756.93	340.49	6,956.09	213.52	
Depreciation	C	617.95	730.53	816.97	980.90	1,148.58	
Closing RAB	D=A+B-C	9,703.89	11,730.29	11,253.81	17,229.01	16,293.95	
Average RAB (Refer **Table 200**)	E=(A+D)/2	9,326.19	10,717.09	11,492.05	14,241.41	16,761.48	
Fair Rate of Return (Refer Table 211)	F	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	G=F*E	1,118.21	1,284.98	1,377.90	1,707.54	2,009.70	7,498.33
Depreciation (Refer Table 186)	H	617.95	730.53	816.97	980.90	1,148.58	4,294.93
O&M expenses (Refer Table 226)	I	1,022.95	1,114.82	1,207.72	1,306.73	1,497.48	6,149.70
Tax Expense (Refer Table 240)	J	0.00	0.00	0.00	0.00	0.00	0.00
Aggregate Revenue Requirement (ARR)	K=(G+H+I+J)	2,759.11	3,130.33	3,402.59	3,995.17	4,655.76	17,942.96
NAR (Refer Table 237)	L	1,498.30	1,722.97	1,940.03	2,202.23	2,492.63	9,856.16
Less: 30% NAR	M=L*30%	449.49	516.89	582.01	660.67	747.79	2,956.85
Net ARR	N=K-M	2,309.61	2,613.44	2,820.58	3,334.50	3,907.97	14,986.11
(Over)/Under Recovery of previous CP as on 31.03.2027	O	239.10					239.10
Net ARR after carrying forward	P=O+N	2,548.72	2,613.44	2,820.58	3,334.50	3,907.97	15,225.22
PV factor @11.99%	Q	1.00	0.89	0.80	0.71	0.64	
PV of ARR	R=Q*P	2,548.72	2,333.64	2,248.95	2,374.07	2,484.47	11,989.85
Sum present value of ARR (₹ in crore)	S	**11,989.85**					
Total traffic in MPPA (Refer Table 108)	T	**301.00**					

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Yield per Passenger (YPP) (in ₹)	U=(S/T) *10	398.33					

12.2.4 The Authority based on its examination proposed an Aggregate Revenue Requirement of Rs. 15,225.22 Crores (in PV terms – 11,989.85 Crores) at the Consultation Stage as against an Aggregate Revenue Requirement of Rs. 41,398.93 Crores (in PV terms – 35,252.08 Crores) as submitted by BIAL. The major reasons for the variance between BIAL's submission and Authority's proposals at the Consultation Stage were as below:

- Consideration of Under recovery to be trued up from the Third Control Period of Rs. 239.10 Crores against BIAL's submission of Under recovery of Rs. 14,331.12 Cr for the same period. Difference is mainly due to non-consideration of the issues related to legal matters which are presently sub-judice.
- Rationalization of Capital Expenditure and O&M Expenses for the Fourth Control Period by the Authority vis-a-vis the submission made by BIAL.
- Revision in Non-Aeronautical Revenue for the Fourth Control Period based on realistic growth rates vis a vis the growth rates as considered by BIAL and considering CGF as Aeronautical as against Non-Aeronautical, as treated by BIAL.

12.3 Incremental ARR Approach on User Pay Principle for identified High-value capex Projects

12.3.1 It can be seen from Table 276 that in FY 2027-28, there is a significant increase in the capital additions due to the West Cross Field Taxiway (WCFT) and similarly in FY 2029-30, due to Terminal 2 Phase 2 Building and Terminal 2 Phase 2 Apron (40 Stands) which together account for almost ~58% of the overall capital expenditure for the Fourth Control Period thereby significantly impacting the return on RAB & Depreciation. These capital assets would be capitalised and put to use in 2029-30, whereas their impact would become applicable on passengers travelling in the 1st year of the Control Period. This will not be in consonance with the fundamental principle of Airport Charges that a user pays for facilities and services that are available for use. Further, in this context it is pertinent to mention that: -

i. Principles embodied in the International Civil Aviation Organization (ICAO) Policies on Charges for Airports and Air Navigation Services recognize that users should ultimately bear their full and fair share of the costs associated with the provision of airport infrastructure and services. Implicit in this principle is the expectation that charges should bear a reasonable relationship to the facilities and services made available to users. Where users are required to pay enhanced charges significantly in advance of the creation and operationalization of such facilities, concerns may arise regarding inter-generational equity, cost causation, and the alignment between charges and service delivery.

ii. The regulatory procedure that allows recovery of return on RAB, depreciation, and associated costs based solely on projected capitalization may not sufficiently incentivize timely execution and commissioning of capital projects. Where tariff recovery is substantially assured irrespective of actual project completion timelines, there may be limited regulatory impetus for ensuring adherence to committed implementation schedules. The Authority had actually observed that, in several past instances, major capital expenditure projects projected for commissioning within a

Control Period were subsequently delayed, rescheduled, phased differently, or, in certain instances, not executed at all. Such deviations between projected and actual capitalisation could lead to a mismatch between tariff recovery and asset availability. As a result, airport users may have to bear charges based on investments that had not yet materialised, while the Airport Operator may receive revenue recovery in advance of the corresponding assets being put into use. Such an outcome may not be consistent with the broader objectives of efficiency, accountability, and performance-based regulation.

12.3.2 In light of the foregoing considerations, the Authority was of the view that in cases where large and significant capex items were part of the 5 year Capex plan and these capex having significant impact on aeronautical tariffs, and are expected to be commissioned during the latter part of the Control Period, particularly during the last two years of the Control Period then it would be most appropriate that these capex items be put under the 'User Pay Principle' and factored in the regulatory framework from the expected date of its capitalisation in the latter part of the Control Period so that the burden of these big ticket capital items are not borne by the passengers & airlines and other airport users even when these capital items are yet to be capitalised and made available for users.

12.3.3 Accordingly, the Authority proposed to adopt, on a project-specific basis, an Incremental ARR Approach on User Pay Principle for identified high-value capex projects. Under this approach, the base ARR and corresponding aeronautical tariffs for a Control Period would be determined excluding the impact of specified future capital projects. Simultaneously, the Authority for ensuring regulatory certainty and encouraging timely completion of planned capital projects of airport would determine, ex ante, the incremental ARR and YPP impact of each identified project based on prudently assessed project costs, financing assumptions, scheduling assumptions, and the incremental ARR would be given effect through revised aeronautical tariffs as and when each identified project was capitalised and put to operational use.

12.3.4 The Authority considered that such an approach would provide multiple regulatory benefits. First, it would ensure closer alignment between tariff recovery and the actual availability of airport infrastructure and services. Second, it would protect airport users from premature tariff burdens arising from assets that are yet to be commissioned. Third, it would strengthen incentives for timely execution and commissioning of capital projects by linking revenue recovery more directly to project delivery. Fourth, it would reduce the risk of over-recovery associated with delays, deferments, or non-execution of forecasted capital expenditure. Finally, it would continue to preserve the Airport Operator's legitimate right to recover prudently incurred investment costs and earn a reasonable return on capital once the relevant assets are brought into service.

12.4 Proposed Methodology

12.4.1 At the Consultation Stage the methodology for the incremental ARR Approach on the User Pay Principle for the identified high-value capex projects as proposed by the Authority was as follows:

(a) Identification of Eligible High-Value Capital Expenditure Projects

12.4.2 The Authority, based on the facts and circumstances of each case, would identify the list of eligible projects and their approved capital costs as part of the tariff determination order.

(b) Exclusion of Project-Specific ARR Components for Determination of Base ARR

12.4.3 For each project identified under the Incremental ARR Approach, the Authority would determine the projected Aggregate Revenue Requirement (ARR) attributable to such project. The project-specific ARR would include, inter alia:

(i) Return on the associated Regulated Asset Base (RAB);

(ii) Depreciation on the capitalized asset;

(iii) Any other component considered appropriate by the Authority.

12.4.4 The Authority would calculate the ARR and corresponding Yield Per Passenger (YPP) attributable to each identified project based on the rationalised project cost, financing assumptions, capitalization schedule as submitted by Airport Operator, and other regulatory parameters applicable for the relevant Control Period.

12.4.5 Thereafter, the ARR and YPP associated with such identified projects would be excluded from the overall projected ARR for the purpose of determining the Base ARR and Base Yield applicable at the commencement of the Control Period.

12.4.6 The Base ARR should therefore represent the revenue requirement associated with existing assets and capital projects that were not subject to the Incremental ARR framework, thereby ensuring that airport users would not be required to bear tariff increases in anticipation of infrastructure yet to be commissioned and made available for operational use.

(c) Determination of Aeronautical Charges Based on Base ARR

12.4.7 The Authority would determine the aeronautical tariffs applicable at the commencement of the Control Period based on the approved Base ARR and corresponding Base Yield.

12.4.8 The tariffs determined on this basis would remain applicable unless and until additional ARR associated with identified high-value capital expenditure projects would become eligible for recovery in accordance with the mechanism specified by the Authority in succeeding paras.

12.4.9 This approach sought to establish a tariff structure that reflected only those assets and services that would become available, or reasonably expected to be available to airport users during the relevant tariff period, thereby promoting tariff stability and fairness.

(d) Intimation of Project Completion and Put-to-Use by Airport Operator

12.4.10 For the purpose of operationalizing the Incremental ARR framework, the Airport Operator would be required to formally intimate the Authority regarding the completion and commencement of operational use of any project identified under this mechanism.

12.4.11 To facilitate orderly regulatory review and implementation, and to bring predictability to the review process, the Authority proposed to establish two reporting windows during each financial year:

Window I: Projects completed and put to use during the period from 1st April to 30th September.

Window II: Projects completed and put to use during the period from 1st October to 31st March.

12.4.12 The Airport Operator would submit the requisite intimation, together with supporting documentation and certifications as may be prescribed by the Authority, within one month from the closure of the relevant reporting window.

12.4.13 For example, where an identified project was completed and put to use at any time during the period from April 2029 to September 2029, the Airport Operator would submit the relevant intimation and supporting documents by October 2029.

12.4.14 The Authority could prescribe the format, evidentiary requirements, certification standards, and other procedural requirements necessary for establishing that the relevant asset had been completed, capitalized, and put to operational use.

(e) Determination of Incremental Aeronautical Charges Upon Commissioning

12.4.15 Upon receipt of the Airport Operator's intimation, the Authority would undertake an examination of the submitted information to verify compliance with the conditions specified under the tariff order and to confirm that the relevant asset had been completed, capitalized, and put to operational use.

12.4.16 Following such examination, the Authority would issue an appropriate order providing for recovery of the pre-approved incremental ARR and corresponding YPP associated with the identified project. The order will also specify the resulting revision in aeronautical tariffs and the effective date from which such revised tariffs shall become applicable.

12.4.17 By way of illustration, where an Airport Operator submits an intimation in October 2029 in respect of a project completed and put to use during the April–September 2029 reporting window, the Authority, after completing the necessary evaluation, would issue an order enabling the revised aeronautical tariffs to become effective from 01.01.2030.

12.4.18 The Authority had clarified that the purpose of this exercise would be limited to operationalization of the pre-approved incremental ARR framework and verification of commissioning and put-to-use conditions. Accordingly, at that stage no re-assessment of project costs, financing assumptions, regulatory building blocks, or other cost parameters would ordinarily be undertaken.

12.4.19 Any variation between the approved project cost as reflected in the Tariff Order and actual project costs, including capitalization values, financing costs, operational expenditure, or other relevant parameters would be examined separately only during the True-Up process of this Control Period in the subsequent Control Period in accordance with the applicable regulatory framework. The True-Up exercise would remain the appropriate mechanism for determining the prudence and admissibility of actual costs and for addressing any consequential under-recovery or over-recovery arising from such variations.

Expected Regulatory Outcomes

12.4.20 The Authority was of the view that the proposed framework would:

(a) align tariff recovery more closely with the actual availability of airport infrastructure and services;

(b) protect airport users from premature tariff increases relating to assets that are not yet operational;

(c) strengthen incentives for timely project execution and commissioning;

(d) reduce the likelihood of over-recovery arising from project delays, deferments, or non-execution of forecasted capital expenditure; and

(e) preserve the Airport Operator's entitlement to recover prudently incurred costs and earn a reasonable return on investment upon commencement of service delivery of these identified capex projects.

12.4.21 In the light of the above, for the Kempegowda International Airport, Bengaluru, the capex items identified for incremental ARR approach on User Pay Principle at the Consultations Stage were –

i. West Cross Field Taxiway
ii. T2 Phase 2 Apron – 40 Stands
iii. T2 Phase 2 Terminal

These capex items had been identified in view of the fact that they involved substantial capital investment (forming almost 58% of the total Capital Expenditure for the fourth control period).

Table 277: Capex proposed to be considered by the Authority at the Consultation Stage on incremental ARR approach

(Rs. in Crore)

Particulars	Capex proposed by BIAL	Aero Capex proposed by BIAL	Capex proposed by Authority	Aero Capex proposed by Authority	Capitalization Date
West Cross Field Taxiway	1,567.33	1,567.33	1,224.9	1,224.9	30-Sep-2027
T2 Phase 2 Apron – 40 Stands	906.87	906.87	754.9	754.9	30-Jun-2029
T2 Phase 2 Terminal	7,480.47	6,557.38	5,713.00	5,008.11	31-Dec-2029

West Cross Field Taxiway – Impact on ARR

Table 278: Impact on ARR for West Cross Field Taxiway on Incremental ARR approach determined at the Consultation Stage:

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	602.24	1,184.07	1,143.24	1,102.41	
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	C=A*B	-	72.21	141.97	137.07	132.18	483.43
Depreciation	D	-	20.42	40.83	40.83	40.83	142.91
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	92.62	182.80	177.90	173.01	626.34
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	92.62	182.80	177.90	173.01	626.34
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-	-	-	-	-	-
Net ARR after carrying forward	L=J+K	-	92.62	182.80	177.90	173.01	626.34
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	
PV of ARR	N=L*M	-	82.71	145.75	126.66	109.99	465.11
Sum present value of ARR (₹ in crore)	O	**465.11**					
Total traffic in MPPA (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**15.45**					

 # for comparison purpose, YPP has been shown based on total passengers. Charges will be increased appropriately considering the balance collection period.

12.4.22 Two reporting windows would be established in each Financial Year, namely: (i) April to September, and (ii) October to March. The Airport Operator would, within thirty (30) days from the closure of each reporting window submit to AERA details of all capital projects that had been completed and put to use during the relevant reporting window, together with such supporting information and documentation as may be required by AERA.

12.4.23 Upon examination of the submissions and on satisfaction regarding the completion and operationalization of the reported projects, AERA would issue an appropriate Order determining the consequential adjustment, in the applicable aeronautical charges. In determining such adjustment, AERA would take into account the cost and balance control period.

T2 Phase 2 Apron – Impact on ARR

Table 279: Impact on ARR for T2 Phase 2 Apron – 46 Stands on Incremental ARR approach determined at the Consultation Stage:

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	371.16	729.74	
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	C=A*B	-	-	-	44.50	87.50	132.00
Depreciation	D	-	-	-	12.58	25.16	37.75
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	57.08	112.66	169.74
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	-	-	57.08	112.66	169.74
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-	-	-	-	-	-
Net ARR after carrying forward	L=J+K	-	-	-	57.08	112.66	169.74
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	
PV of ARR	N=L*M	-	-	-	40.64	71.62	112.26
Sum present value of ARR (₹ in crore)	O	**112.26**					
Total traffic in MPPA (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**3.73**					

 # for comparison purpose, YPP has been shown based on total passengers. Charges will be increased appropriately considering the balance collection period.

12.4.24 Two reporting windows would be established in each Financial Year, namely: (i) April to September, and (ii) October to March. The Airport Operator would, within thirty (30) days from the closure of each reporting window submit to AERA details of all capital projects that had been completed and put to use during the relevant reporting window, together with such supporting information and documentation as may be required by AERA.

12.4.25 Upon examination of the submissions and on satisfaction regarding the completion and operationalization of the reported projects, AERA would issue an appropriate Order determining the consequential adjustment, in the applicable aeronautical charges. In determining such adjustment, AERA would take into account the cost and balance control period.

T2 Phase 2 Terminal – Impact on ARR

Table 280: Impact on ARR for T2 Phase 2 Terminal on Incremental ARR approach determined at the Consultation Stage:

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	2,462.32	4,841.17	
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	C=A*B	-	-	-	295.23	580.46	875.69
Depreciation	D	-	-	-	83.47	166.94	250.41
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	378.70	747.39	1,126.09
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	-	-	378.70	747.39	1,126.09
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-	-	-	-	-	-
Net ARR after carrying forward	L=J+K	-	-	-	378.70	747.39	1,126.09
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	
PV of ARR	N=L*M	-	-	-	269.62	475.15	744.78
Sum present value of ARR (₹ in crore)	O	**744.78**					
Total traffic in MPPA (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**24.74**					

 # for comparison purpose, YPP has been shown based on total passengers. Charges will be increased appropriately considering the balance collection period.

12.4.26 Two reporting windows would be established in each Financial Year, namely: (i) April to September, and (ii) October to March. The Airport Operator would, within thirty (30) days from the closure of each reporting window submit to AERA details of all capital projects that had been completed and put to use during the relevant reporting window, together with such supporting information and documentation as may be required by AERA.

12.4.27 Upon examination of the submissions and on satisfaction regarding the completion and operationalization of the reported projects, AERA would issue an appropriate Order determining the consequential adjustment, in the applicable aeronautical charges. In determining such adjustment, AERA would take into account the cost and balance control period.

12.4.28 In light of above, the Authority proposed to consider a baseline Aggregate Revenue Requirement (ARR) and Yield per Passenger (YPP), as provided in table below, computed by excluding the above identified projects from the Regulatory Asset Base (RAB) for the Fourth Control Period.

Table 281: Base Line ARR & YPP for BIAL for 4th Control Period as proposed by the Authority at the Consultation Stage

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	9,326.19	10,114.85	10,307.98	10,264.69	10,088.16	-
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	-

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Return on average RAB	C=A*B	1,118.21	1,212.77	1,235.93	1,230.74	1,209.57	6,007.21
Depreciation	D	617.95	710.12	776.14	844.02	915.65	3,863.88
O&M expenses including concession fee	E	1,022.95	1,114.82	1,207.72	1,306.73	1,497.48	6,149.70
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	2,759.11	3,037.71	3,219.79	3,381.49	3,622.70	16,020.79
NAR	H	1,498.30	1,722.97	1,940.03	2,202.23	2,492.63	9,856.16
Less: 30% NAR	I=H*30%	449.49	516.89	582.01	660.67	747.79	2,956.85
Net ARR	J=G-I	2,309.62	2,520.82	2,637.78	2,720.82	2,874.91	13,063.94
(Over)/Under Recovery of previous CP as on 31.03.2027	K	239.10	-	-	-	-	239.10
Net ARR after carrying forward	L=J+K	2,548.72	2,520.82	2,637.78	2,720.82	2,874.91	13,303.05
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	-
PV of ARR	N=L*M	2,548.72	2,250.93	2,103.20	1,937.14	1,827.71	10,667.70
Sum present value of ARR (₹ in crore)	O	**10,667.70**					
Total traffic in MPPA	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**354.41**					

12.4.29 The Authority noted that it is necessary to have the individual year wise tariff card laying down the different aeronautical charges and the workings for the aeronautical revenues, in order to have a constructive stakeholder discussion and hence BIAL was directed to submit the detailed annual Tariff proposals in line with the Aggregate Revenue Requirement and Yield arrived at by the Authority in Table 281 within 7 days of issuance of this Consultation Paper.

12.5 Stakeholders' Comments on Aggregate Revenue Requirement for the Fourth Control Period as contained in the Consultation Paper

12.5.1 During Stakeholders' Consultation Meeting held on 29/06/26, the Authority has received comments/ views from various stakeholders namely Bangalore International Airport Limited (BIAL), Adani Airport Holdings Limited, Air India Limited, Association of Private Airport Operators (APAO), Fairfax India Holdings Limited (Fairfax), GMR Airports Limited, InterGlobe Aviation Limited (Indigo) and Yamuna International Airport Private Limited (YIAPL) in response to the proposals of the Authority regarding Aggregate Revenue Requirement for the Fourth Control Period in the Consultation Paper No. 01/2026-27 dated 12.06.2026. The Comments of the Stakeholders are presented below:

Comments received from Bangalore International Airport Limited (BIAL) on Aggregate Revenue Requirement for the Fourth Control Period

12.5.2 Bangalore International Airport Limited's (BIAL's) comment regarding the treatment of the West Cross Field Taxiway (WCFT) project is as follows:

Incremental ARR

BIAL's Submission

AERA's guidelines provide for a levelized tariff being charged over all 5 year control period. The fundamental framework of the regulations accordingly consider projecting the Capital Expenditure, Operating Expenses etc. over a 5 year period and setting the tariff in a way that there is a staggered, levelized increase without any significant spikes which cause difficulties to all relevant stakeholders.

This methodology has worked well in the past control periods and has been successfully implemented across tariff determination for various airports over more than 3 control periods.

Further, the User Pay / incremental ARR Principle assumes that the relevant asset is a standalone use asset, whereas in Airports, the users use the entirety of the Infrastructure for carrying our various activities. It is not practical to segregate and identify a levy of charge corresponding to each asset usage.

Incremental approach is fraught with a challenge that there could be a need to significantly increase the relevant charges to enable the recovery of the eligible ARR. It is with the very purpose of avoiding this, the 5 year control period and staggered increase in charges is being practiced by AERA. Inability to significantly increase the levy will also result in an under recovery, which impinges on sustainability of the Airport Operations.

Notwithstanding the above, if AERA decides to implement the Incremental ARR, BIAL requests the following:

Western Cross Field Project is already underway and expected to be commissioned by 30th September 2027 (including time for approvals from DGCA & BCAS), which is the second year of the control period. Therefore, this project does meet the eligibility criteria set out by the Authority in Para 12.3.2 of the Consultation Paper, as the project is getting completed in the second year of the Control Period itself and not in the last 2 years. Progress Photographs of Western Cross Field Taxiway project as below demonstrate the advanced stage of its completion (50% physical progress).

Hence WCT should form part of Base ARR.

12.5.3 BIAL's comment regarding implementation of the Incremental ARR approach is as follows:

While AERA has detailed its approach on implementation of Incremental ARR in Para 12.4 of the Consultation Paper, BIAL proposes the following change to this methodology:

Instead of having half yearly reporting windows, respective airport should be required to submit the proposed date of capitalization for identified projects 3 months ahead of the asset being put to use.

Upon asset being commissioned, the Airport should submit a certificate from a chartered accountant certifying completion.

With the above documentation, we request the Authority to approve the revised tariff (as per preapproved incremental ARR rate card) within 4 weeks of submission of documentation

The Authority is requested to approve the tariff card (including projects included as part of Incremental ARR framework) as part of the tariff order – to provide visibility to airlines and passengers.

12.5.4 BIAL's comment regarding the Incremental Rates associated with the Incremental ARR approach is as follows:

Incremental rates may be published as an additional annexure in the Rate card to be approved by AERA to provide clarity to the users and the Airport upfront, at the time of publishing the Tariff Order.

While BIAL had submitted its ATP for base ARR basis the Authority's guidance, BIAL is now submitting the rate card / ATP for the total ARR (Base ARR + Incremental ARR) for 15,225 crores. BIAL has also already mentioned that the incremental ARR approach will lead to multiple revisions in the tariff card. To simplify the approach, BIAL would like to submit the following rate card for the 5 year period. In the submission, BIAL (as per the proposal in the CP) has considered the following:

- *Western Cross taxiway.*
-
- *Phase 2 apron and Terminal 2 Phase 2 will continue to be part of the incremental ARR approach with capitalization dates as 30th September 2026, 30th June 2029 and 31st December 2029 respectively.*

- *Instead of annual changes, UDF rates to change only when a project forming part of the incremental ARR approach is completed and put to use.*
- *The LPH rates however grow at 5% YoY and may be retained as submitted on 19th June*
- *The new UDF rates would be available for collection from 3 months from date of completion of a project.*
- *Total ARR and Passenger traffic has been considered as proposed by the Authority in the consultation paper.*
- *Date for implementation of new tariff – 1st September 2026*
- *The Authority is requested to provide BIAL an opportunity to submit the final ATP once the ARR workings have been updated basis responses to the consultation paper and methodology for implementation of incremental ARR for Terminal 2 apron and Terminal 2 Phase 2.*

Particulars	Apr 2026 - Aug 2026	Sept 2026 - Dec 2027	Jan 2028 to Sept 2029	Oct 2029- Mar 2030	Apr 2030 - Mar 2031
Dom UDF (INR)	550	400	460	490	600
Intl UDF (INR)	1500	1,100	1,225	1,325	1,600

BIAL understands that the tariff card may undergo revision post finalization of the ARR. BIAL requests the Authority that as and when it finalizes the ARR, the principle that should be adopted when refining the ATP is that the UDF rates be kept constant with revisions only when an incremental ARR kicks in. This will ensure that a one-time downward revision in UDF rates is passed onto passengers, moderates tariff hikes due to new asset additions and avoids tariff spikes during the control period, reduces administration complexity as UDF rates change only 2-3 times (as no annual increase is required) and increase in UDF is justified by capitalization of a "new large capex program". The above approach ensures that there is a balance between UDF and the Cash flow requirement of BIAL for implementing the proposed Capital Expenditure Program.

Other Stakeholders' Comments on Aggregate Revenue Requirement for the Fourth Control Period the Fourth Control Period:

12.5.5 Fairfax India Holdings Corporation's comment regarding Incremental ARR approach is as follows:

Introduction of the Incremental ARR approach

In previous control periods (for KIAB and all other major airports where AERA has determined tariff), the approved revenue requirement was recovered through a levelized tariff structure over the five-year control period. The existing levelized tariff methodology has served the sector well over successive control periods. It enables recovery of the approved revenue requirement over the five-year control period while ensuring tariff stability and avoiding sudden tariff shocks for airlines and passengers. The Authority proposes to migrate to a "User pay principle" approach with BIAL being the first airport where this approach is being applied. We understand that this matter has been brought to the attention of the authority in the recently held consultation meetings of Bangalore International Airport Limited and Hyderabad International Airport Limited.

The "Incremental ARR" approach essentially defers the recovery of tariff on account of new assets and as is well understood, will lead to a scenario where there are sudden spikes in tariffs on account of capitalization of a large capital asset such as a new terminal or runway. The approach also creates a mismatch in cash flows as the internal accruals would no longer be available for redeployment into the asset. We would therefore request the authority to undertake a wider consultation for the incremental ARR approach and not implement it as part of BIAL's tariff order.

Should that not be possible, Fairfax requests the Authority to consider determining and publishing the tariff card for all 5 years (including the impact of assets considered as part of Incremental tariff

approach) as part of the tariff order. It will help bring greater clarity and certainty of charges to airlines, passengers as well as partly assuage concerns of lenders and investors.

12.5.6 **Business Aircraft Operators' Association (BAOA)'s** comment regarding Incremental ARR approach is as follows:

"Incremental ARR Approach

We also wish to reiterate our support for AERA's incremental Aggregate Revenue Requirement (ARR) approach. This methodology appropriately balances the interests of airport users and airport operators by ensuring that only commissioned assets are included in the RAB while safeguarding the airport operator's legitimate return through the true-up process and the applicable Fair Rate of Return. Given that these airports are substantially self-financed, the existing regulatory framework already provides an equitable mechanism for recovery of prudent investments without imposing premature costs on users."

12.5.7 Inland Water Transport Department, Government of Karnataka comment regarding Incremental ARR approach is as follows

"Introduction of "Incremental ARR approach" in line with "User Pays Principle

In previous control periods (for KIAB and all other major airports where AERA has determined tariff), the approved revenue requirement was recovered through a levelized tariff structure over the five-year control period.

The existing levelized tariff methodology has served the sector well over successive control periods. It enables recovery of the approved revenue requirement over the five-year control period while ensuring tariff stability and avoiding sudden tariff shocks for airlines and passengers.

The Authority's proposal to migrate to a "user pay principle" while noteworthy may be conceptually appropriate for standalone infrastructure such as toll roads or bridges, where the user consumes a specific asset. That said, an airport is fundamentally different. It is an integrated infrastructure ecosystem where passengers and airlines simultaneously use a common pool of interconnected assets - terminals, runways, taxiways and associated landside infrastructure.

Often the sizing of different elements of an airport cannot be synchronized. E.g., a runway once commissioned can handle 40-45 million passengers and over 250,000 aircraft movements annually. It cannot be built in phases. However, the terminal infrastructure and associated aircraft apron can be developed in phases - starting with an initial phase of 12 million terminal capacity which can be expanded in 2 or 3 phases to 20/35/45 million passengers annually.

Further, the user pay principle once established could theoretically be extended further as different passengers may consume different facilities e.g., a domestic passenger may use one terminal today and another facility in a later phase. An international passenger may use common infrastructure partly built in earlier periods and partly built in the current period. Airlines use airside and terminal infrastructure in ways that are interdependent and constantly changing based on schedule, stand allocation, passenger mix, operational constraints, and traffic flows.

It is therefore neither practical to determine which passenger or airline has used which specific asset, in what proportion, and at what point in time. Even assets not directly visible to passengers, such as taxiways, aprons, baggage systems, utilities, or airfield infrastructure, generate system-wide benefits by reducing congestion, improving safety, enhancing reliability, and enabling smoother operations. The benefit of airport infrastructure is therefore holistic and system-wide, not asset-specific.

Consequently, an incremental approach may require repeated tariff revisions during the last 2 years of a control period whenever new assets are capitalised. Beyond administrative complexity, on behalf of the state and the airport, we must highlight that any downward revision is glossed over and any increase

scrutinized greatly - without due consideration that often the project- whether a terminal or runway is built keeping the medium to long term growth outlook"

12.5.8 Air India Group comment regarding the Incremental ARR approach is as follows:

"Incremental ARR proposal:

In general, this will benefit user who pays for it. However, this may lead to challenges in implementing collection of such UDF from passengers, given that tickets may be purchased some time before the approved increase. We therefore request at least a 3-month window for implementation of such increases, as per global airport best practices. For comparison, other airports have implemented a longer notification period, such as Changi (5 months), Dubai and Suvarnabhumi (4 months)."

12.5.9 **Association of Private Airport Operators (APAO)'s** comment regarding the Incremental ARR approach is as follows:

"Introduction of "Incremental ARR approach" in line with "User Pays Principle"

In previous control periods (for KIAB and all other major airports), the Aggregate Revenue Requirement (ARR) was recovered through a levelized tariff structure over the five-year control period.

The existing levelized tariff methodology has served the sector well over successive control periods. It enables recovery of the approved revenue requirement over the five-year control period while ensuring tariff stability and avoiding sudden tariff spikes for airlines and passengers.

The Authority's proposal to migrate to a "user pays principle" while noteworthy, does not provide any practical solution to determine which passenger or airline has used which specific asset, in what proportion, and at what point in time. The benefit of airport infrastructure is therefore holistic, not asset-specific or passenger-specific or time-specific.

Beyond the administrative complexity, it is necessary to highlight that any downward revision in tariffs is glossed over and any increase in tariffs attract higher levels of publicity– without due consideration that airport infrastructure is built keeping the long-term growth outlook.

It is also important to recognise that airport infrastructure is capital-intensive and must be developed ahead of demand. If tariff recovery is linked narrowly to the capitalization of individual assets, it may discourage timely capacity creation and undermine the long-term planning required for a fast-growing airport such as Bengaluru. It is also important for the Authority to ensure that there is no adverse effect on the cashflows of the Airport Operator especially during the critical construction phase.

Since airport assets are built over a 3-5 years horizon, the cash outflow of the airport developer begins from day one of the project conceptualization. Linking the date of recovery to the date of asset capitalization effectively means that the operator will need to re-calibrate its cash flows requirements, increase the working capital requirements and raise more funds to fulfill the debt obligation. This will ultimately be reflected in the lower credit rating and higher cost for raising capital. All this will ultimately be passed onto passengers along with the weighted average cost of capital. Passengers will lose more in this revised approach than the judicious approach followed till date by the Authority.

APAO respectfully submits that AERA should not apply this principle as the existing approach of levelized tariff through the control period is not just consistent with user fairness, it is also the most appropriate way because passengers and airlines use the airport as an integrated service."

12.5.10 **GMR Airports Limited's** comment regarding the Incremental ARR approach is as follows:

"Incremental ARR Approach on User Pay Principle for identified High-value capex Projects:

We respectfully submit that the proposed Incremental ARR approach based on the User Pay Principle is inconsistent with the established regulatory framework, airport infrastructure economics, and international regulatory practice.

The current Multi-Year Tariff Framework adopted by AERA already achieves this objective through determination of Aggregate Revenue Requirement (ARR) and tariffs for the control period on a present value basis. This framework spreads recovery of capital costs across a larger passenger base over multiple years, thereby reducing tariff volatility and ensuring predictability for airlines and passengers.

In contrast, the proposed Incremental ARR approach defers recovery until asset commissioning, resulting in concentration of depreciation and return on capital over a shorter period and a smaller passenger base, which may lead to higher per-passenger charges leading to a tariff shock for a small number of passengers. Such steep increase in tariffs would lead to charging high tariffs to small number of passengers availing services within the current control period.

Deferring revenue recovery until asset commissioning creates a timing mismatch between expenditure and revenue realization, resulting in cash flow pressures during the construction period. This may necessitate additional financing, increase carrying costs, and adversely affect the airport operator's credit profile, funding flexibility, and compliance with lender requirements. Ultimately, these additional financing costs are likely to be borne by airport users, which may be contrary to the objective of minimizing tariff impacts.

Credit rating agencies place significant reliance on the certainty, predictability, and timing of cash flows when assessing an issuer's creditworthiness. Revenues that remain contingent on future events—such as asset commissioning, regulatory approvals, or traffic realization—may be discounted or excluded in the assessment of debt servicing capacity. As a result, key credit metrics, including Debt/EBITDA, Net Debt/EBITDA, DSCR, and Interest Coverage Ratios, may be assessed on a lower revenue base than that reflected in the business plan. A deterioration in these metrics could weaken the airport operator's credit profile, increase borrowing costs, restrict access to capital, and impose more stringent financing terms. Accordingly, delayed recovery of efficiently incurred investments may have consequences beyond business plan projections, affecting financial sustainability and increasing the long-term cost burden on users.

Therefore, permitting timely recovery of efficiently incurred capital investments would support financial stability, preserve access to competitively priced funding, and facilitate the sustainable development of airport infrastructure while protecting user interests.

The proposed Incremental ARR approach also departs from the AERA's Multi-Year Tariff Framework, which envisages determination of the Aggregate Revenue Requirement (ARR) and tariffs in advance for the entire Control Period.

"AERA 2.18. "Multi Year Tariff Framework means the framework enunciated in these Guidelines for economic regulation, and determination in advance, of tariffs over a period of time and includes the underlying principles covering inter alia determination of the Aggregate Revenue Requirement as, described in Chapter II";

Concept of Yield Per Passenger (YPP)

Yield per Passenger (Y) represents: The average aeronautical revenue per passenger required over the Control Period to recover the Aggregate Revenue Requirement (ARR), on a present value basis.

Core Formula (Clause 6.2.1)

$$Y = \frac{\sum_{t=1}^{5} \mathrm{PV}(\boldsymbol{AR\,R_t})}{\sum_{t=1}^{5} \boldsymbol{V\,E_t}}$$

Clause 2.18 of the AERA Guidelines provides for tariff determination under a multi-year framework, ensuring regulatory certainty, predictability, and tariff stability.

The Authority is duly empowered under Clause 5.2.1(c) and (d) of the AERA Guidelines to consider the inclusion or exclusion of capital expenditure proposed for execution during the Control Period while determining the Regulated Asset Base (RAB). However, once a capex proposal is admitted and considered as part of the Aggregate Revenue Requirement (ARR), the Guidelines envisage its treatment within the tariff determination framework for the relevant Control Period. The Guidelines do not provide for deferring or postponing the recovery of approved capital expenditure through a separate tariff determination mechanism linked to approved capital expenditure through a separate tariff determination mechanism linked to future commissioning milestones. Accordingly, while the Authority may exercise discretion regarding the inclusion or exclusion of assets, deferment of approved capex solely for tariff computation purposes is not envisaged under the existing regulatory framework.

We further submit that airports function as integrated infrastructure systems, where benefits of expansion projects are shared across airlines and passengers over time through improved capacity, operational flexibility, and service quality. Therefore, attributing the benefits of specific projects only to users after commissioning may not appropriately reflect the nature of airport infrastructure development.

In addition, we are not aware of any established international precedent where a brownfield airport operating under a multi-year economic regulatory framework recovers the return on capital for major expansion projects only upon commissioning through a project-specific incremental ARR mechanism. Leading airport regulatory regimes generally rely on tariff smoothing, RAB-based regulation, and, where appropriate, pre-funding mechanisms to ensure stable tariffs and sustainable infrastructure financing.

If AERA proposes to continue with the above approach, we request tariffs to be determined upfront and provide visibility for airport operators on the expected tariff increase.

Accordingly, we respectfully submit that the existing AERA framework already provides adequate safeguards through technical review of capex, truing-up mechanisms, and control-period based tariff determination. Adoption of an Incremental ARR approach may lead to tariff volatility, higher financing costs, regulatory uncertainty, and unintended consequences for both airport operators and users. Therefore, the Authority may continue with the established control-period based ARR determination approach."

12.5.11 **Adani Airport Holdings Limited (AAHL)'s** comment regarding the Incremental ARR approach is as follows:

"To retain the current regulatory treatment for recovery of capital expenditure

(Ref: Para 12.3 "Incremental ARR Approach on user pay principle for identified High-Capex Projects")

The Authority has proposed to consider incremental ARR relating to approximately INR 7,000 crore of capital expenditure at a later stage based on the "pay as you use" principle. We respectfully submit that the proposed approach may not be appropriate for large airport expansion projects undertaken to meet future traffic demand.

The major projects identified by AERA, such as terminal expansion and related airside infrastructure, are growth-driven investments required to accommodate future passenger traffic. The airport is expected to handle around 72 million passengers, compared to its current capacity of about 51.5 million passengers. These investments are therefore essential and not optional.

Given the nature of these projects, the benefits and costs should be viewed over the life of the asset rather than only within a particular Control Period. Airport infrastructure such as terminals, runways, taxiways, and aprons has useful lives of several decades and will serve millions of passengers over that

period. Airport users will ultimately use and benefit from these facilities and bear the related costs over time.

For example, assets such as terminal buildings and airside infrastructure typically have useful lives of around 30 years, and the cost recovered from users in any particular year represents only a small portion of the total recoverable cost. Such concerns may be more relevant for maintenance or replacement projects with shorter useful lives, rather than for major capacity expansion projects designed to meet long-term traffic growth. AERA may therefore consider applying the proposed approach primarily to maintenance capex where the benefits accrue to a more identifiable set of users.

Concerns regarding recovery of costs before full utilization of assets are already addressed through the tariff framework currently followed by AERA. Aeronautical tariffs increase progressively over the Control Period as new assets are commissioned and added to the Regulatory Asset Base coupled with the increase in traffic throughput. As a result, a larger share of cost recovery takes place in the later years when passenger traffic is also higher. This naturally aligns cost recovery with asset utilization and reduces the risk of future expansion costs being disproportionately recovered from passengers in the early years.

Further, it is to be noted that, as experienced by AERA, in large airports like Bengaluru International Airport, the yield per passenger will reduce or stabilise in future control period due to depreciating nature of average RAB and increasing traffic. This means that passengers who have used the facility in the initial years have paid higher yield whereas the recovery for the same asset from future passengers happens at the lower yield. This situation is a natural phenomenon, and it will prevail whether incremental ARR concept is implemented or not. Hence by introducing the new concept of incremental ARR, no tangible benefit is envisaged as compared to existing method of recovery of overall 5-year ARR.

The Airport Operator also has strong commercial and regulatory incentives to complete these projects on time. Any delay in commissioning expansion infrastructure would restrict the airport's ability to handle growth, resulting in loss of aeronautical and non-aeronautical revenues, operational constraints, and reduced service quality. In addition, if the projected capital expenditure is not incurred or is materially delayed, AERA undertakes a ARR true-down exercise in the subsequent Control Period based on actual capitalization. The existing regulatory framework therefore already contains adequate safeguards to protect airport users from paying for assets that are ultimately not created.

In view of the above, the Authority may consider retaining the current regulatory treatment for expansion-related capital expenditure, subject to the existing true-up/ true-down mechanism based on actual capitalization."

12.5.12 **Interglobe Aviation Limited (Indigo)'s** comment regarding the Incremental ARR approach is as follows:

"Incremental Aggregate Revenue Requirement (ARR) framework:

We welcome AERA's proposal to adopt an Incremental ARR framework for identified high-capex projects at BIAL. The proposed approach appropriately incorporates the user-pay principle by ensuring that airport users bear the cost of infrastructure only after such assets are commissioned and become available for operational use. The framework will help moderate tariff increases during the Fourth Control Period, incentivize timely project delivery, and safeguard airlines and passengers from premature recovery of capital costs."

12.5.13 **International Air Transport Association (IATA)'s** comment regarding the Incremental ARR approach is as follows:

"Incremental ARR, Asset Availability and User-Pay Principles

IATA supports the Authority's approach of aligning tariff recovery with the commissioning, capitalisation and availability of airport infrastructure. As airports undertake increasingly large and complex capital investment programmes, it is important that the timing of cost recovery remains linked to the point at which users are able to derive actual benefit from the infrastructure being funded.

The fundamental regulatory principle is that airport users should pay for infrastructure when it is available for use and providing aeronautical service, rather than during the construction phase. Recovery of capital costs ahead of commissioning would require current airlines and passengers to fund assets that are not yet operational and whose benefits may accrue primarily to future users. Such an approach would be inconsistent with the principles of cost-relatedness, user benefit and equitable cost allocation that underpin sound airport economic regulation.

- *IATA understands the airport operator view that deferring ARR recognition until assets become operational may create financing and cash-flow timing implications for the airport. However, these timing effects do not in themselves justify accelerating tariff recovery from users. Efficient financing costs incurred during construction are not ignored under regulatory frameworks and can be recognised through mechanisms such as capitalisation of prudent expenditure, inclusion within the Regulatory Asset Base (RAB), and the application of an appropriate return on capital once the asset enters service. The existence of a temporary financing requirement should not require users to pay a return on assets that are not yet available for use.*
- *The Authority's approach is also broadly consistent with international airport regulatory practice. Under the United Kingdom's Regulatory Asset Base (RAB) framework, airports are permitted to recover prudent investment and earn a reasonable return on efficiently incurred capital expenditure. However, the recovery of costs is generally linked to the point at which assets enter service and provide operational benefit to users. Similarly, across a number of European airport regulatory regimes, the prevailing philosophy is that users should begin paying for infrastructure when it becomes operational and capable of delivering service, rather than funding capacity years before it is available.*
- *While airport operators may legitimately incur financing costs during construction, regulators typically address these concerns through capitalisation policies, financeability assessments, allowed returns and other regulatory mechanisms, rather than requiring current users to pre-fund future infrastructure. For example, during major airport expansion programmes such as new terminals, runways or supporting infrastructure, regulators generally seek to ensure that investors receive recovery of prudent expenditure and an appropriate return, while avoiding the transfer of construction risk and timing risk to current users. The objective is to strike an appropriate balance between airport financing and user protection.*
- *This principle is often described as a "used and useful" approach, whereby infrastructure attracts full economic recovery when it is capable of providing service and delivering benefit to users. Although the precise regulatory mechanisms vary across jurisdictions, the underlying principle remains consistent: recovery should be aligned with asset availability and realised user benefit, rather than future construction activity.*
- *IATA also notes that India's historical experience with introduction of an Airport Development Fee (ADF) highlights many of the challenges associated with pre-funding of infrastructure. While the legal and regulatory circumstances were different, the underlying policy issue remains relevant. ADF effectively required current passengers to contribute towards future*

airport development before the related infrastructure was available for use. This generated significant concern among airlines because it weakened the link between charges collected and services received. By contrast, recovery linked to commissioned assets is more closely aligned with the principles of user-pay, cost-relatedness and transparency, because charges are associated with infrastructure that users can actually access and utilise.

- *Phasing: IATA has consistently advocated for airport capacity expansion to be 'phased' in line with traffic growth and demand. AERA's incremental ARR approach is fully consistent with this principle, aligning cost recovery with the commissioning and availability of infrastructure capacity, rather than requiring users to (pre) fund infrastructure before it becomes operational.*

IATA acknowledges that airports require a stable and predictable regulatory framework to support long-term investment. An Incremental ARR methodology does not deny recovery of prudent investment. Rather, it aligns the commencement of recovery with asset commissioning and operational availability, while allowing efficient financing costs to be recognised through established regulatory mechanisms. In this respect, it provides an appropriate balance between supporting infrastructure development and protecting airport users from paying for assets that are not yet available for use.

Accordingly, IATA supports the Authority's continued focus on ensuring that tariff recovery remains linked to assets that are capitalised, commissioned and available for aeronautical use. While efficient and prudent investment should be fully recoverable, the commencement of recovery should remain aligned with actual service delivery and realised user benefit. Such an approach is consistent with international regulatory practice, promotes efficient investment signals and proposer phasing of capex, protects users from premature cost recovery and reinforces the principles of transparency, affordability and cost-relatedness that underpin airport charging regulation."

12.5.14 **Yamuna International Airport Private Limited (YIAPL)'s** comment regarding the Incremental ARR approach is as follows:

"Incremental ARR Approach on User Pay Principle for Identified High-Capex Projects

Authority's consideration and proposal put forth in the Consultation Paper

Vide paragraphs 12.3.1 to 12.3.4 and 12.4.1 to 12.4.21 of the Consultation Paper, the Authority has proposed to adopt, on a project specific basis, an "Incremental ARR Approach on user pay principle" for identified high capex projects. Under the proposed framework, the Base Aggregate Revenue Requirement ("Base ARR") and the opening aeronautical tariffs for a Control Period are to be determined by excluding the ARR impact (comprising Return on the Regulatory Asset Base, Depreciation, and such other components as the Authority may consider appropriate) of specified capital projects expected to be commissioned in the latter part of the Control Period. The incremental ARR and the corresponding Yield Per Passenger ("YPP") attributable to each such project is to be determined released through revised aeronautical tariffs after capitalization of assets.

YIAPL's response and submission

The existing tariff framework has provided a balanced and predictable mechanism for recovering approved revenues while maintaining tariff stability across the control period. While the proposed "user pays" approach seeks to align tariffs with asset availability, However Airport infrastructure is used as an integrated system, and it is neither practical nor feasible to attribute the benefits of specific assets to passengers, airlines, or time periods. Deferring tariff recovery until commissioning creates an impact on cashflow for airport operator during the construction phase and leads to sharp increase in tariffs in mid of the tariff cycle.

In view of above, requesting authority to not apply the above principle and continue with existing approach."

12.6 BIAL's response to Stakeholders' Comments on Aggregate Revenue Requirement for the Fourth Control Period

12.6.1 BIAL acknowledged the comments of Inland Water Transport Department, Government of Karnataka and submitted its response as follows:

"BIAL acknowledges and supports the comments made by the Government of Karnataka.... BIAL requests the Authority to consider the submissions in order to provide BIAL with a reasonable assessment of ARR by adopting a fair approach and ensuring consistency in the principles adopted by the Authority."

12.6.2 BIAL acknowledged the comments of other stakeholders with respect to their comments regarding the Incremental ARR approach and submitted its response as follows:

"BIAL acknowledges and notes the comments made by the following stakeholders and thanks them for their views on the various proposals.

a) Adani Airport Holdings Limited
b) Air India Limited
c) Association of Private Airport Operators (APAO)
d) Fairfax India Holdings Limited (Mauritius)
e) GMR Aero
f) Yamuna International Airport Limited

With reference to the views expressed by Business Aircraft Operators Association (BAOA), IATA and Lufthansa Group, BIAL has reiterated its views on the issues submitted earlier as part of stakeholder comments and requests the Authority to consider the same."

12.7 Authority's Analysis of Stakeholders' Comments regarding Aggregate Revenue Requirement for the Fourth Control Period

12.7.1 In Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority proposed adoption of an Incremental Aggregate Revenue Requirement ("Incremental ARR") approach based on the User Pay principle for certain identified high-value capex projects proposed during the Fourth Control Period at Kempegowda International Airport, Bengaluru ("KIAB"). The proposal was discussed in detail in Paragraphs 12.3, 12.4 and 12.5 of Consultation Paper No. 01/2026-27 dated 12.06.2026. The proposed framework sought to address situations where certain large capital expenditure projects are expected to be commissioned towards the latter part of the Control Period while under the conventional ARR framework the commencement of tariff recovery of these capex projects substantially precedes the actual availability of these capex projects for providing aeronautical services to airport users from whom recovery of costs of these projects would be made.

12.7.2 The proposal garnered extensive comments from airport operators, airlines, airport investors, industry and passenger associations and Government stakeholders. While a number of stakeholders supported the underlying principle that airport users should bear the tariff impact of infrastructure only when such infrastructure becomes operational and available for use, several stakeholders expressed concerns citing issues related to tariff stability, airport infrastructure financing, implementation practicality, consisteney with the existing regulatory framework and the integrated nature of airport infrastructure.

12.7.3 The Authority carefully examined all stakeholders' submissions during the Stakeholders' Consultation Meeting dated 29.06.2026 and during the stakeholders' consultation process, in conjunction with the

provisions of the AERA Act, 2008 (read together with amendments in 2019 and 2021), the AERA Guidelines, 2011 and the analysis set out in Chapter 12 of Consultation Paper No. 01/2026-27 dated 12.06.2026. The Authority's issue-wise analysis is set out below:

Issue 1: Whether airport users should bear the tariff impact of infrastructure prior to commissioning and operational availability

12.7.4 This issue emerged as the central theme of stakeholder consultation, with stakeholders expressing divergent views on the timing of cost recovery for major airport infrastructure investments. Stakeholders like InterGlobe Aviation Limited ("IndiGo"), International Air Transport Association ("IATA"), Air India Group and Business Aircraft Operators' Association ("BAOA") broadly supported the Authority's proposal, submitting that airport users should pay for infrastructure only when the relevant assets are commissioned, capitalised and available for operational use. These stakeholders submitted that permitting tariff recovery during the construction phase would require current users to fund assets from which they derive no immediate benefit, while BAOA further submitted that terminal assets should enter the Regulatory Asset Base only upon commissioning, with the Airport Operator's legitimate entitlement to recovery adequately protected through the true-up mechanism and applicable Fair Rate of Return. By contrast, Government of Karnataka ("GoK"), Adani Airport Holdings Limited ("AAHL"), Association of Private Airport Operators ("APAO"), GMR Airports Limited ("GMR"), Fairfax India Holdings Corporation ("Fairfax"), Yamuna International Airport Private Limited ("YIAPL") and BIAL submitted that airport infrastructure investments are long-term assets undertaken to support future traffic growth and capacity requirements, and that cost recovery should continue under the conventional ARR framework applied across previous Control Periods. The aforesaid stakeholders contended that airport users benefit from such infrastructure over the entire useful life of the assets and that recovery should therefore not be contingent on project-specific commissioning milestones, particularly given the long operational lives of major assets such as terminals, aprons, taxiways and runways.

Authority's Analysis

12.7.5 The Authority carefully considered the submissions received from all stakeholders. At the outset, the Authority considers it necessary to reiterate the precise regulatory issue that the Incremental ARR framework seeks to address. The issue before the Authority is not whether the identified projects are prudent, necessary and growth-oriented investments, nor is the issue whether BIAL should be entitled to recover prudently incurred capital expenditure associated with such projects. The Authority notes that its proposal does not seek to deny recovery of approved asset additions, depreciation, return on capital or any other admissible regulatory building block such as efficient opex or attributable tax associated with such asset additions. Rather, the question before the Authority is whether airport users should begin bearing the associated tariff impact from year 1 of the 5-year tariff cycle for such major aeronautical infrastructure particularly large capital projects like new Terminal Building and airside infrastructure directly related to new Terminal Building which have been planned to become operational in the latter half of the 5 year Tariff Cycle (Control Period). Such infrastructure only when completed, commissioned and made available for provision of aeronautical services need to be included in the tariff recovery. The Authority is of the view that where a material airport asset remains under construction and is not yet capable of providing aeronautical services, recovery of the tariff impact of such infrastructure in existing methodology would effectively require current airport users to pre-fund infrastructure that would provide an aeronautical utility only in the future.

12.7.6 The Authority finds no merit in AAHL's submission that spreading the recovery of an asset's cost over its useful life, by itself, avoids any additional tariff burden on airport users. Even when the cost is recovered over the asset's useful life, users should not be required to bear the cost of an asset that is not

yet commissioned or available for use. The useful life of an asset determines the period over which its cost is recovered through depreciation and return on capital. It does not determine when tariff recovery should begin. The Authority therefore considers that the useful life of an asset and the commencement of tariff recovery are two separate regulatory matters, and must be considered independently. Tariff recovery should commence only when the asset is available for use and is providing the intended service to airport users.

12.7.7 The Authority has adopted the Incremental ARR Approach only for significant, high value capital projects that involve substantial investment and are directly linked to the creation of additional aeronautical capacity, such as the construction of a new terminal building and the associated airside infrastructure, including aprons and other facilities directly attributable to such terminal development. The application of the Incremental ARR Approach is, therefore, intended to be limited to only such major projects where the quantum of investment and the timing of commissioning is in the latter part/last two years of the Control Period and which have a material bearing on the tariff burden on the airport users. The Authority has consciously kept routine/general capital expenditure, sustainable and other regulatory capex, as well as the remaining regulatory building blocks, outside the Incremental ARR framework. Such expenditure shall continue to be considered under the established tariff determination methodology and shall form part of the base line Aggregate Revenue Requirement (ARR), subject to prudence checks and regulatory norms. This ensures that the airport operator continues to receive appropriate and timely recovery of the efficient and prudent costs.

12.7.8 The Authority further notes that the Incremental ARR framework does not alter the Airport Operator's entitlement to recover prudent investment or change the overall recovery profile over the useful life of the asset. The framework by design aligns the commencement of tariff recovery with capitalization, commissioning and operational availability of the relevant infrastructure. The Authority considers this approach to be consistent with the User Pays principle, the ICAO principle of cost-relatedness, and the factors specified under Section 13(1)(a) of the AERA Act, 2008 (read together with amendments in 2019 and 2021).

12.7.9 The Authority also agreed with stakeholders' submissions that airport expansion projects are essential for future growth and capacity augmentation. However, the Authority is of the view that prudence and necessity of investment are separate regulatory considerations from the timing of tariff recovery. The fact that an asset is necessary does not, by itself, justify commencement of recovery before it becomes operational and capable of providing aeronautical services.

Authority's Decision

12.7.10 Accordingly, as illustrated above, in respect of identified high-value capex projects, such as a new Terminal Building and the associated airside infrastructure directly required for its operation, including aprons and related facilities, the Authority is of the view that tariff recovery should commence only when the relevant assets are capitalized, commissioned and operationally available for use. This approach ensures that airport users bear the tariff impact only when the corresponding infrastructure is actually available to provide the intended airport services and derives the associated benefits.

Issue 2: Whether the integrated nature of airport infrastructure renders the User Pays Principle inapplicable

12.7.11 The Government of Karnataka ("GoK"), Bangalore International Airport Limited ("BIAL"), Association of Private Airport Operators ("APAO") and Yamuna International Airport Private Limited ("YIAPL") submitted that airports operate as integrated infrastructure ecosystems comprising terminals, runways, taxiways, aprons, passenger-processing systems, utility systems and associated landside infrastructure,

and that users consume services from the airport system as a whole rather than from individual assets in isolation. The aforesaid stakeholders contended that it is neither practical nor feasible to determine which passenger or airline has used a specific asset, in what proportion, and at what point in time, and therefore submitted that the User Pays principle is more suited to standalone infrastructure assets and is not readily applicable to airport infrastructure where benefits are shared across interconnected facilities and user groups. GoK further submitted, and APAO and BIAL similarly contended, that airport infrastructure generates holistic and system-wide benefits that cannot be segregated on an asset-specific basis, as assets such as runways, taxiways, aprons, baggage systems, utilities and airfield infrastructure collectively contribute to congestion reduction, operational efficiency, safety, resilience and service reliability across the airport ecosystem, with the resulting benefits being incapable of attribution to specific categories of passengers or airlines.

Authority's Analysis

12.7.12 The Authority has carefully examined the submissions made by all stakeholders. At the outset, the Authority agrees that airports operate as integrated infrastructure systems comprising terminals, runways, taxiways, aprons, passenger-processing facilities, utilities and other supporting infrastructure. The Authority further agrees that airport users derive benefits from the collective functioning of the airport ecosystem rather than from individual assets in isolation.

12.7.13 However, the Authority is not in agreement with the proposition that the integrated nature of airport operations renders the proposed Incremental ARR framework inappropriate. As discussed in Paragraphs 12.3 and 12.4 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the proposed Incremental ARR framework is not intended to establish an asset-wise charging regime, nor does it require passenger-wise, airline-wise, route-wise or terminal-wise attribution of asset utilisation. The Authority notes that the proposed framework does not seek to determine which passenger used a particular terminal, taxiway, apron, runway or utility asset already existing, or the extent to which any user category benefited from a particular existing capital project. In fact, the Incremental ARR approach is intended only for upcoming specific high-value future capex projects, such as a new Terminal Building and the airside infrastructure directly related to it, which are scheduled for completion and operation in the latter half of the Control Period. The key issue is whether the cost of such projects should be recovered from the 1st year of the tariff cycle or only from the year in which the projects are completed, commissioned and put into use.

12.7.14 The Authority is of the view that the User Pays principle under the Incremental ARR approach concerns the timing of tariff recovery and seeks to align recovery of the cost associated with identified high-value capex projects with the time at which the relevant infrastructure becomes operational and available for provision of aeronautical services. Accordingly, the framework is concerned with when the airport users should begin bearing the tariff impact of major investments coming in the latter half of the 5 year Tariff cycle and not with identifying which users should bear such costs.

12.7.15 The Authority further notes that airport operations are inherently dynamic and involve extensive utilisation of common infrastructure. The Authority therefore agrees that any attempt to allocate asset-specific costs to individual passengers, airlines or categories of users would neither be practical nor necessary. However, the Authority reiterates that the proposed framework contemplates no such exercise. Rather, the framework only requires that the identified projects, coming in the latter half of Control Period particularly 4th or 5th year, should be capitalised, commissioned and put to use before the cost recovery in the form of tariff impact associated with such projects actually begins.

12.7.16 The Authority also agrees that many existing airport assets generate system-wide benefits in terms of operational resilience, congestion mitigation, service quality and safety. However, the existence of such system-wide benefits does not alter the underlying regulatory consideration particularly for future big-

ticket capital projects in respect of the timing when the users should begin bearing the tariff impact associated with these projects as these projects are getting completed in the 4th and 5th year of the 5-year Tariff cycle. The Authority remains of the view that recovery through tariff should be more closely aligned with commissioning and operational availability of such large projects having significant impact on tariff. Accordingly, while the integrated nature of airport operations may explain the manner in which airport users derive benefits from the existing airport assets, it does not constitute a basis for recovery of the tariff impact associated with future upcoming major capital projects prior to their commissioning and operationalisation.

Authority's Decision

12.7.17 Having considered the submissions made by stakeholders and the rationale discussed in Paragraphs 12.3 and 12.4 of Consultation Paper No. 01/2026-27 dated 12.06.2026 and the analysis illustrated above, the Authority does not agree with the submission that the integrated nature of airport infrastructure renders the User Pays principle or the proposed Incremental ARR framework inapplicable. The Authority reiterates that the framework does not require asset-specific attribution of user benefits and merely aligns the timing of tariff recovery of identified high-value capex projects coming up in the latter half of the 5-year Tariff cycle with their actual capitalisation, commissioning and operational availability. Accordingly, the Authority retains its proposal on Incremental ARR approach for identified high-value capex projects.

Issue 3: Whether existing true-up mechanisms adequately address premature recovery of tariff impact

12.7.18 Adani Airport Holdings Limited ("AAHL"), GMR Airports Limited ("GMR"), Fairfax India Holdings Corporation ("Fairfax"), Association of Private Airport Operators ("APAO") and BIAL submitted that the existing tariff determination framework already contains adequate safeguards through the true-up mechanism, under which the Authority undertakes appropriate adjustments in subsequent Control Periods based on actual capitalisation and actual regulatory building blocks where approved capital expenditure is not incurred, is materially delayed, or differs from projected capitalisation. The aforesaid stakeholders submitted that airport users are therefore already protected from any permanent over-recovery and that a separate Incremental ARR mechanism is unnecessary. AAHL specifically submitted that the Authority undertakes an ARR true-up exercise based on actual capitalisation where projected capital expenditure is not incurred or is materially delayed, while GMR submitted that the existing AERA framework provides adequate safeguards through technical review of capital expenditure, true-up mechanisms and Control Period-based tariff determination. Fairfax similarly submitted that the true-up framework effectively addresses variances between projected and actual outcomes and thereby protects users against over-recovery. APAO further submitted that airport infrastructure is capital-intensive and must be developed ahead of demand and therefore supported continuation of the existing ARR framework in place of a commissioning-linked tariff recovery mechanism, while BIAL submitted that the existing framework is sufficient to address differences between approved and actual asset additions and requested that all components of ARR and aeronautical revenue continue to be trued up at the time of tariff determination for the subsequent Control Period.

Authority's Analysis

12.7.19 The Authority carefully examined the submissions made by stakeholders regarding the adequacy of the existing true-up mechanism. The Authority agrees that true-up mechanisms constitute an important regulatory safeguard and remain an integral part of the tariff determination framework. The Authority further notes that actual capitalised costs, actual dates of capitalisation, actual revenues, and other

regulatory building blocks are subject to appropriate examination and adjustment during the subsequent tariff determination exercise.

12.7.20 However, the Authority is not in agreement that the existence of a future true-up exercise alone, fully addresses the regulatory concern sought to be addressed through the Incremental ARR framework. The true-up mechanism is corrective in nature and operates after the event. It adjusts differences between approved and actual outcomes in a later Control Period. The Incremental ARR framework, by contrast, addresses a more immediate and current regulatory question of whether airport users should begin bearing the tariff impact of major aeronautical assets like new terminal building and other directly related airside infrastructure asset right from the 1st year of the 5 year Tariff Cycle while such assets would actually get, commissioned and put to use in the 4th/5th year of the 5 year tariff cycle.

12.7.21 As observed in Paragraphs 12.3 and 12.4 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the regulatory concern underlying the proposed framework is that under the conventional ARR approach, the tariff impact of identified high-value capex projects may be reflected in airport charges from the commencement of the Control Period i.e. from 1st year onwards even though the relevant assets may be commissioned only during the latter part of the Control Period. In such circumstances, airport users may bear tariff impacts in respect of infrastructure that is not yet operational and is not yet available for providing aeronautical services.

12.7.22 The Authority notes that a subsequent true-up exercise does not alter the fact that airport users would already have borne tariff impacts during the intervening period in respect of assets that remained incomplete, delayed, or non-operational. The Authority therefore considers that the true-up mechanism and the Incremental ARR framework serve distinct regulatory purposes. The former addresses variances between projected and actual outcomes after recovery has occurred, whereas the latter seeks to align the commencement of tariff recovery with the actual capitalisation, commissioning and put-to-use of the relevant infrastructure.

12.7.23 The Authority further noted that this concern was specifically discussed during the Stakeholders' Consultation Meeting on 29.06.2026. The Authority observed that there have been instances where projects included within approved capital expenditure programmes did not materialise within the relevant Control Period, notwithstanding that recovery of costs of such projects had already begun from the commencement of the 5 year Control Period and had thus influenced tariff determination. The Incremental ARR framework seeks to address this concern prospectively by linking recovery of identified high-value capex projects to their actual capitalisation and put-to-use status.

12.7.24 The Authority therefore does not agree with the submission that the true-up mechanism is interchangeable with the Incremental ARR framework. While true-up remains necessary to ensure that actual costs, revenues and capitalisation outcomes are reflected in future tariff determinations, it does not, by itself, prevent premature recovery during the Control Period in respect of non-operational assets. The Authority considers that the Incremental ARR framework complements the true-up mechanism by addressing the timing of recovery upfront, while preserving subsequent regulatory verification and adjustment.

12.7.25 The Authority further notes that the proposed implementation framework retains the true-up mechanism as an important regulatory safeguard. Recovery of the balance tariff impact associated with identified projects shall not occur automatically based on projected commissioning schedules. The Airport Operator shall be required to submit a self-certification (in the format prescribed in Annexure II of this Order) confirming that the relevant asset had been completed, commissioned and put to use for provision of aeronautical services. Thereafter, actual project costs, capitalisation dates, commissioning status and

any excess or short recovery would continue to remain subject to verification and adjustment during the true-up exercise in the subsequent Control Period.

12.7.26 Accordingly, the Authority is of the view that the true-up mechanism, delay-related regulatory adjustments and the Incremental ARR framework are complementary elements of the regulatory framework. The true-up mechanism ensures eventual correction of variances while the Incremental ARR framework ensures that airport users are not required to bear the substantial tariff impact of identified high-value capex projects before such projects are operational and available for use.

Authority's Decision

12.7.27 Accordingly, in the light of the above illustration, the Authority retains its proposal to apply the Incremental ARR framework for identified upcoming high-value capex projects, while also retaining subsequent regulatory verification and true-up of actual capitalisation, project costs, commissioning dates and any excess or short recovery in accordance with the prevailing regulatory principles.

Issue 4: Whether the Incremental ARR approach is consistent with the existing regulatory framework and the Multi-Year Tariff Framework

12.7.28 GMR Airports Limited ("GMR"), Adani Airport Holdings Limited ("AAHL"), Fairfax India Holdings Corporation ("Fairfax"), Association of Private Airport Operators ("APAO"), Yamuna International Airport Private Limited ("YIAPL") and BIAL submitted that the existing tariff determination framework has historically operated under a Multi-Year Tariff Framework involving determination of Aggregate Revenue Requirement ("ARR") and associated aeronautical tariffs for the entire Control Period, and has, across previous Control Periods, provided predictability, regulatory certainty and tariff stability while ensuring recovery of approved capital expenditure and associated returns. The aforesaid stakeholders further submitted that the existing framework already spreads recovery of capital costs over multiple years and across a broader passenger base, thereby reducing tariff volatility and supporting long-term planning by airport operators, users, investors and lenders. In this regard, GMR submitted that Paragraph 2.18 of the AERA Guidelines, 2011 contemplates tariff determination in advance over a defined Control Period under a Multi-Year Tariff Framework and that, once capital expenditure is admitted for regulatory purposes, the Guidelines envisage recovery through the ARR framework applicable to the relevant Control Period. Accordingly, GMR submitted that deferment of tariff recovery solely through a commissioning-linked mechanism is not contemplated under the existing regulatory framework. The aforesaid stakeholders therefore submitted that the proposed Incremental ARR framework represents a departure from the established regulatory approach adopted by the Authority in prior tariff determinations.

Authority's Analysis

12.7.29 The Authority has carefully examined the submissions made by stakeholders regarding the consistency of the Incremental ARR framework with the existing regulatory framework and the AERA Guidelines, 2011.

12.7.30 At the outset, the Authority is not in agreement with the submission that the proposed Incremental ARR framework is inconsistent with the Multi-Year Tariff Framework under the AERA Guidelines, 2011. The Authority notes that the Incremental ARR framework does not replace, modify or displace the existing tariff determination methodology. Tariff determination for the Fourth Control Period continues to be undertaken based on the applicable regulatory building blocks, including traffic forecasts, approved asset additions, Regulatory Asset Base, depreciation, return on capital, efficient operating expenditure, taxation and cross subsidy attributable to Non-Aeronautical Revenue. Actually, Incremental ARR approach maintains the conventional multi-year tariff framework for all capex items of Airport Operator

as given in their MYTP except 2 or 3 identified high capex items like new Terminal Building, Airside infrastructure directly related to new Terminal Building etc. that are planned by the Airport Operator to be commissioned in the latter half of the 5 year Tariff Cycle, generally 4th or 5th year, and only for these identified high capex items the tariff impact on users is linked to the date of its commissioning and commencement of its usage. The proposed framework thus affects only the timing of tariff recovery associated with these identified upcoming high-value capex projects and does not alter the underlying methodology for determination of Aggregate Revenue Requirement.

12.7.31 As discussed in Paragraphs 12.3 and 12.4 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the proposed framework was introduced to address a specific regulatory issue associated with identified high-value capex projects expected to be commissioned during the latter part of the Fourth Control Period. The Authority observed that, under the conventional ARR approach, the tariff impact associated with such projects may begin to be borne by airport users from the commencement of the Control Period notwithstanding that the relevant assets remain under construction and are not yet available for the provision of aeronautical services. Based on regulatory experience across Control Periods for different airports in India, it had further been observed that delays in commissioning of major capital projects resulted in tariff recoveries and associated ARR determinations that were not fully reflective of the timing of costs incurred and services actually made available to users during the respective Control Periods, thereby necessitating subsequent adjustments. The Authority also observed that such an approach did not send the right tariff signals to users regarding the availability and utilisation of such high value and visible capex projects like new Terminal Building for passengers, new Runways and Aprons for airlines associated with the new Terminal Building etc. Further, this was not fully aligned with the regulatory philosophy that tariff recovery should correspond with the provision of aeronautical services to users. The Incremental ARR framework was therefore proposed to establish a closer linkage between commencement of tariff recovery and the operational availability of select 2-3 high value capex items like new Terminal Building, new Runway/Apron which are clearly visible aeronautical assets and directly experienced by airport users.

12.7.32 The Authority also notes that the concerns raised by stakeholders primarily relate to the timing of commencement of tariff recovery rather than the admissibility of capital expenditure itself. In the Authority's view, determination of when tariff recovery should commence remains a legitimate regulatory consideration within the broader framework of tariff determination under the AERA Act, 2008 (read together with amendments in 2019 and 2021). The Authority considers that the proposed approach remains consistent with the factors specified under Section 13(1)(a) of the AERA Act, particularly the requirement to balance the interests of airport users with the need to ensure the economic and financially viable operation of the airport.

12.7.33 The Authority notes that the Incremental ARR framework has not been proposed as a general principle applicable to all capital expenditure. As discussed in Paragraphs 12.3, 12.4 and 12.5 of Consultation Paper No. 01/2026-27 dated 12.06.2026 and further clarified during the Stakeholders' Consultation Meeting dated 29.06.2026, the framework has been applied selectively to identified high-value capex projects like new Terminal Building, new Apron/Runway associated with new Terminal Building after considering their scale, expected commissioning timelines and anticipated timing of user benefits. The Authority further notes that past regulatory experience has demonstrated that delays in commissioning of major capital projects approved by the Authority for a Control Period resulted in tariff recovery that were not fully reflective of the timing of costs incurred and services made available to users. The Authority is of the considered view that this weakens the linkage between tariff recovery and operational availability of infrastructure. Such outcomes may not provide appropriate tariff signals to users and may dilute incentives for timely completion and commissioning of projects. The Authority therefore

considers that the proposal represents a targeted regulatory intervention designed to address this specific category of projects, improve cost reflectivity, strengthen the alignment between tariff recovery and user benefits, and promote timely delivery of identified infrastructure, rather than any fundamental departure from the existing regulatory framework. The Authority further notes that the Implementation Framework adopted in this Order provides a structured and transparent mechanism for operationalising the proposal through defined reporting requirements, prescribed self-certification requirements, commissioning-based tariff triggers, treatment of delayed projects and subsequent true-up adjustments. These implementation provisions are intended to ensure regulatory certainty, administrative practicality and consistency in application of the framework across all identified projects.

12.7.34 Thus, the Incremental ARR Framework adopts a targeted intervention, while linking it to past regulatory experience, cost reflectivity, tariff signals, and incentives for timely delivery.

12.7.35 The Authority is accordingly of the view that the Incremental ARR framework remains fully capable of operating within the existing Multi-Year Tariff Framework and does not create any inconsistency with the AERA Guidelines, 2011. Rather, the framework seeks to ensure that, for selected high-value capex projects, tariff recovery more appropriately reflects the timing of infrastructure availability and commencement of user benefits while preserving all fundamental principles governing airport tariff determination.

Authority's Decision

12.7.36 Having considered the submissions made by stakeholders and its analysis as illustrated above and the rationale set out in Paragraphs 12.3, 12.4 and 12.5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the Authority does not agree with the contention that the Incremental ARR approach is inconsistent with the AERA Guidelines, 2011 or the Multi-Year Tariff Framework. The Authority is of the view that the framework is a targeted mechanism operating within the existing tariff determination framework addressing the timing of tariff recovery of identified high-value capex projects like new Terminal Building, Airside infrastructure like Aprons/Runway directly related to new Terminal Building etc.

Issue 5:

(i) Concerns relating to tariff stability and tariff shock

(ii) Concerns relating to airport infrastructure funding, cash-flow requirements and economic and financially viable operation of the airport

(i) Concerns relating to tariff stability and tariff shock

12.7.37 Government of Karnataka ("GoK"), Bangalore International Airport Limited ("BIAL"), Adani Airport Holdings Limited ("AAHL"), Association of Private Airport Operators ("APAO"), GMR Airports Limited ("GMR"), Fairfax India Holdings Corporation ("Fairfax") and Yamuna International Airport Private Limited ("YIAPL") expressed concerns regarding the implications of the proposed Incremental ARR approach on tariff stability, submitting that the tariff methodology adopted by the Authority across previous Control Periods has enabled recovery of approved revenue requirements while maintaining tariff stability and avoiding abrupt tariff movements for airport users, airlines and passengers. The aforesaid stakeholders submitted that linking tariff recovery to the capitalisation, commissioning and operationalisation of major infrastructure projects may necessitate tariff revisions during the Control Period and could result in increases in airport charges when such projects become operational, whereas the conventional ARR framework distributes recovery of approved capital expenditure across the entire Control Period and across a broader passenger base, thereby moderating tariff movements over time.

The aforesaid stakeholders further submitted that multiple tariff revisions may increase administrative complexity for airport operators, airlines and passengers and create uncertainty regarding aeronautical tariffs. In this regard, GoK submitted that the proposed framework may require tariff revisions during the latter part of the Control Period whenever identified assets are commissioned and put to use. APAO submitted that airport infrastructure is developed with a long-term growth outlook and that tariff increases linked to commissioning events may attract greater attention despite such investments being necessary to support future demand. Fairfax submitted that deferment of tariff recovery until commissioning may result in tariff spikes when major infrastructure assets become operational. GMR submitted that concentration of cost recovery over a shorter period may increase per-passenger tariff levels and create tariff volatility. Lastly, BIAL submitted that the Incremental ARR approach may lead to multiple tariff revisions during the Control Period and create uncertainty regarding future tariff levels.

Authority's Analysis

12.7.38 The Authority carefully examined the concerns raised by stakeholders regarding tariff stability, tariff volatility and implementation complexity. The Authority agrees that tariff stability is an important regulatory objective and that predictability of airport charges contributes to long-term planning by airport users, airlines, airport operators, investors and other stakeholders. The Authority also acknowledges that the tariff approach adopted in previous Control Periods had facilitated moderation of tariff movements through recovery of approved revenue requirements over the duration of the Control Period.

12.7.39 However, the Authority is not in agreement with the contention that tariff stability, in isolation, can justify recovery of the tariff impact associated with major infrastructure projects before such infrastructure becomes operational and available for provision of aeronautical services. As discussed in Paragraphs 12.3 and 12.4 of Consultation Paper No. 01/2026-27 dated 12.06.2026, the fundamental objective underlying the proposed Incremental ARR approach is to establish a closer relationship between tariff recovery and commencement of user benefits arising from highly visible big capex projects. The Authority is therefore of the view that tariff stability must be considered together with the regulatory objective of avoiding recovery from airport users in respect of infrastructure that is not yet operational.

12.7.40 The Authority notes stakeholders' submissions that implementation of the proposed framework would require tariff revisions during the Control Period and may result in tariff increases upon commissioning of major infrastructure assets. The Authority further notes concerns regarding operational complexity arising from such revisions and the practical challenges associated with implementation of revised airport charges following commissioning of major projects. The Authority recognises these concerns and considers them relevant in determining the manner in which the Incremental ARR approach should be operationalised and has accordingly planned the implementation of the approach to address all these concerns.

12.7.41 The Authority also notes submissions that airport expansion projects are undertaken with a long-term planning horizon and are essential for accommodating future traffic growth and maintaining service quality. The Authority agrees that airport infrastructure development often requires significant investment several years before the associated capacity is fully utilised. However, the Authority is not in agreement with the contention that the long-term nature of airport development, by itself, determines the timing of tariff recovery. In the Authority's view, the prudence, necessity and scope of a project are separate regulatory considerations from the question of when airport users should begin bearing the tariff impact associated with that project.

12.7.42 The Authority further notes that the Incremental ARR approach is being implemented for the first time and that an appropriate balance is required between advancing the User Pay principle and maintaining tariff stability and implementation certainty during the initial application of the framework and the same has been addressed in the succeeding paras at **12.7.51**and **12.7.52.**

(ii) Concerns relating to airport infrastructure funding, cash-flow requirements and economic and financially viable operation of the airport

12.7.43 Bangalore International Airport Limited ("BIAL"), Adani Airport Holdings Limited ("AAHL"), Association of Private Airport Operators ("APAO"), GMR Airports Limited ("GMR"), Fairfax India Holdings Corporation ("Fairfax") and Yamuna International Airport Private Limited ("YIAPL") expressed concerns regarding the potential impact of the proposed Incremental ARR approach on airport cash flows, financing requirements and the ability of airport operators to recover investments in a predictable manner, submitting that airport infrastructure projects typically involve substantial upfront expenditure financed through long-term debt and equity arrangements that depend upon predictable revenue streams and cash-flow visibility. The aforesaid stakeholders submitted that linking commencement of tariff recovery solely to the commissioning of infrastructure may create a timing mismatch between capital expenditure incurred during construction and commencement of associated tariff recovery, thereby increasing working-capital requirements, dependence on external financing and overall project funding risks. In this regard, APAO submitted that airport assets are generally developed over a three-to-five-year horizon and involve significant cash outflows from the commencement of project execution, and that deferment of tariff recovery until capitalisation may require airports to recalibrate financing arrangements, increase borrowing requirements, weaken credit metrics and increase financing costs. GMR further submitted that delayed recovery of efficiently incurred investments may adversely affect an airport operator's credit profile, debt-servicing metrics and access to competitively priced capital, noting that credit rating agencies place significant weight on the certainty and predictability of future cash flows and that revenues contingent upon future commissioning events may not provide the same degree of visibility as revenues recovered under the conventional ARR framework. Fairfax similarly submitted that complete deferment of tariff recovery until commissioning may create cash-flow mismatches and financing challenges, particularly for large capital-intensive expansion projects, while AAHL and YIAPL submitted that airport expansion projects are undertaken to support future traffic demand and require substantial investment well before the infrastructure becomes operational. The aforesaid stakeholders in summary, submitted that airport operators should be permitted timely recovery of efficiently incurred investments to ensure infrastructure fundability and support the financial sustainability of the airport.

Authority's Analysis

12.7.44 The Authority has carefully examined the submissions made by stakeholders regarding airport financing, cash-flow requirements, and the economic and financially viable operation of the airport. The Authority recognises that development of major airport infrastructure projects requires substantial long-term capital investment and that predictability of cash flows is an important consideration for airport operators, lenders and investors. The Authority further recognises that the identified projects proposed under the Incremental ARR framework involve significant capital expenditure and, in certain cases, are expected to be commissioned only in the latter part of the Fourth Control Period.

12.7.45 However, the Authority is not in agreement with the contention that financing requirements, by themselves, justify commencement of tariff recovery of the full tariff impact associated with major infrastructure projects before such infrastructure becomes operational and available for provision of aeronautical services. As discussed in Paragraphs 12.3 and 12.4 of Consultation Paper No. 01/2026-27

dated 12.06.2026, the primary regulatory question before the Authority is whether airport users should begin bearing the tariff impact associated with major infrastructure before the corresponding assets have been capitalised, commissioned and put to use. The Authority remains of the view that recovery of the full tariff impact associated with major non-operational assets would effectively require current users to pre-fund infrastructure that is not yet available for use.

12.7.46 The Authority has carefully examined stakeholder submissions regarding infrastructure financing, lender requirements, credit metrics and cash-flow predictability. The Authority recognises that airport operators may incur financing obligations during the construction phase prior to capitalisation and commissioning of the underlying infrastructure and further acknowledges that predictability of future cash flows is an important consideration for airport operators, lenders and investors while evaluating financing arrangements for capital-intensive infrastructure projects.

12.7.47 However, the Authority notes that the cash flow mechanism expected to emerge following implementation of the Incremental ARR framework is not materially different from conventional infrastructure financing arrangements, where project cash flows ordinarily commence upon operationalisation of the underlying asset and not before. The Authority is therefore not in agreement with the contention that that aligning tariff recovery with the commissioning and availability of infrastructure is, by itself, inconsistent with established infrastructure financing principles. The Authority further notes IATA's submission that financing considerations should not, by themselves, justify recovery of airport charges from users in respect of infrastructure that is not yet operational and available for use.

12.7.48 The Authority further notes that Kempegowda International Airport, Bengaluru is a mature brownfield airport with a long operating history, an established traffic base, a diversified revenue stream and a demonstrated traffic growth trajectory. As discussed in the Consultation Paper, passenger traffic at the airport is expected to continue to grow substantially during the Fourth Control Period. The Authority is therefore of the view that traffic volume risk and demand risk associated with the identified expansion projects are materially lower than would ordinarily be the case for greenfield or demand-uncertain infrastructure developments. Accordingly, the Authority considers that the financing considerations associated with the identified projects must be viewed in the context of an airport with an established operating history and demonstrated ability to generate future tariff-supported cash flows following capitalisation, commissioning and operationalisation of the relevant assets.

12.7.49 At the same time, the Authority is also considerate of the concerns regarding the practical implications of complete deferment of tariff recovery until commissioning of large capital-intensive projects. The Authority notes that such concerns relate not merely to infrastructure financing but also to ensuring the economic and financially viable operation of the airport, moderation of tariff movements upon commissioning of major assets and maintaining an appropriate balance between the interests of airport users and the Airport Operator as contemplated under Section 13(1)(a) of the AERA Act, 2008 (read together with amendments in 2019 and 2021).

12.7.50 The Authority is of the view that this concern appropriately reflects the need to balance airport infrastructure financing requirements and user protection. The Authority notes that complete deferment of tariff recognition until commissioning could require airport operators to fund the full financing and carrying costs associated with major capital-intensive projects throughout the construction period, without any corresponding ARR recognition until the assets enter service and hence, there is need that the framework provides a measured level of revenue support during the implementation phase of such projects, thereby moderating cash-flow pressures and supporting debt-servicing and financing requirements while at the same time, a substantial portion of the project cost remains under the

Incremental ARR framework and becomes effective only upon commissioning and put-to-use of the relevant assets.

Issue 6: Implementation, operationalisation, and administrative complexity of the Incremental ARR Approach

12.7.51 While a number of stakeholders supported the underlying principle of aligning tariff recovery with the commissioning and operational availability of infrastructure, Bangalore International Airport Limited ("BIAL"), Air India Group, Fairfax India Holdings Corporation ("Fairfax"), GMR Airports Limited ("GMR"), International Air Transport Association ("IATA") and other stakeholders sought clarity regarding the manner in which the proposed Incremental ARR approach would be operationalised, emphasising the need for a transparent and predictable implementation framework providing adequate visibility regarding the timing, trigger and methodology for tariff adjustments associated with projects covered under the framework. BIAL submitted that the operational framework should provide certainty, transparency and advance visibility regarding implementation of revised airport charges, proposing that airport operators provide advance information on expected capitalisation dates and submit certification upon commissioning of the relevant projects. BIAL further requested that tariff schedules relating to projects covered under the Incremental ARR framework be made available upfront to provide visibility to airlines, passengers and other airport users regarding the future tariff implications of such projects. Air India Group expressed concerns regarding the implementation of revised airport charges in circumstances where tickets may have been sold prior to commencement of revised tariffs and requested adequate implementation certainty and advance notice of tariff adjustments. Fairfax and GMR similarly submitted that, if the Authority proceeds with the proposed framework, there should be adequate transparency and upfront visibility regarding the tariff implications associated with identified projects, while IATA emphasised the importance of maintaining transparency, cost-relatedness and a clear linkage between the commissioning of infrastructure and the commencement of tariff recovery.

Authority's Analysis

12.7.52 The Authority carefully examined the submissions made by stakeholders regarding implementation of the Incremental ARR approach. The Authority agrees that operationalisation of the framework must be transparent, objective, predictable and administratively workable. The Authority further agrees that airport operators, airlines, airport users, investors and other stakeholders should have visibility regarding the framework through which tariff recovery associated with identified high-value capex projects will be implemented.

12.7.53 The Authority notes that the Consultation Paper introduced the concept of Incremental ARR for identified high-value capex projects expected to be commissioned during the latter part of the Fourth Control Period and sought stakeholder comments on the principle of aligning tariff recovery with operational availability of infrastructure. Following consideration of stakeholder submissions, the Authority has further developed and refined the implementation mechanism for operationalisation of the Incremental ARR approach. The Authority is of the view that a clearly defined implementation framework is necessary to provide regulatory certainty and to ensure consistent application of the User Pays principle.

12.7.54 The Authority notes that several stakeholders raised concerns regarding both airport infrastructure financing requirements and tariff volatility. On one hand, stakeholders supporting the User Pays principle submitted that airport users should not bear the cost of infrastructure that is not yet available for provision of aeronautical services. On the other hand, BIAL and several airport-sector stakeholders submitted that complete deferment of tariff recovery until commissioning of large capital-intensive

projects may adversely impact financing requirements and may result in concentrated tariff increases upon commissioning of such projects.

Addressing the concerns emerging from stakeholders' comments on the Incremental ARR Approach for the 4th Control Period:-

12.7.55 In the light of above, issue wise (Issue 1 to Issue 6) analysis of stakeholder comments from Para **12.7.1** to Para **12.7.54**, the Authority, after carefully considering the submissions received during the consultation process, has decided to address relevant concerns of stakeholders in order to work out a balanced implementation framework for operationalisation of the Incremental ARR approach.

The Authority notes that stakeholder concerns primarily relate to:

a) Infrastructure funding, cash flow requirements and ensuring economic and financially viable operation of the airport, particularly during the construction period of large capital-intensive projects financed through external borrowings

b) avoiding a significant spike in airport charges (tariff shock) upon commissioning of high-value assets

c) providing tariff stability, certainty and visibility to airport users and airlines, and

d) establishing a transparent and administratively workable implementation mechanism.

12.7.56 **Accordingly, the Authority plans to address all the above concerns as follows:**

(a) Infrastructure funding, cash flow requirements and ensuring economic and financially viable operation of the airport, particularly during the construction period of large capital-intensive projects financed through external borrowings:

For projects identified for treatment under the Incremental ARR approach, the Authority has decided that 15% of the project cost shall be considered in the baseline ARR in accordance with the capitalisation schedule approved by the Authority. The ARR impact attributable to the balance 85% of the project cost shall, however, be allowed only upon commissioning and putting to use of the respective assets/projects, in accordance with the Incremental ARR approach.

The Authority is of the considered view that this approach appropriately balances the interests of the Airport Operator and airport users. By restricting the inclusion of a substantial portion of the project cost in ARR until the relevant assets/projects are commissioned and put to use, the approach ensures that the major portion of the associated tariff impact remains linked to the availability and commencement of user benefits arising from the infrastructure created.

At the same time, allowing 15% of the project cost to be considered in the baseline ARR, in accordance with the approved capitalisation schedule, considering the funding and cash-flow requirements of the Airport Operator during the implementation phase. This is particularly relevant in the case of large, capital-intensive projects requiring substantial external borrowings, where the Airport Operator incurs financing and related costs well before the assets become operational.

Accordingly, the Authority considers that the proposed treatment strikes an appropriate balance between facilitating the timely funding and execution of essential airport infrastructure and safeguarding the interests of airport users by ensuring that tariff recovery for the substantial majority of the project cost is principally associated with the commissioning, operational availability and actual use of the relevant assets/projects. The approach is therefore intended to support the economic and financial viability of the airport while maintaining the fundamental linkage between tariff recovery and the benefits accruing from the commissioned infrastructure.

(b) Avoiding a significant spike in airport charges (tariff shock) upon commissioning of high-value assets:

The Authority notes that complete deferment of tariff recovery in respect of high value capital projects until its commissioning and putting to use may result in a significant amount of ARR becoming recoverable at a single point of time upon commissioning of large and capital-intensive projects. Such concentration of the tariff impact may lead to a substantial increase in aeronautical charges at the time of capitalisation and operationalisation of such capital project and may result in a tariff shock for airport users.

The Authority has, therefore, considered it appropriate to allow some portion of the project cost through the normal capitalisation process, while shifting the recovery of the balance project cost until the relevant assets/projects are commissioned and put to use. Accordingly, as set out hereinabove, 15% of the project cost shall be considered through the normal capitalisation process and reflected in the Base line ARR in accordance with the applicable capitalisation schedule. The ARR impact attributable to the remaining 85% of the project cost shall be considered under the Incremental ARR approach only upon commissioning and putting to use of the respective assets/projects.

The Authority is of the view that this mechanism serves the dual objective of providing a reasonable level of tariff consideration during the construction and implementation period, while ensuring that the substantial portion of the tariff recovery remains linked to the commissioning and availability of the relevant infrastructure. Further, recognition of 15% of the project cost through the normal capitalisation process reduces the quantum of ARR that would otherwise become recoverable upon commissioning and, consequently, moderates the potential tariff spike arising at that stage.

In order to further mitigate the possibility of a significant spike in aeronautical tariff upon commissioning of high-value assets, the Authority has decided that the tariff rate card for the Base line ARR shall be structured in such a manner that the applicable tariff in the expected year of commissioning of projects covered under Incremental ARR Approach is kept low. This will be done by reasonably levellising the tariff in the initial year. This approach would ensure that once the high capex projects covered under Incremental ARR are commissioned in the expected year, the incremental increase in tariff in that year on account of their commissioning, combined with already kept low tariff for that year, would cumulatively add to a tariff figure, that would not reflect a steep spike, vis-à-vis earlier years of the Control Period.

The Authority considers that such tariff structuring would ensure that the incremental tariff impact in that year arising from the Incremental ARR is substantially offset by the corresponding reduction in the Base line ARR tariff for that year thereby avoiding an abrupt spike in the overall tariff payable by users upon commissioning of the Incremental ARR projects. This approach is intended to provide a smoother transition in tariff levels, while maintaining, significantly to the maximum extent, the linkage between recovery of project-related costs with the commissioning and operationalisation of the underlying assets.

(c) Providing tariff certainty and visibility to airport users and airlines:

The Authority considers it essential to provide adequate tariff certainty and visibility to airport users and airlines, particularly in respect of projects proposed to be covered under the Incremental ARR approach. Accordingly, with a view to ensuring transparency and predictability in the tariff framework, the Authority has specified upfront the applicable aeronautical charges that shall become operative upon commissioning and putting to use of the respective assets/projects under the

Incremental ARR approach, as at **Chapter 13** of this Tariff Order and also making a mention of the same in the Tariff Rate Card for the above **Baseline ARR (para 12.7.98 and Table 288)** as set out under **Annexure I** of this **Tariff Order**.

The Authority has also prescribed the detailed implementation framework governing the applicability and recovery of Incremental ARR in Para **12.7.82** to Para **12.7.87** of this Tariff Order. The upfront determination of the applicable charges, together with the prescribed implementation framework, is intended to provide clarity to stakeholders regarding the tariff implications of such projects and facilitate appropriate planning by airport users and airlines.

(d) Establishing a transparent and administratively workable implementation mechanism:

The Authority is of the view that, in addition to laying down the broad principles governing the Incremental ARR approach, it is necessary to establish a clear, transparent and administratively workable implementation framework for its effective operationalisation. The absence of a defined implementation mechanism may result in uncertainty regarding the timing and manner of recognition of project-related expenditure, determination of Incremental ARR, commencement of recovery, and treatment of the associated aeronautical charges. Such uncertainty may also have implications for the Airport Operator in planning and executing capital expenditure and may affect the assessment of the project by lenders and other financing stakeholders.

Accordingly, the Authority has prescribed a detailed implementation framework in Para **12.7.82** to Para **12.7.87** setting out the manner in which the Incremental ARR approach shall be operationalised. This framework provides clarity on the various stages of considerations and recovery of high value project-related costs, including the treatment of the project during the construction phase, the extent of cost to be considered through the normal capitalisation process, the conditions for recognition of the balance project cost under the Incremental ARR approach, and the point at which the corresponding aeronautical charges shall become applicable following commissioning and putting to use of the relevant assets/projects.

The Authority considers that such a defined framework is necessary to ensure consistency and predictability in the regulatory treatment of eligible projects and to avoid case-by-case uncertainty at the stage of commissioning. It also provides the Airport Operator and its lenders with greater visibility regarding the manner and timing of recovery of the investment made in such high value capital projects, thereby facilitating financial planning and assessment of the viability of large capital-intensive projects.

At the same time, the framework ensures that recovery of the substantial portion of project-related ARR remains linked to the commissioning and putting to use of the relevant assets/projects. This safeguards the interests of airport users by ensuring that the corresponding tariff recovery is triggered principally upon the availability of the infrastructure and the commencement of the associated user benefits.

The Authority is therefore of the view that the implementation framework prescribed in this Tariff Order strikes an appropriate balance between regulatory certainty, financing and cash-flow requirements of the Airport Operator, lender visibility, administrative feasibility and protection of airport users. The framework shall accordingly govern the implementation of the Incremental ARR approach for eligible projects in accordance with the provisions specified in this Tariff Order.

Authority's Decision

12.7.57 Having considered the submissions made by the stakeholders, the rationale set out in Paragraphs 12.3, 12.4 and 12.5 of Consultation Paper No. 01/2026-27 dated 12.06.2026, and the requirement to balance the interests of airport users with the financial sustainability and viability of the airport under Section 13(1)(a) of the AERA Act, 2008, read with the amendments thereto, the Authority remains of the view that identified high-value capital expenditure projects warrant a distinct recovery mechanism under the Incremental ARR approach.

12.7.58 The Authority considers that the commencement of tariff recovery in respect of such projects should be more closely aligned with the capitalisation, commissioning and putting to use of the relevant assets/infrastructure, while at the same time recognising the financing, funding and cash-flow requirements of the Airport Operator during the construction and implementation period. The Authority is of the view that the Incremental ARR approach, as structured in this Order, appropriately balances these considerations by providing a defined mechanism for recovery of project-related costs while ensuring that the substantial portion of the associated tariff impact is linked to the commissioning and operational availability of the relevant infrastructure.

12.7.59 The Authority has also considered the concerns raised by stakeholders regarding tariff stability, potential tariff volatility, administrative complexity and the need for greater certainty and visibility in relation to the recovery of high-value capital expenditure. The Authority is of the view that these concerns are adequately addressed at paras **12.7.56** [(a) to (d)] and through the Implementation Framework covered in Para **12.7.82** to Para **12.7.87** for the Incremental ARR Approach prescribed separately in this Order. The said framework provides clarity regarding the manner and timing of recognition and recovery of project-related ARR, the conditions governing the commencement of recovery, and the safeguards to be followed for implementation of the approach. The requirement for submission of self-certification in the format prescribed under Annexure II shall form an integral part of the implementation framework.

12.7.60 Accordingly, the Authority retains the Incremental ARR approach for identified high-value capex projects as per **Para 12.7.63** to **Para 12.7.77** together with the Implementation Framework contained within Para **12.7.82** to Para **12.7.87** with associated safeguards prescribed in this Order, including the requirement for submission of self-certification in the format specified under **Annexure II**. The approach shall be implemented in accordance with the provisions and conditions set out in the said framework.

12.7.61 The Authority further considers that the Authority's decision as elaborated from Para **12.7.57** and the prescribed Implementation framework provides the Airport Operator and its lenders with greater certainty regarding the regulatory treatment and recovery mechanism applicable to eligible projects, thereby facilitating financial planning, funding arrangements and long-term investment decisions. At the same time, by linking the major portion of tariff recovery to the commissioning and putting to use of the relevant assets, the framework seeks to protect the interests of airport users and maintain an appropriate linkage between tariff recovery and the availability of the infrastructure and associated user benefits.

12.7.62 Accordingly, the Authority retains the Incremental ARR approach for identified high-value capex projects as per para **12.7.56 [(a) to (d)]**, together with the Implementation Framework provided at Para **12.7.82** to Para **12.7.88** with associated safeguards prescribed in this Order, including the requirement for submission of self-certification in the format specified under **Annexure II**. The approach shall be implemented in accordance with the provisions and conditions set out in the said framework.

PROJECT SPECIFIC APPLICABILITY OF INCREMENTAL ARR APPROACH BASED ON STAKEHOLDER COMMENTS

12.7.63 During the consultation process, stakeholders provided comments both on the applicability of the Incremental ARR approach as a regulatory principle and on its application to few specific projects proposed by the Authority under Paragraphs 12.3, 12.4 and 12.5 of Consultation Paper No. 01/2026-27 dated 12.06.2026. Several stakeholders submitted that the identified projects should continue to be considered under the conventional ARR framework, while others supported retention of the Incremental ARR approach for projects expected to be commissioned during the latter part of the Fourth Control Period. In this regard, Bangalore International Airport Limited ("BIAL") specifically submitted that the West Cross Field Taxiway ("WCFT") should not be considered under the Incremental ARR framework, on the grounds that the project was already under implementation, had reached an advanced stage of execution, was expected to be commissioned by 30.09.2027, and would therefore be capitalised during the earlier part of the Fourth Control Period rather than within the category of projects intended to be covered by the proposed framework. After carefully considering the submissions received during the consultation process, the Authority decided to adopt a balanced implementation framework. Accordingly, Authority reviewed the project specific applicability of Incremental ARR approach as follows:

i) **West Cross Field Taxiway ("WCFT")**

12.7.64 The Authority examined BIAL's submission regarding the implementation status of WCFT. The Authority notes that the project was already under execution and that BIAL had submitted evidence demonstrating significant physical progress. The Authority also notes that the Independent Capex Consultant (MECON Ltd), during its site verification, observed that approximately 30% to 40% of the project had already been completed (while BIAL had also submitted that ~50% of the project had been completed as per its assessment). The Authority further notes BIAL's submission that the project is expected to be commissioned next year by 30.09.2027, including the period required for obtaining approvals from DGCA and BCAS.

12.7.65 Upon considering the advanced stage of implementation, the proposed capitalisation timeline falling within the earlier part of the Fourth Control Period and the relatively low risk associated with completion of the project, the Authority is of the view that the considerations which initially led to identification of WCFT under the Incremental ARR approach could be revisited. The Authority considers that the project has progressed sufficiently to provide a reasonable degree of certainty regarding its capitalisation and commissioning during the Fourth Control Period.

12.7.66 The Authority is therefore of the view that WCFT no longer warranted treatment under the Incremental ARR framework. Hence, the Authority has decided to consider this project under regular tariff process for capitalisation in the Regulatory Asset Base and for inclusion in the Base ARR, subject to prudence review and verification of actual asset additions at the time of true up.

Eastern Connectivity Tunnel ("ECT")

12.7.67 With respect to the ECT project, the Authority in the light of the views expressed at paragraphs 5.3.192 to 5.3.203 of Consultation Paper No. 01/2026-27 dated 12.06.2026 has further examined the submissions made by GoK, BIAL, BAOA and other stakeholders which have been elaborately illustrated at Chapter No. 5 of this Tariff Order from para 5.8.1 to 5.8.20.

12.7.68 The Authority notes that the ECT is proposed as an alternate access route to the airport from SH-104 and the eastern and south-eastern parts of Bengaluru and will reduce travel distance and time for

passengers originating from these areas. It is observed that various stakeholders, including GoK, APAO, APAI, MADPL, CII and BCIC, have supported inclusion of the ECT in the RAB on the ground that the project constitutes an important airport connectivity asset and would enhance airport accessibility, provide route redundancy, improve resilience and business continuity, reduce dependence on the existing NH-44 access corridor, and address the future connectivity requirements of KIAB, particularly for users originating from eastern and south-eastern parts of Bengaluru.

12.7.69 At the same time, the Authority notes that, as discussed in Paragraphs 5.3.198, 5.3.201 and 5.3.203 of the Consultation Paper, and at para 5.8.23 to 5.8.43 of Chapter No. 5 of this Tariff Order, the ECT continues to possess substantial regional mobility and decongestion characteristics extending beyond the airport system. The Authority is of the view that though the project is materially different from core aeronautical assets such as terminals, runways, taxiways and aprons but it still forms an integral part of the airport aimed at reducing the travel distance and time for a segment of population in the eastern and southeastern parts of the city viz. Whitefield, Sarjapur, Electronic city etc. where large scale industrialization and urbanization has happened and that the project will have a long-term and futuristic benefits in terms of improving overall airport accessibility, providing an alternate approach route and enhancing resilience of airport access infrastructure. Accordingly, the Authority does not consider it appropriate that the entire project cost should be recovered through airport charges payable by passengers and airlines.

12.7.70 However, the Authority also notes that submissions made during stakeholder consultation identified certain airport-specific benefits that were not fully reflected through a binary approach of either complete inclusion or complete exclusion. The Authority notes the substantive submissions made by important stakeholders like GOK, APAO, APAI, BIAL etc that the ECT form the long term perspective of the holistic growth of Bengaluru Airport would provide an alternate access corridor to the airport terminal area for the fast increasing passenger traffic in the coming years, thereby enhancing airports' commercial and operational development as well as improve access resilience, reduce dependence on a single access route and directly benefit a measurable portion of travelling passengers and other airport users originating from the eastern and south-eastern catchment area of Bengaluru who today have to travel through the only available connectivity from NH-44.

12.7.71 In the light of these factors, the Authority is of the view that complete exclusion of the ECT may not appropriately recognise the airport-user benefits in the long run and long-term holistic growth of the airport that would accrue from this project. At the same time, full inclusion would be inconsistent with the Authority's findings that the project continues to serve substantial regional connectivity, mobility and decongestion objectives beyond the core airport ecosystem. The Authority therefore distinguishes the airport-user benefits that may appropriately be recognised through airport tariffs and broader regional benefits that should remain outside the Regulatory Asset Base.

12.7.72 Considering the mixed-use nature of the project, the airport-user benefit component and the broader regional character of the asset from the perspective of long term holistic growth of the airport, the Authority consider it appropriate to adopt a balanced and proportionate approach that recognises airport-user benefits and airport growth while protecting passengers and airlines from bearing the full cost through aeronautical tariffs of a major regional-connectivity project primarily intended to facilitate connectivity to airport for travelling passengers.

12.7.73 Accordingly, having regard to the stakeholder submissions, the airport-access benefits identified, and the mixed-use character of the ECT Project, the Authority as comprehensively illustrated at Chapter 5 of this Tariff Order from Para **5.8.23** to Para **5.8.46**, considers it appropriate to adopt the 30% user-benefit factor submitted by GoK and BIAL as a reasonable basis for assessing the proportion of airport

users likely to derive direct and identifiable benefit from the facility. The Authority is of the view that this proportion suitably reflects the airport-user attributable component of the project, while recognising that the balance of the project benefits continue to relate to broader regional mobility, connectivity and decongestion objectives extending beyond the airport system. The Authority further notes BIAL's submission that value engineering measures and competitive price discovery may reduce the estimated project cost from the level proposed (Rs. 2,772 crore) in the MYTP by up to 30% and the present estimated costs would be Rs. 1,600 crores. BIAL further submitted that it is working with the State Government of Karnataka to explore innovative financing solution to meet the balance 25% funding requirement of the project and accordingly requested Authority to consider 75% of the updated project cost for inclusion in the Regulated Asset Base.

12.7.74 The Authority, in the light of above factors, therefore determines that the amount eligible for regulatory recognition on successful completion, commissioning and putting to use of intended airport users shall be limited to 30% of the rationalised project cost of Rs. 1600 crore as estimated and derived by BIAL for the ECT Project or ₹480 crore, whichever is lower, subject to efficient costs, prudence check and reasonability of rates. Also, for the overall ECT Project and its actual operations it will be incumbent upon the Airport Operator to obtain necessary security and safety approvals from DGCA, BCAS and other concerned Statutory and Regulatory bodies.

12.7.75 Further, the Authority determines that the admissible portion of the ECT shall be accommodated under the Incremental ARR framework being adopted for the Fourth Control Period, with implementation of tariff recovery governed by the Implementation Framework for Incremental ARR Approach set out separately in this Order. The Authority has adopted the 30% user-benefit submitted by GoK and BIAL as a reasonable representation for the proportion of airport users likely to derive direct benefit from the facility. The balance cost continues to relate to broader regional mobility, connectivity and decongestion objectives and, therefore, should remain outside the Regulatory Asset Base and BIAL and GoK may accordingly fund it from their resources.

Authority's Decision

12.7.76 Having considered the submissions made by stakeholders and the project-specific circumstances associated with identified projects, the Authority determines that application of the Incremental ARR approach shall continue to be assessed on a project-specific basis. Accordingly:

i. The West Cross Field Taxiway ("WCFT") shall no longer be considered under the Incremental ARR framework and shall instead be considered under the regular tariff process for capitalisation in the Regulatory Asset Base and inclusion in the Base ARR, subject to prudence review and verification of actual asset additions at the time of true-up.

ii. For the Eastern Connectivity Tunnel ("ECT"), the amount eligible for regulatory recognition under the Incremental ARR framework shall be limited to 30% of the rationalised project cost of ₹1,600 crore as estimated and derived by BIAL for the ECT Project or ₹480 crore, whichever is lower only on actual capitalisation, commissioning and put-to-use of the complete ECT Project and subject to efficient costs, prudence check, reasonability of rates and requisite approvals of the said Project and its actual operations from the relevant safety and security agencies, including BCAS and DGCA and other concerned statutory and regulatory bodies. The amount so recognized, up to Rs 480 crores, shall be suitably incorporated in the Regulatory Asset Base, as applicable, having regard to the mode of implementation and operation of ECT as adopted by BIAL, including self-development or development through a sub-concession arrangement, and in accordance with the applicable regulatory treatment of such expenditure. The balance project cost shall remain outside the RAB and outside the overall extant regulatory

framework and shall be funded through State Government support, non-tariff sources or other appropriate means.

iii. The Authority further observes that, unlike the T2 Phase 2 Apron – 40 Stands and T2 Phase 2 Terminal, the ECT Project has not yet attained a comparable level of implementation certainty during the Fourth Control Period. In particular, the final implementation model and the modalities and mode of implementation, the funding structure, including external funding support from GoK, and other key implementation prerequisites, including the availability of necessary safety and security approvals from DGCA and BCAS and from other concerned statutory and regulatory agencies are yet to be firmed up. In view of these material uncertainties, the Authority is of the considered opinion that upfront inclusion of any proportion of the project cost in the RAB under the Base ARR as adopted for other projects under Incremental ARR would not be appropriate presently for the ECT Project. Accordingly, under the Incremental ARR approach, the Authority decides that 15% of the admissible project cost shall not be considered in the RAB under the Base ARR for the ECT Project, unlike the treatment adopted for the T2 Phase 2 Apron – 40 Stands and the T2 Phase 2 Terminal Building.

12.7.77 Accordingly, the Authority retains the Incremental ARR approach for identified projects as modified above and adopts the project-specific determinations discussed in this section.

12.7.78 Further, the detailed implementation framework is separately set out under the section titled "Implementation Framework for Incremental ARR Approach" and the prescribed format of the self-certification referred to above is enclosed at **Annexure II** to this Order.

Implementation Framework for the Incremental ARR Approach Decided by the Authority

12.7.79 In the Consultation Paper issued for determination of tariffs for the Fourth Control Period in respect of Bengaluru International Airport, the Authority introduced the Incremental ARR Approach for select high-value capital projects that are expected to be commissioned and put to use during the latter part of the Control Period. The objective of this approach is to align tariff recovery of such select capital projects with the User Pay Principle, under which airport users bear the cost of infrastructure only after the corresponding assets become operational and begin providing aeronautical services. This approach also promotes the ICAO principle of cost-relatedness by ensuring that tariffs reflect services that are actually available to users.

12.7.80 The Authority has carefully considered the comments received from the Airport Operator, airlines, IATA and other stakeholders during the consultation process. They have all been analysed comprehensively and Authority's views/ decisions illustrated at Para **12.7.1** to Para **12.7.54** of this chapter. It is further submitted that in the consultation paper an approach for implementation of Incremental ARR was proposed so as to facilitate regulatory review and implementation and bring predictability to the review process and accordingly the Authority had proposed to establish two reporting windows during each financial year. However, based on views expressed by stakeholders during Stakeholder Consultation Meeting and comments thereafter, this has now been dispensed with.

12.7.81 As elaborated above and based on careful consideration of the submissions of the Airport Operator and all other stakeholders, the Authority has decided to adopt a balanced, transparent, easy and simplified Implementation Framework for the Incremental ARR Approach as follows:-

<u>Implementation Framework for Incremental ARR Approach</u>

Asset Commissioning Declaration

12.7.82 The Airport Operator shall submit a self-declaration (as per the prescribed format in this Order under Annexure II), confirming that the identified asset has been commissioned and put to use.

Trigger for Incremental Tariff

12.7.83 The Airport Operator shall submit to AERA a self-declaration, in the format prescribed under Annexure II of this Order, confirming that the identified asset has been duly commissioned and put to use. Upon receipt of such self-declaration, an Addendum to this Order shall be issued by AERA within 21 days of submission of the said self-declaration, after being satisfied that the prescribed requirements under this Order have been duly complied with to trigger the related tables given at **Para 13.4.21** of Chapter 13 of the Tariff Order for the related Capex projects under Incremental ARR. The additional tariff approved by AERA in respect of the identified asset(s) as per the aforesaid Tables under the Incremental ARR Approach shall then become effective from the date specified in such Addendum to the Tariff Order.

Delay in Commissioning of identified asset under incremental ARR approach

12.7.84 In the event of any delay in the commissioning of the identified asset(s) beyond the schedule approved by the Authority, the additional airport charges/UDF at the rates specified in **Table 290, Table 291** and **Table 292** shall become effective only from the date specified in the Addendum to the Tariff Order issued by the Authority. No recovery of the additional tariff shall be permitted for any period during which the identified asset(s) remain uncommissioned or are not available for operational use. Accordingly, the Airport Operator shall not be entitled to levy or recover the additional airport charges/UDF for any period prior to the effective date specified in the Addendum to the Tariff Order.

Regulatory Verification

12.7.85 The Authority reserves the right to verify the date of commissioning, capitalisation, cost and Operationalisation of the asset during the true-up exercise. Any variation observed between the approved project cost/schedule and the actual capitalisation shall be appropriately adjusted in the subsequent tariff determination while truing up.

Adjustment of Differences

12.7.86 Any excess or short recovery arising on account of differences between the approved and actual capitalisation, commissioning dates or project costs shall be adjusted by the Authority during the true-up exercise in accordance with the applicable regulatory principles.

12.7.87 The Authority is of the view that the above implementation framework giving all relevant information up front in an easy and simplified form provides an appropriate balance between regulatory certainty, tariff stability, overall economic and viable operation of the airport, and protection of airport users' interests. It also establishes a transparent and objective mechanism for operationalising the Incremental ARR Approach while ensuring that tariff recovery remains linked to the availability of airport infrastructure for use by passengers and airlines.

Summary of Authority's Analysis and Decisions regarding Issues raised on the Incremental ARR Approach

12.7.88 The Authority's considered position is that the Incremental ARR framework essentially addresses the timing of recovery of costs of certain select and identified high-value capex projects like Terminal Building and Airside infrastructure directly related to this new Terminal Building which are coming up in the latter half particularly 4th /5th year of the 5-year Control Period and which are directly experienced and used by users (passengers and airlines). While BIAL remains entitled to recover all the approved asset additions and the associated regulatory building blocks, the Authority ensures that through Incremental ARR approach the users should not bear the tariff impact of infrastructure that remains

under construction before it actually confers an economic benefit to airport users. Accordingly, tariff recovery of these identified capex projects needs to be aligned more closely with the capitalization, commissioning and operational availability, consistent with the User Pays principle and Section 13(1)(a) of the AERA Act.

12.7.89 All the concerns raised by different Airport Operators and other stakeholders in respect of Incremental ARR like Eastern Connectivity Tunnel, T2 Phase 2 Apron- 40 Stands, T2 Phase 2 Terminal have been comprehensively analysed and authority's views/ decisions have been illustrated in preceding paras.

12.7.90 As elaborated and explained in previous paras, the Authority has considered the Incremental ARR framework to be a targeted regulatory refinement rather than any departure from established tariff determination practice. The framework remains anchored in the principle that cost of select few high capex infrastructures getting commissioned in the latter half/end years of the 5-year Control Period should be recovered through tariffs once it has been capitalized and put to use. To ensure administrative simplicity and financing certainty, the Authority has adopted a streamlined, simple and orderly implementation framework as clearly explained upfront from Para **12.7.82** to Para **12.7.87** under which the Airport Operator would be required to submit a self-certification of actual asset commissioning and its putting to use for the airport users, following which the Authority would be required to issue an Addendum stating the exact date of enforceability of the revised tariffs based on the predetermined incremental tariffs associated with the asset as provided upfront in the form of Schedules in this Tariff Order itself. The detailed cost verification would be undertaken in subsequent true-up exercise at the time of tariff determination of the succeeding Control Period. By publishing project-specific ARR impacts upfront and also providing upfront the associated tariff rate card balancing the overall tariff spikes which gets triggered on commissioning of specific projects, the Approach in the considered view of the Authority provides transparency, eases financing, avoids tariff spikes and provides implementation predictability while preventing premature recovery from airport users.

Authority's examination regarding Aggregate Revenue Requirement for the Fourth Control Period

12.7.91 The Authority, after due consideration of stakeholders' submissions, undertook a detailed review of the Aggregate Revenue Requirement (ARR) for the Fourth Control Period. Based on its decisions across the various regulatory building blocks (including changes in O&M expenses, changes in asset commissioning date, change in approved projects and project costs, Non-Aeronautical Revenue, Depreciation, Regulatory Asset Base and Aeronautical Taxation), the recomputed ARR for the Fourth Control Period for KIAB is presented below:

Table 282: Aggregate Revenue Requirement decided by the Authority for the Fourth Control Period

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base (Refer: **Table 207**)	A	9,080.70	10,429.42	11,217.35	14,415.54	17,414.90	
Fair Rate of Return (Refer: **Table 211**)	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	C=A*B	1,088.78	1,250.49	1,344.96	1,728.42	2,088.05	7,500.69
Depreciation (Refer: **Table 206**)	D	687.63	766.29	777.34	903.30	1,046.35	4,180.91
O&M expenses including concession fee	E	1,030.12	1,111.98	1,190.03	1,276.23	1,519.44	6,127.80

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
(Refer: **Table 255**)							
Tax Expense (Refer: **Table 271**)	F	49.38	52.62	80.55	76.52	75.16	334.24
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	2,855.90	3,181.38	3,392.88	3,984.48	4,729.00	18,143.64
NAR (Refer: **Table 268**)	H	1,468.63	1,683.70	1,890.83	2,138.63	2,417.63	9,599.40
Less: 30% NAR	I=H*30%	(440.59)	(505.11)	(567.25)	(641.59)	(725.29)	(2,879.82)
(Over)/Under Recovery of previous CP as on 31.03.2027 (Refer: **Table 118**)	J	603.38	-	-	-	-	603.38
Net ARR	**K=G+I+J**	**3,018.69**	**2,676.27**	**2,825.63**	**3,342.89**	**4,003.71**	**15,867.19**
PV factor @11.99%	L	1	0.89	0.79	0.71	0.64	-
PV of ARR	M=L*K	3,018.69	2,389.74	2,252.98	2,380.04	2,545.34	12,586.79
Sum of PV of ARR	N	**12,586.79**					
PV of Aeronautical Revenue	O	2,604.13	2,482.26	2,455.15	2,474.21	2,571.03	12,586.79
Sum PV of Aeronautical Revenue	P	**12,586.79**					
Total traffic in Mn	Q	**301.0**					
Yield per Passenger (YPP) (in ₹)	R=(P/Q)*10	**418.17**					

12.7.92 The Authority based on its examination decided an Aggregate Revenue Requirement of Rs. 15,867.19 Crores (in PV terms – Rs. 12,586.79 Crores) as against an Aggregate Revenue Requirement of Rs. 15,225.22 Crores (in PV terms – 11,989.85 Crores) as proposed at the Consultation Stage. The major reasons for the variance between the Authority's proposal at the Consultation Stage and the above decided ARR are as follows:

i. Increase in Return on RAB by **Rs. 2.36 Crores** due to the revised RAB and capitalization profile considered by the Authority (key change being deferment in the considered capitalisation of the T2 Phase 2 Terminal from FY'30 at the Consultation Stage to FY'31), as detailed in **Table 207.**

ii. Reduction in Depreciation by **Rs.114.02 Crores** due to the revised capitalization profile in RAB considered by the Authority, as detailed **Table 207.**

iii. Reduction in Aeronautical O&M Expenses by **Rs. 21.69 Crores** due to revisions in operating expenditure considered by the Authority, as detailed in **Table 255.**

iv. Increase in Tax Expense by **Rs. 334.24 Crores** on account of the revised ARR building blocks considered by the Authority, as detailed in **Table 271.**

v. Reduction in 30% of Non-Aeronautical Revenue subsidy by **Rs.77.03 Crores** due to the revised NAR projections considered by the Authority, as detailed in **Table 268**

vi. Increase in under-recovery carried forward from the previous Control Period by **Rs. 364.28 Crores** based on the Authority's updated determination, as detailed in **Table 118.**

12.7.93 For Kempegowda International Airport, Bengaluru, the capex items decided for inclusion under the Incremental ARR approach on User Pays Principle are:

(i) 30% of Eastern Connectivity Tunnel's Total Cost or Rs. 480 Crs. as illustrated at **Para 12.7.76** of this Tariff Order.

(ii) T2 Phase 2 Apron – 40 Stands total cost of Rs. 760 Crs. as illustrated at **Para 5.8.343** of this Tariff Order.

(iii) T2 Phase 2 Terminal total cost of Rs. 5,291.67 Crs. as illustrated at **Para 5.8.343** of this Tariff Order.

These capex items have been identified under the Incremental ARR approach as already explained in detail in **Chapter 12.**

12.7.94 If these afore-mentioned capex items are excluded from the conventional ARR **(Table 282)** then the Baseline ARR becomes as follows:

Table 283: Base Line ARR & YPP decided by the Authority for the Fourth Control Period

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	9,080.70	10,429.42	11,217.35	11,650.14	11,977.20	
Fair Rate of Return (Refer: **Table 211**)	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	C=A*B	1,088.78	1,250.49	1,344.96	1,396.85	1,436.07	6,517.14
Depreciation	D	687.63	766.29	777.34	810.19	860.13	3,901.58
O&M expenses including concession fee (Refer: **Table 255**)	E	1,030.12	1,111.98	1,190.03	1,276.23	1,519.44	6,127.80
Tax Expense (Refer: **Table 271**)	F	49.38	52.62	80.55	76.52	75.16	334.24
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	**2,855.90**	**3,181.38**	**3,392.88**	**3,559.79**	**3,890.80**	**16,880.76**
NAR (Refer: **Table 268**)	H	1,468.63	1,683.70	1,890.83	2,138.63	2,417.63	9,599.40
Less: 30% NAR	I=H*30%	(440.59)	(505.11)	(567.25)	(641.59)	(725.29)	(2,879.82)
(Over)/Under Recovery of previous CP as on 31.03.2027 (Refer: **Table 118**)	J	603.38	-	-	-	-	603.38
Net ARR	**K=G+I+J**	**3,018.69**	**2,676.27**	**2,825.63**	**2,918.21**	**3,165.51**	**14,604.31**
PV factor @11.99%	L	1	0.89	0.79	0.71	0.64	-
PV of ARR	M=L*K	**3,018.69**	**2,389.74**	**2,252.98**	**2,077.68**	**2,012.46**	**11,751.55**
Sum of PV of ARR	N	**11,751.55**					
Projected Aeronautical Revenue	O	**2,604.13**	**2,779.88**	**3,079.19**	**3,377.72**	**2,839.45**	**14,680.38**
PV of Aeronautical Revenue	P = O*L	**11,751.55**					
Total traffic in Mn	Q	**301.0**					
Yield per Passenger (YPP) (in ₹)	R=(P/Q)*10	**390.42**					

12.7.95 The Tariff Rate Card associated with the above baseline ARR approach is set out under **Annexure I** of this Tariff Order.

12.7.96 When the capex items are put under Incremental ARR approach i.e.

(i) 30% of Eastern Connectivity Tunnel's Total Cost or Rs. 480 Crs whichever is lower– The associated Tariff Card is presented in **Table 290** under Chapter 13.

(ii) T2 Phase 2 Apron – 40 Stands – The associated Tariff Card is presented in **Table 291** under Chapter 13.

(iii) T2 Phase 2 Terminal – The associated Tariff Card is presented in **Table 292** under Chapter 13.

Table 284: Capital items decided to be considered by the Authority on Incremental ARR approach

(Rs. in Crore)

Particulars	Capex proposed by BIAL	Aero Capex proposed by BIAL	Capex decided by Authority	Aero Capex decided by Authority	Capitalization Date decided by Authority
Eastern Connectivity Tunnel	2,772.04	2,772.04	1,600	480	30-Jun-2029
T2 Phase 2 Apron – 40 Stands	906.87	906.87	760.0	760.0	30-Jun-2029
T2 Phase 2 Terminal	7,480.47	6,557.38	6,030.30	5,291.67	31-Mar-2030

12.7.97 The individual incremental revenue requirement (in Rs. Crores) for each of these projects is set out in the following tables:

i. Eastern Connectivity Tunnel – Impact on ARR

Table 285: Impact on ARR for Eastern Connectivity Tunnel (ECT) on Incremental ARR approach decided by the Authority

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	236.00	464.00	-
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	-
Return on average RAB	C=A*B	-	-	-	28.30	55.63	83.93
Depreciation	D	-	-	-	8.00	16.00	24.00
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	36.30	71.63	107.93
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	**J=G-I**	**-**	**-**	**-**	**36.30**	**71.63**	**107.93**
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-					-
Net ARR after over/under recovery	L=J+K	-	-	-	**36.30**	**71.63**	**107.93**
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	-
PV of ARR	N=L*M	-	-	-	**25.84**	**45.54**	**71.38**
Sum present value of ARR (₹ in crore)	O	**71.38**					
Total traffic in Mn (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**2.37**					

 # for comparison purpose, YPP has been shown based on total passengers. Charges will be increased appropriately considering the balance collection period remaining after each asset's respective actual capitalisation date.

ii. T2 Phase 2 Apron – Impact on ARR

Table 286: Impact on ARR for T2 Phase 2 Apron - (40 Stands) on Incremental ARR approach decided by the Authority

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	317.62	624.47	-
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	-
Return on average RAB	C=A*B	-	-	-	38.08	74.87	112.96
Depreciation	D	-	-	-	10.77	21.53	32.30
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	**48.85**	**96.41**	**145.26**
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	-	-	48.85	96.41	145.26
(Over)/Under Recovery of previous CP as on 31.03.2027	K						-
Net ARR after over/under recovery	L=J+K	-	-	-	**48.85**	**96.41**	**145.26**
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	-
PV of ARR	N=L*M	-	-	-	**34.78**	**61.29**	**96.07**
Sum present value of ARR (₹ in crore)	O	**96.07**					
Total traffic in Mn (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**3.19**					

iii. T2 Phase 2 Terminal – Impact on ARR

Table 287: Impact on ARR for T2 Phase 2 Terminal on Incremental ARR approach decided by the Authority:

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	2,211.79	4,349.24	-
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	-
Return on average RAB	C=A*B	-	-	-	265.19	521.47	786.67
Depreciation	D	-	-	-	74.34	148.69	223.03
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	339.54	670.16	1,009.70
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	-	-	**339.54**	**670.16**	**1,009.70**
(Over)/Under Recovery of previous CP as on 31.03.2027	K						-
Net ARR after over/under recovery	L=J+K	-	-	-	**339.54**	**670.16**	**1,009.70**

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	-
PV of ARR	N=L*M	-	-	-	**241.74**	**426.05**	**667.79**
Sum present value of ARR (₹ in crore)	O	**667.79**					
Total traffic in Mn (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**22.19**					

12.7.98 In the light of above, the Authority decides to consider a baseline Aggregate Revenue Requirement (ARR) and Yield per Passenger (YPP), as provided in table below, computed by excluding the above identified projects from the Regulatory Asset Base (RAB) for the Fourth Control Period.

Table 288: Base Line ARR & YPP decided by the Authority for the Fourth Control Period

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	9,080.70	10,429.42	11,217.35	11,650.14	11,977.20	
Fair Rate of Return (Refer: **Table 211**)	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	C=A*B	1,088.78	1,250.49	1,344.96	1,396.85	1,436.07	6,517.14
Depreciation	D	687.63	766.29	777.34	810.19	860.13	3,901.58
O&M expenses including concession fee (Refer: **Table 255**)	E	1,030.12	1,111.98	1,190.03	1,276.23	1,519.44	6,127.80
Tax Expense (Refer: **Table 271**)	F	49.38	52.62	80.55	76.52	75.16	334.24
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	**2,855.90**	**3,181.38**	**3,392.88**	**3,559.79**	**3,890.80**	**16,880.76**
NAR (Refer: **Table 268**)	H	1,468.63	1,683.70	1,890.83	2,138.63	2,417.63	9,599.40
Less: 30% NAR	I=H*30%	(440.59)	(505.11)	(567.25)	(641.59)	(725.29)	(2,879.82)
(Over)/Under Recovery of previous CP as on 31.03.2027 (Refer: **Table 118**)	J	603.38	-	-	-	-	603.38
Net ARR	**K=G+I+J**	**3,018.69**	**2,676.27**	**2,825.63**	**2,918.21**	**3,165.51**	**14,604.31**
PV factor @11.99%	L	1	0.89	0.79	0.71	0.64	-
PV of ARR	M=L*K	**3,018.69**	**2,389.74**	**2,252.98**	**2,077.68**	**2,012.46**	**11,751.55**
Sum of PV of ARR	N	**11,751.55**					
Projected Aeronautical Revenue	O	**2,604.13**	**2,779.88**	**3,079.19**	**3,377.72**	**2,839.45**	**14,680.38**
PV of Aeronautical Revenue	P = O*L	**11,751.55**					
Total traffic in Mn	Q	**301.0**					
Yield per Passenger (YPP) (in ₹)	R=(P/Q)*10	**390.42**					

Incremental tariffs for capital projects identified under User Pays principles

12.7.99 The incremental tariffs that the Airport Operator shall be authorised to levy upon the commissioning of the respective projects approved under the Incremental ARR approach are detailed in Paragraph 13. of Chapter 13 (Aeronautical Revenues) for the Fourth Control Period.

12.8 Authority's Decisions regarding Aggregate Revenue Requirement for the Fourth Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Aggregate Revenue Requirement for the Fourth Control Period:

12.8.1 To consider the Base Line Aggregate Revenue Requirement and YPP for the Fourth Control Period for BIAL as per **Table 288** above.

12.8.2 To consider Incremental ARR & YPP for the respective User Pays project in accordance with **Table 285**, **Table 286** and **Table 287**.

12.8.3 To true up the ARR and YPP for the Fourth Control Period based on actuals, subject to reasonableness and efficiency at the time of tariff determination of Fifth Control Period.

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13. AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

13.1 BIAL's submission regarding Aeronautical Revenue for the Fourth Control Period

13.1.1 Further to issuance of Consultation Paper, BIAL had submitted the Tariff Rate Card to the Authority which was put up for Stakeholders' comments on the Authority's website vide Public Notice No. 06/2026-27 dated 22.06.2026.

13.2 Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

13.2.1 During the stakeholders' consultation process, the Authority received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 01/2026-27 with respect to Aeronautical Revenue for Fourth Control Period. The comments by the various stakeholders are presented below:

13.2.1 Air India Group comment regarding Landing Rates is as follows:

"Reduction in landing rates:

We appreciate that both BIAL and AERA are considering reduction in landing rates. As mentioned in our past submissions, this is critical given the current geopolitical and economic situation plaguing the airline industry."

13.2.2 Interglobe Aviation Limited (Indigo)'s comment regarding User Development Fees (UDFs) is as follows:

"User Development Fee (UDF):

i) Applicability of UDF rates:

As the airline ticket booking system allows advance reservations of up to one year, UDF is collected from passengers at the time of booking based on the prevailing UDF rates at that time. Since ticket prices and charges are fixed at the time of booking, any later change in UDF without commensurate timeline / advance notice for "coming into effect" can create a mismatch between what has been collected by the airline and what is actually payable. Any under collection owing to the above results in a direct financial loss for the airlines, as airlines are typically not in a position to recover any shortfall from passengers once tickets are issued. This imposes a substantial financial burden on airlines, especially at large airports such as Bengaluru, with this impact being further amplified at a time when airlines continue to grapple with the adverse financial effects of geopolitical tensions, elevated ATF costs, weakening of rupee etc., all of which have significantly increased operating costs.

We trust that AERA will appreciate that any changes in tariffs should be informed and implemented in a manner that allows airlines to adjust their airfare to incorporate UDF and other revised charges in their reservations systems. BIAL's recommendations at point C of Annexure 1 of the BIAL Tariff Card (to be based on date of travel for any changes from 1st April 2027 onwards) however, do not take this into account, thereby placing risk of significant financial burden on the airlines.

Accordingly, we request AERA that any revision to the UDF should be based on the booking (ticket issuance) date, not the travel date, and that too on prospective basis. Defining the booking date as the basis is essential for airlines because ticket prices, taxes, and charges are fixed at the time of booking. If canges are made later without clear rules, it creates system and accounting difficulties,

as airlines cannot reprice tickets that have already been issued or recover additional amounts from passengers.

In sum, all changes to UDF and other pass-through charges should be notified as being applicable only for tickets sold from a certain future date, and the time gap between any notification and the applicable / effective date should be at least 60 days, to allow airlines sufficient time to program the changes in their systems. This lead time assumes even greater importance in view of the fact that AERA is implementing incremental ARR at BIAL, which will necessitate multiple revisions to UDF in the forthcoming control period. A long lead time is also necessary as, airlines need time to make changes and test the same; also at times, airlines systems may be undergoing changes / upgrades or an airline may be moving to a new system altogether, which may fall outside the typical 7 to 10 days window provided for such changes.

Similarly, any changes in aeronautical charges such as landing, parking, housing, etc., should also be notified well in advance to enable airlines to adjust air fares to cover the additional cost, to the extent applicable.

ii) Collection charges on UDF:

With respect to Note (2) under UDF (i.e. collection charges on UDF), BIAL has proposed that the airline operator will be entitled to Collection Charges of Rs. 5/- per embarking passenger.

AERA is requested to consider that in light of the increasing administrative expenses due to inflation and other reasons, the collection charges should be increased to keep pace with the proposed increase in UDF, as airlines currently only get a fixed rate (i.e. Rs. 5/- per embarking passenger) and this has remained unchanged for a long time, i.e. from the beginning of airport operations at BIAL.

Therefore, we would request AERA that the collection charges be specified at the rate of 2.5% on the UDF payable gross amount, in line with the existing rate of collection charges being paid to airlines by National Aviation Security Fund Trust (NASFT) as collection charges for Aviation Security Fees.

iii) Exemption Categories:

With respect to Note (3) under UDF, we request AERA to clearly specify the exemption categories in strict alignment with the provisions prescribed under DGCA AIC No. 14/2019 dated 16.05.2019 and DGCA AIC No. 06/2023 dated 29.04.2023.

Any additional requirements or clarifications may be stated separately from the exemption categories. For example:

- *For all UDF Exemptions, the airline is expected to submit necessary documentary proofs (eg, Passenger Transfer Message (non-Personal Identification Info only), flight Closure Message, APIs) electronically/automated manner to substantiate the same.*
- *For any travel happening between 1st September 2026 and 31st March 2027, the applicable UDF will be based on the date of ticket booking. For any travel beyond 31st March 2027, the respective period UDF charges shall be applicable, based on the date of travel."*

13.2.3 Interglobe Aviation Limited (Indigo)'s comment regarding Landing Charges is as follows:

*"**Landing Charges:***

It is requested that Landing charges be calculated on the basis of the nearest rounded off MT."

13.2.4 Interglobe Aviation Limited (Indigo)'s comment regarding Parking Charges is as follows:

*"**Parking Charges:***

i. *With respect to Note (2) under proposed Parking Charges, the following sentence should be added as per industry practice and for sake of clarity:*

ii. *"While calculating the free parking time, standard time of 15 minutes is added on account of time taken between touchdown and actual parking time on the parking stand. Another standard time of 15 minutes is added on account of taxiing time of aircraft from parking stand to take off point and collectively referred as free parking."*

iii. *With respect to Note (3) under proposed Parking Charges, it is requested that the Note be revised as follows:*

iv. *"The charges set for the herein shall be calculated based on the nearest rounded off MT. For calculating chargeable parking & housing time, part of an hour shall be rounded off to the nearest 15-min interval and charges shall be applied on a pro-rata basis."*

v. *With respect to Note (4) under proposed Parking Charges, it is requested that clarification be provided on the following:*

a) *We request AERA to kindly clarify if "housing charges" as mentioned, refer to the parking charges specified for more than 4 hours in the relevant table.*

b) *It is requested to define nature and/or circumstances which constitute unauthorized overstay.*

c) *We also request AERA to kindly waive off the overstay charges, considering that the parking rates beyond four hours is already levied at higher than the normal rate (about 1.6-1.7 times). Since the increased rate inherently covers the intent of discouraging prolonged parking, the additional overstay penalty becomes duplicative and should be reconsidered."*

13.2.5 Interglobe Aviation Limited (Indigo)'s comment regarding CUSS/CUTE/BRS is as follows:

*"**CUSS/CUTE/BRS Charge:***

i. *CUSS/CUTE/BRS charges are being levied in USD. In our opinion, these charges should be in INR, as an Indian carrier within an Indian airport should not bear the burden of foreign exchange risk. In this regard we request AERA's attention to NMI's and DXN's charges for CUSS/CUTE/BRS which are denominated in INR for domestic embarking passengers and in USD for international embarking passengers.*

ii. *With reference to Note (2) under the proposed CUSS/CUTE/BRS charges, we recommend that CUSS/CUTE/BRS charges be applicable on UDF paying passengers only.*

iii. *We also note that BIAL proposes to charge airlines for consumables for CUSS / CUTE kiosks, which, as per our understanding, is an unprecedented charge. While we presume that BIAL would have reduced their operational costs to the extent of revenues earned from this proposed charge, in the instant case, not only are Indian carriers, who form the bulk of operations and passenger carriage from Indian airports, being asked to bear the foreign exchange risk, but are also being burdened with a new charge category which, in our opinion,. is unwarranted. Furthermore, this requirement will impose additional administrative burden and cost on airlines and will also set a precedent for creation of newer categories in the future."*

13.2.6 Interglobe Aviation Limited (Indigo)'s comment regarding Bridge Mounted Equipment is as follows:

"Bridge Mounted Equipment (BME) Charges

For context, the ATP/Consultation Paper submitted by Noida International Airport (DXN) did not include BME charges as part of the stakeholder consultation process. However, such charges were subsequently incorporated in the final Tariff Order.

In this regard, BME charges have also not been included in BIAL's ATP/Consultation Paper currently under consultation. Accordingly, IndiGo understands that BME charges are outside the scope of the present consultation exercise. Should BIAL / AERA propose the introduction of BME charges at a later stage in the tariff determination, the revenues therefrom should be taken into consideration appropriately."

13.2.7 Interglobe Aviation Limited (Indigo)'s comment regarding implementation of revised tariff card is as follows:

"We would request AERA to provide a lead time of at least 60 days for implementation of tariff card by airlines into their systems from the date of issuance of final AERA order. Adequate advance notice is essential to allow airlines to adjust pricing structures and commercial planning accordingly."

13.2.8 IATA's comment regarding tariff structure and allocation of risk is as follows:

"IATA notes that the Annual Tariff Proposal (ATP) proposes a tariff structure that differs materially from the traditional approach of recovering airport charges through a relatively stable and predictable mix of passenger and aircraft-related charges. While certain headline passenger-facing charges appear lower in some years, a review of the detailed tariff card suggests that the overall burden of recovery may be redistributed across users and across time rather than fundamentally reduced.

From a user perspective, transparency, predictability and cost-reflectiveness are important principles of tariff design. Airlines make long-term network, scheduling and fleet deployment decisions based on the expected cost of operating at an airport. Tariff structures that rely on significant future adjustments or uneven recovery profiles may create uncertainty and reduce the ability of users to plan effectively.

IATA is particularly concerned that elements of the proposed tariff card may result in the inter-temporal shifting of costs, whereby charges are moderated in certain years but recovered through higher charges in later periods. While tariff smoothing may have some merits, it should not obscure the underlying cost of airport operation nor defer recovery in a manner that creates disproportionate future financial exposure for airport users. Tariff levels should remain closely linked to efficient costs incurred and assets available for use during the relevant period.

The proposed structure also raises broader questions regarding allocation of risk between the airport operator and users. Throughout the consultation, a number of building blocks – including traffic forecasts, capital expenditure timing, operating expenditure projections and inflation assumptions – are based on forecasts that may differ from actual outcomes. Historically, the regulatory framework has provided mechanisms that allow airports to recover under-collections or adjust for differences between forecast and actual outcomes through subsequent true-ups. To the extent that these mechanisms already mitigate a significant portion of business risk, users

should not also bear additional risk through tariff structures that defer recovery or embed assumptions that have not yet materialised.

IATA also notes potential concerns around differential pricing structures, USD-denominated passenger processing charges and variable tariff mechanisms. While each may have a rationale from the airport operator's perspective, the Authority should ensure that they remain transparent, non-discriminatory, proportionate and consistent with established regulatory principles. Tariff structures should not result in unintended cross-subsidisation between user groups or create distortions in airline operating costs.

More broadly, IATA submits that tariff design should reflect a clear regulatory objective of ensuring that charges remain predictable, cost-related and proportionate to the services and infrastructure actually being provided. Airport users should only be required to fund efficient expenditure that has been prudently incurred, appropriately allocated and made available for operational use. This principle becomes particularly important as BLR enters a period of significant infrastructure expansion and increasing tariff complexity.

Accordingly, IATA requests AERA to ensure that the final tariff structure:

- *remains transparent, predictable and easily understood by users;*
- *reflects efficient costs and assets that are commissioned and available for use;*
- *avoids unnecessary inter-temporal shifting of recovery between control period years;*
- *does not transfer disproportionate business or forecasting risk to airport users;*
- *avoids cross-subsidisation between user groups and between aeronautical and non-aeronautical activities; and*
- *remains consistent with the broader principles of affordability, cost-relatedness and regulatory predictability.*

By maintaining these principles, the Authority can help ensure that tariff outcomes remain balanced, support sustainable airport development and protect the long-term interests of both airport users and passengers."

13.2.9 Business Aircraft Operators' Association (BAOA)'s comment regarding Transparency, Scope and Itemisation of Charges is as follows (excerpted).

*"**Transparency, Scope and Itemization of Charges***

...All charges applicable to business and general aviation operators must be clearly identified, transparently published, and separately itemized."

...The approved tariff framework should discourage bundled charging and preserve operator choice, transparency, and cost visibility."

...Ground handling, passenger handling, baggage handling, marshalling, towing, GPU services, water services, lavatory services, terminal usage, security-related services and other ancillary operational services should be separately priced and charged strictly on an actual-use basis. The approved tariff framework should discourage bundled charging structures and preserve operator choice, transparency and cost visibility"

13.2.10 Business Aircraft Operators' Association (BAOA)'s comment regarding visibility of all Airport-Related Charges is as follows (excerpted).

*"**Visibility of All Airport-Related Charges***

BAOA also requests AERA to ensure that airport users are provided adequate visibility regarding all airport-related charges, whether regulated or unregulated, so that users can make informed operational and commercial decisions. Greater transparency in the publication and application of such charges will contribute significantly to ease of doing business and improve stakeholder confidence in the airport charging framework."

13.2.11 Business Aircraft Operators' Association (BAOA)'s comment regarding Guiding Principles for Final Determination of Tariffs is as follows (excerpted).

*"**Guiding Principles for Final Determination***

BAOA respectfully submits that tariff determination, infrastructure planning and service delivery should continue to be guided by the principles of transparency, cost causation, proportionality, stakeholder consultation and user choice. BAOA requests AERA to reflect these principles in its final determination for Bengaluru Airport and in any future approvals relating to airport infrastructure, facilities and associated services during the Fourth Control Period."

13.2.12 Business Aircraft Operators' Association (BAOA)'s comment regarding Optionality of Premium Facilities (GAT/VIP Terminals) is as follows (excerpted).

*"**Optionality of Premium Facilities (GAT/VIP Terminals)***

Access to airport infrastructure and aircraft operations must not be made conditional on the use of premium facilities. ...Such facilities should be separately identified, transparently priced, and used only at the discretion of the operator/passenger."

13.3 BIAL's responses to Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

13.3.1 BIAL's response to the comment by the Air India Group regarding Aeronautical Revenues is as follows:

"BIAL acknowledges and notes the comments made by the Air India Group and thanks them for their views on the various proposals"

13.3.2 BIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding User Development Fees (UDF) is as follows:

"(i) Applicability of UDF rates

AERA has adopted the approach of referencing the UDF rate to the date of travel in the recent Tariff orders issued for Noida and Navi Mumbai. BIAL's UDF Tariff card is in line with AERA approved philosophy. Hence, we do not see any need for change in this approach.

(ii) Collection Charges for USF

The Collection charges have been determined after due consideration of the limited scope of activities involved in collection process which has been largely automated and integrated within the existing airline billing and settlement system. The underlying administrative process is largely standardized and automated. Hence, we do not agree to the increase sought by Indigo. It is best to have an absolute Rs per ticket as the norm for Collection charges and not link it to the UDF rate. The effort levels incurred by Airlines for collection of UDF from passengers does not depend on the UDF rate.

(iii) Exemption categories

The applicable circulars shall be as mentioned in BIAL's 3rd control period Tariff order and the recent Tariff orders for Navi Mumbai and Noida airports. These are DGCA AIC No 14/2019 dated 16.05.2016 and AIC No 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide Order no. AV 29012/39/20 18-AD dated 10.04.2019 and 30.10.2019). DGCA AIC No 06/2023 dated 29.04.2023, as mentioned by Indigo, is applicable only to non-major airports and not to major airports like BIAL. At present, the transfer passenger data shared by airlines is solely for claiming the exemption from UDF without any relevant details to substantiate the exemption by airlines. This affects the airport's ability to verify whether the UDF (User Development Fee) exemptions claimed by airlines for transfer passengers are accurate and genuine.

To address this, BIAL is requesting airlines to submit proper supporting documents, such as:

- *Passenger Transfer Messages for arrival and departure flight (which do not include personal identification details) provide details like the total number of passengers, date of travel, origin and destination, origin and connecting and other relevant information*
- *Flight closure messages*
- *API integration for automatic flow of messages between the airport and airline systems*

As Bangalore's Kempegowda International Airport (BLR) grows into a major transfer hub details of transfer passengers are essential both for operational planning and financial prudence.

13.3.3 BIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding Landing Charges is as follows:

"In line with the provisions of BIAL's Schedule of Charges approved by AERA for the Third Control Period, Landing Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg). The same approach has also been followed by AERA in tariff orders issued for other major airports."

13.3.4 BIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding Parking Charges is as follows: "

- *Note 2 We are fine to add the sentence mentioned in Indigo's comments (Point 4(i)) regarding standard industry practice*
- *Note 3 The point mentioned in ATP is in line with the provisions of BIAL's Schedule of Charges approved by AERA for Third Control Period and the Schedule of Rates approved by AERA in the recent Tariff orders for Noida and Navi Mumbai Airport.*
- *Hence this is an AERA approved methodology and there is no case to change it.*
- *Note 4 We wish to clarify that the term "Housing Charges" refers to Parking charges specified for more than 4 hours in the relevant table.*
- *Definition of Overstay: Any parking stand occupied by an aircraft beyond the duration approved by BIAL will be treated as unauthorised overstay.*

BIAL submits that the proposed Overstay charges are intended solely as deterrent mechanism to discourage unauthorized or inefficient occupation of parking stands beyond the approved duration and are not envisaged as a revenue generating measure. Further, the capital expenditure towards addition of parking stands is based on airline requests and hence BIAL expects the utilization of these stands to be at optimum levels. BIAL also submits that scheduled airline operations are generally slot driven and tightly regulated and therefore instances of unauthorized parking are expected to remain exceptional in nature.."

13.3.5 BIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding CUSS/CUTE/BRS charges is as follows:

- *USD denominated vs INR: The CUTE service is provided by SITA and BIAL already has an ongoing contract till 2029 with charges specified in USD., Further, SITA is a global aviation company providing similar service to airlines across the world in multiple airports and USD denominated charge helps in maintaining international standardization, which helps in streamlining billing.*
- *CUTE charge only for UDF pax (not transfers): Even transfer passengers use CUTE equipment, like Baggage Reconciliation System (BRS), Boarding Gate Reader (BGR), DCS and other systems like E-gates and Digi Yatra related systems at transfer counters, BHS & boarding gate at the airport. Hence, this category cannot be exempted from payment of these charges, and we do not agree with the view of Indigo in this regard. There are specific counters set up for transfer passengers where services like documentation checks and printing of boarding passes are being provided for. Further, Baggage Service Message, a standardized teletype or digital message sent between an airline's Departure Control System (DCS) and an airport's Baggage Handling System (BHS), is being provided to transfer passengers also. The recent tariff order issued for Navi Mumbai also does not exempt transfer passengers from payment of this fee as the above-mentioned services are provided to such passengers.*
- *Consumables are the responsibility of the user and are always procured by the airlines themselves at all CUTE counters allotted to them. Only at self-service kiosks, does the airport provide consumables as common-use stationery on pay-per use concept (since kiosks are not dedicated to any one airline). This helps airlines not to use their own stationery on the self-service kiosks. This is not a new charge and has been in existence for the last 3-4 years. CUTE charges only cover the hardware and the software, not the consumables."*

13.3.6 BIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding Bridge Mounted Equipment charges is as follows:

"BME activity has been concessioned out by BIAL and hence this does not form a part of this Consultation Paper and the ATP submitted by BIAL."

13.3.7 BIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding UDF is as follows:

"For the UDF rates pertaining to the base ARR to be decided by AERA, we proposed 1st September 2026 as the effective date for implementation of the new rates. We feel that this is reasonable time, assuming that the Tariff order will be issued at the latest by 1st week of August 2026."

13.3.8 BIAL's response to the comment by IATA concerning the structure of tariffs and the allocation of risk is as follows:

"BIAL notes that IATA has acknowledged the Authority's proposal to introduce the concept of incremental ARR. However, IATA has also emphasized that the tariff structure should remain predictable and avoid unnecessary inter-temporal shifting of cost recovery between control period years.

In this regard, BIAL submits that the existing approach of recovering the Aggregate Revenue Requirement (ARR) by spreading over the five-year Control Period has served the Indian aviation sector well by providing tariff stability, predictability and smooth recovery of costs, thereby avoiding significant year-on-year fluctuations in tariffs.

Accordingly, BIAL respectfully submits that the Authority may continue with the existing tariff determination approach based on recovery of the ARR over the entire Control Period, as it better aligns with the principles of predictability, transparency and regulatory certainty highlighted by IATA while ensuring timely recovery of efficient costs.

Notwithstanding the above, if the Authority implements the Incremental ARR, BIAL requests that the cash flow requirements are adequately addressed."

13.4 Authority's analysis of Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

13.4.1 The Authority notes Air India Group support for the reduction in landing charges and its submission regarding the challenging operating environment facing the airline industry.

The Authority recognises that airlines continue to operate in an environment affected by geopolitical uncertainties, elevated operating costs and other external factors. At the same time, the Authority is required to determine aeronautical tariffs in accordance with the AERA Act, 2008 (read together with amendments in 2019 and 2021), while balancing the interests of airport users and the airport operator.

The Authority notes that BIAL, in its Annual Tariff Proposal dated 19.06.2026, has specifically proposed rationalization of Landing, Parking & Housing charges and has stated that the proposed tariff card would result in a reduction of approximately 25% in landing charges from prevailing levels. BIAL has further submitted that the proposed tariff structure seeks to balance affordability for airport users with recovery of the Base ARR during the Fourth Control Period.

The Authority further notes that, as discussed in Chapter 12 of Consultation Paper No. 01/2026-27 dated 12.06.2026, it has proposed the Incremental ARR Approach on User Pay principle for identified high-capex projects. Under this approach, the impact of specified future projects is excluded from the Base ARR and would be introduced only upon commissioning and operationalization of the relevant assets. The Authority is of the view that this approach supports tariff moderation by aligning tariff recovery with the availability of infrastructure to users.

13.4.2 The Authority has examined IndiGo's submissions regarding

(i) applicability of User Development Fee ("UDF") rates,

(ii) collection charges on UDF, and

(iii) exemption categories.

The Authority has also considered the counter-comments submitted by BIAL.

Applicability of UDF Rates

The Authority notes IndiGo's submission that UDF should be determined based on the date of ticket issuance rather than the date of travel and that any revision in UDF should be implemented with sufficient advance notice to enable airlines to incorporate revised charges into reservation and ticketing systems. IndiGo has further submitted that failure to do so could result in airlines bearing the financial impact of any difference between the UDF collected at the time of booking and the UDF applicable at the time of travel.

The Authority has examined the submission and notes BIAL's counter-comment that the proposed approach is consistent with the methodology approved by the Authority in recent tariff determinations for major airports. The Authority further notes that, in the tariff determination for

Navi Mumbai International Airport, the approved UDF schedule was expressly linked to the date of travel rather than the date of ticket issuance. The Authority considers it important to maintain regulatory consistency in the treatment of airport charges across major airports unless there are compelling reasons warranting a departure from an established approach.

The Authority is of the view that UDF is a charge levied in relation to the use of airport infrastructure and aeronautical facilities by passengers at the time of travel. Accordingly, the Authority considers it appropriate that the applicable UDF be determined by reference to the date on which airport infrastructure and services are actually utilised. A booking-date-based approach could result in passengers travelling on the same day, using the same airport facilities and receiving the same level of service being subject to different UDF rates merely because tickets were purchased at different points in time. The Authority does not consider such an outcome to be consistent with the underlying principles governing airport charges.

The Authority recognises that the concern raised by IndiGo assumes greater significance in the context of the Incremental ARR framework, under which tariff revisions may occur during the Control Period following commissioning and put-to-use of identified projects. Operational concerns identified by IndiGo have been appropriately addressed through the implementation framework adopted by the Authority, without departing from the established principle that UDF applicability should be determined based on the date of travel.

Accordingly, the Authority is not in agreement with IndiGo's contention that UDF applicability should be determined by reference to the date of ticket issuance.

Collection Charges on UDF

The Authority notes IndiGo's submission that the existing collection charge of ₹5 per embarking passenger should be replaced by a collection charge equal to 2.5% of the gross UDF collected, having regard to inflation and increasing administrative costs.

The Authority is of the view that collection charges are governed by the agreement between airport Operator and Airlines.

Exemption Categories

The Authority notes IndiGo's submission that exemption categories should be expressly aligned with DGCA AIC No. 14/2019 dated 16.05.2019 and DGCA AIC No. 06/2023 dated 29.04.2023 and that documentary requirements should be distinguished from the exemption categories themselves.

The Authority has examined the submission and notes BIAL's counter-comment that the exemption framework applicable to major airports continues to be based on DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019. The Authority further notes that the exemption provisions approved by the Authority in the recent tariff determination for Navi Mumbai International Airport were also based on DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019.

The Authority further notes that exemption in payment of UDF is not covered in DGCA AIC No. 06/2023 dated 29.04.2023.

Accordingly, the Authority has aligned exemptions in payment of UDF for BIAL with DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019.

13.4.3 The Authority notes IndiGo's submission requesting that Landing Charges be calculated on the basis of the nearest rounded-off MT. The Authority also notes BIAL's counter-comment that in line with the provisions of BIAL's Schedule of Charges approved by AERA for the Third Control Period, Landing Charges shall be calculated on the basis of nearest MT (i.e. 1000 kg).

The Authority has addressed the issue appropriately in the approved Tariff Card.

13.4.4 The Authority has examined IndiGo's submissions regarding (i) treatment of free parking time, (ii) the methodology for calculation of Parking Charges and Housing Charges, and (iii) clarification and applicability of overstay charges. The Authority has also considered the counter-comments submitted by BIAL.

The Authority has addressed the issue appropriately in the approved Tariff Card.

Denomination of CUSS/CUTE/BRS Charges

13.4.5 The Authority has examined IndiGo's submissions regarding

i. denomination of CUSS/CUTE/BRS charges,

ii. applicability of such charges only to UDF-paying passengers, and

iii. treatment of consumables associated with CUSS/CUTE/BRS facilities. The Authority has also considered the counter-comments submitted by BIAL.

The Authority has addressed this issue appropriately in the approved Tariff Card of third tariff order.

13.4.6 The Authority notes IndiGo's comments regarding Bridge Mounted Equipment (BME) charges and the submission that no such charges have been proposed in either BIAL's Annual Tariff Proposal (ATP) or Consultation Paper No. 01/2026-27 dated 12.06.2026.

The Authority has decided not to propose BME Charges at Bengaluru Airport and accordingly has not proposed any revenue for the same.

13.4.7 The Authority notes IndiGo's submission that airlines should be provided a minimum lead time of 60 days between issuance of the Tariff Order and implementation of revised airport charges so as to facilitate changes to reservation systems, pricing structures and commercial planning. The Authority also notes BIAL's submission that implementation of the baseline ARR tariffs from 01.09.2026 would provide a reasonable transition period following issuance of the Tariff Order. The Authority recognises the need to provide airlines with adequate notice for operational implementation of revised tariffs and agrees that implementation certainty is particularly important for charges such as UDF.

At the same time, the Authority is of the view that it would not be appropriate to prescribe a uniform mandatory lead time of 60 days for all tariff revisions, as the appropriate implementation period may vary depending on various factors including the complexity of the proposal, time taken by the Operator to submit the requisite information sought by the Authority. AERA would always endeavour to issue the Tariff Order well in time so that the balance recovery period is not reduced resulting in increased tariff. The Authority notes that the proposed implementation date of 01.09.2026 for tariffs forming part of the baseline ARR provides a reasonable transition period and appropriately balances operational requirements with timely implementation of approved tariffs. Further, tariff revisions arising under the Incremental ARR framework shall be implemented in accordance with the implementation mechanism specified in this Order.

Accordingly, based on the above facts and the justification, the authority is of the opinion that for such a long-time implementation may have its own practical implications thereby the request to prescribe a mandatory minimum lead time of 60 days may not be feasible.

13.4.8 The Authority notes IATA's comments regarding tariff structure, tariff predictability, allocation of risk, inter-temporal recovery of charges, and the need to ensure that airport users are charged only for efficient expenditure associated with assets that are commissioned, operational and available for use. The Authority agrees that transparency, predictability, cost-relatedness, tariff stability and regulatory certainty are important principles of tariff determination.

The Authority notes that the tariff structure for BIAL for the Fourth Control Period derived from the Aggregate Revenue Requirement determined on the basis of established regulatory building blocks, namely traffic forecasts, operating expenditure, capital expenditure, depreciation, return on the Regulatory Asset Base and 30% cross-subsidy from Non-Aeronautical Revenue. Each of these building blocks has been subjected to independent review and detailed regulatory scrutiny.

In particular, the Authority appointed the Independent Capex Consultant (MECON Ltd) to undertake a technical assessment of BIAL's proposed capital assets for the Fourth Control Period, including evaluation of project scope, necessity, phasing, costing prudence, efficiency and reasonableness. Based on the assessment of the Independent Capex Consultant (MECON Ltd) and its own regulatory review, the Authority rationalised certain Capex items and considered only such Capex as is assessed to be prudent, efficient, justified and required for provision of aeronautical services. The Authority's assessment is rooted in the provisions of the AERA Act, 2008 (read together with amendments in 2019 and 2021) and the applicable regulatory framework under the AERA Guidelines, 2011. Accordingly, the Authority has not relied solely upon BIAL's forecasts, assumptions or proposals, but has independently evaluated the admissibility, prudence and efficiency of the expenditure proposed for recovery through tariffs.

With regard to IATA's concerns relating to tariff smoothing, inter-temporal recovery and the principle that users should pay only for infrastructure that is available for use, the Authority notes that Bengaluru Airport is expected to witness commissioning of several significant infrastructure assets during the Fourth Control Period, including T2 Phase 2 Terminal, T2 Apron – 40 Stands and the West Cross Field Taxiway. The Authority agrees that tariff recovery should, to the greatest extent possible, be aligned with the timing at which airport users begin receiving the benefits of such infrastructure. Accordingly, the Authority introduced the Incremental ARR Approach on User Pay Principle for identified major capital projects. The objective of this approach is to bring to effect the User Pays Principle and the ICAO principle of cost-relatedness by ensuring that airport users are not required to bear the full tariff impact of investments before the associated assets are commissioned, put to use and made available for provision of aeronautical services. This approach promotes a closer alignment between cost recovery and service delivery, while reducing the extent to which current users are required to fund infrastructure benefits that accrue substantially to future users.

The Authority has also carefully considered BIAL's counter-submission on IATA's comments. BIAL has submitted that while IATA has acknowledged the Authority's proposal to introduce the concept of Incremental ARR, IATA has also emphasised that the tariff structure should remain predictable and avoid unnecessary inter-temporal shifting of cost recovery between Control Period years. BIAL has further submitted that the existing approach of recovering the Aggregate Revenue Requirement by spreading it over the five-year Control Period has served the Indian aviation sector well by providing tariff stability, predictability and smooth recovery of costs, thereby avoiding

significant year-on-year fluctuations in tariffs. BIAL has therefore requested that the Authority may continue with the existing tariff determination approach based on recovery of ARR over the entire Control Period, as it better aligns with predictability, transparency and regulatory certainty, while ensuring timely recovery of efficient costs. BIAL has also submitted that, if the Authority implements the Incremental ARR Approach on User pay Principle, BIAL's cash-flow requirements should be adequately addressed.

The Authority has examined the submissions of both IATA and BIAL and is of the view that the issue requires a balanced regulatory approach. IATA's concerns are directed towards ensuring that airport users are not charged in advance for assets that are not yet commissioned or available for use. BIAL's concerns, on the other hand, relate to tariff predictability, smooth recovery of costs, financing requirements and avoidance of tariff volatility. The Authority considers both sets of concerns to be relevant.

However, the Authority is not in agreement with BIAL's submission that continuation of the conventional ARR recovery approach, without modification, would be appropriate for all major capital projects proposed during the Fourth Control Period. While spreading the entire ARR across the Control Period may provide greater recovery certainty to the Airport Operator, it may also result in users bearing costs associated with substantial infrastructure assets before such assets are operational and before users receive the corresponding service benefits. In the Authority's view, such an outcome would not fully reflect the User Pays Principle or the principle of cost-relatedness, particularly for large infrastructure projects expected to be commissioned during the later part of the Control Period.

At the same time, the Authority recognises that complete deferment of tariff recovery until commissioning of major capital-intensive assets may create financing and cash-flow pressures for the Airport Operator and may also lead to a sharp increase in tariffs at the time of commissioning and capitalisation of such assets. Instead, after considering IATA's concerns, BIAL's counter-submission and the comments of other stakeholders, the Authority has decided to adopt a calibrated Incremental ARR framework for identified high-value capital projects. Under this framework, 15% of the approved capital cost shall be allowed in the RAB from the date of capitalization of the respective capital asset as part of the baseline ARR, while the remaining 85% of the approved capital cost impact shall become effective only upon commissioning and put-to-use of the respective assets. The Authority is of the view that this approach appropriately balances BIAL's financing and cash-flow requirements with the interests of airport users by avoiding premature recovery of the substantial portion of costs for assets that are not yet available for use. It also moderates the tariff increase that may otherwise arise upon commissioning of large infrastructure projects.

For clarity, the 15%/85% treatment shall apply to the approved capital cost impact of the identified projects, including its consequential effect on the relevant ARR building blocks, such as depreciation, return on Regulatory Asset Base and other admissible tariff components as determined by the Authority. The Authority considers this treatment to be a tariff-smoothing mechanism, but not a mechanism for permitting full advance recovery of costs associated with assets that are yet to provide aeronautical services. In other words, the 15% allowance recognises the financing and tariff-stability concerns highlighted by BIAL, while the 85% commissioning-linked recovery preserves the fundamental principle that the substantial portion of tariff recovery must be linked to the availability of infrastructure for use by passengers, airlines and other airport users.

The Authority further considers it necessary to provide a clear implementation framework for operationalising the Incremental ARR Approach on User Pay Principle. Accordingly, for each identified project covered under this framework, BIAL shall be required to submit a self-certification that the asset has been commissioned, capitalised and put to use for provision of aeronautical services. For the purpose of this framework, an asset shall be considered as put to use when it is operationally available for providing its intended aeronautical service to airport users. The balance incremental airport charges, including UDF wherever applicable, shall become effective only upon receipt of such certification and in accordance with the implementation mechanism specified in this Order.

In the event of any delay in commissioning beyond the approved schedule or timeline, the balance tariff recovery associated with the relevant asset shall become effective only from the actual date on which the asset is commissioned and put to use, as certified by the Airport Operator and subject to verification by the Authority. No tariff recovery of the balance incremental component shall be permitted for the period during which the asset is not available for use.

The Authority reserves the right to verify the date of commissioning, capitalisation, cost and operationalisation of the identified assets during the true-up exercise. Such verification may include review of supporting documents, statutory approvals, capitalisation records, operationalization evidence, independent assessment or any other mechanism considered appropriate by the Authority. Any variation observed between the approved project cost, approved schedule, actual commissioning date, actual capitalisation and actual cost shall be appropriately adjusted in the subsequent tariff determination. Any excess or short recovery arising on account of differences between approved and actual capitalisation, commissioning dates or project costs shall also be adjusted by the Authority during the true-up exercise in accordance with the applicable regulatory principles.

With respect to IATA's observations regarding allocation of business and forecasting risks, the Authority notes that tariff determination is necessarily forward-looking and requires assumptions relating to traffic, operating expenditure, inflation, financing costs, capital investment and project timelines. Actual outcomes may differ from the assumptions adopted at the time of tariff determination. The regulatory framework established under the AERA Act, 2008 (read together with amendments in 2019 and 2021) and the applicable AERA Guidelines, 2011 provides for true-up mechanisms and periodic regulatory review to address material differences between forecast and actual outcomes in specified regulatory building blocks. The Authority has therefore sought to ensure that the proposed tariffs are based on reasonable forecasts, efficient expenditure and prudent capital investment, while appropriately balancing the interests of BIAL, airport users and passengers, and ensuring the long-term sustainability of airport operations and infrastructure development.

With respect to IATA's observations regarding differential tariff structures, USD-denominated passenger processing charges and Variable Tariff Plan proposals, the Authority notes that the tariff proposals contained in BIAL's Annual Tariff Proposal have been examined independently to assess whether they appropriately reflect the nature of services provided, avoid undue discrimination or inappropriate cross-subsidisation between user categories, and remain consistent with the tariff-setting principles adopted by the Authority in previous tariff determinations for BIAL.

The Authority acknowledges IATA's emphasis on transparency, predictability, affordability, cost-relatedness and protection of user interests. The Authority also notes BIAL's concerns relating to tariff stability, recovery certainty and cash-flow requirements for large capital-intensive projects.

These considerations have been weighed together while formulating the Incremental ARR framework. The Authority is of the view that the adopted framework provides an appropriate balance between regulatory certainty, tariff stability, economic and financially viable operation of the airport, efficient infrastructure development and protection of airport users' interests. It establishes a transparent and objective mechanism for operationalizing the Incremental ARR Approach on User Pay Principle while ensuring that tariff recovery remains substantially linked to the commissioning and availability of airport infrastructure for use by passengers and airlines. Accordingly, the Authority retains its position to implement the Incremental ARR Approach on User pay principle for the identified projects, in the manner specified in **Chapter 12 of this Tariff Order.**

13.4.9 The Authority has considered BAOA's submissions within the statutory and regulatory framework governing aeronautical tariff determination under the AERA Act, 2008 and the AERA Guidelines, 2011. Authority's views are as under:

- Regulated aeronautical charges are determined and published through the tariff process. Operational, ancillary and commercial services outside the regulated tariff heads do not fall within the present tariff determination.
- Premium, VIP and other value-added services are primarily operational/commercial matters and does not come under the regulatory ambit of AERA, provided core aeronautical facilities remain available on transparent and non-discriminatory terms.
- Regulated tariffs are publicly available through the tariff determination process. BIAL is expected to ensure clarity and transparency in communicating applicable charges and service arrangements.
- Existing regulatory and concession frameworks provide for service-quality obligations and monitoring. Broader operational performance metrics fall outside the scope of the present tariff determination.
- Detailed operational grievance mechanisms are outside the scope of tariff determination. BIAL is expected to maintain appropriate stakeholder engagement and grievance-resolution arrangements in accordance with applicable regulatory and contractual requirements.
- Airport planning, infrastructure development and Master Plan matters fall outside the present tariff exercise. Stakeholder consultation may be undertaken through existing mechanisms, including AUCC, in accordance with the Concession Agreement.
- The Authority expects BIAL to maintain appropriate and constructive engagement with airport users on matters affecting them.
- Principles of prudence, efficiency, reasonableness, cost-based tariff determination, protection of users' interests and stakeholder consultation are embedded in the existing regulatory framework and have been considered in examining the tariff proposal.

Hence, the issues raised by BAOA have either been addressed within the existing tariff framework or relate to operational, commercial, planning or service-delivery matters outside the scope of the present tariff determination. Accordingly, no modification to the proposed tariff approach is considered necessary, and the proposals in the Consultation Paper are retained.

Variable Tariff Plan (VTP)

13.4.10 The Authority notes that BIAL has proposed a Variable Tariff Plan (VTP) for the Fourth Control Period with the objective of promoting international connectivity, attracting new airline operators, encouraging long-haul route development, and strengthening cargo operations at Kempegowda

International Airport, Bengaluru. The proposed scheme is applicable to scheduled international passenger airlines and cargo operators and is structured as a landing charge incentive mechanism, with benefits provided through credit notes upon satisfaction of prescribed qualifying conditions.

13.4.11 The Authority notes that tariff incentive schemes can serve a legitimate regulatory purpose where they facilitate efficient utilisation of airport infrastructure, support connectivity objectives and generate longer-term traffic benefits. However, such schemes must also be evaluated in light of:

- Revenue foregone by the airport operator;
- Potential impact on other airport users;
- Transparency of eligibility conditions;
- Compliance with ICAO principles of non-discrimination; and
- Demonstrable evidence that the incentives result in incremental traffic, connectivity and economic benefits that would not otherwise have materialised

13.4.12 The Authority is of the view that the proposed VTP represents a targeted route and network development mechanism intended to support international connectivity, strengthen Bengaluru's position as an aviation hub, improve utilisation of expanded airport infrastructure and encourage growth in cargo operations. The scheme contains eligibility criteria and links incentives to actual operational performance.

13.4.13 At the same time, the Authority reiterates that while tariff incentives may be warranted to support traffic growth and capacity utilisation, the design, scope and duration of such schemes must be balanced against the interests of users, long-term tariff stability and the reasonable return expectations of investors and must be implemented in a transparent and non-discriminatory manner. In undertaking this assessment, the Authority has sought to balance the interests of all stakeholders and ensure that the tariffs determined are reasonable while maintaining the efficient and sustainable operation of the airport in accordance with Section 13(1)(a) of the AERA Act, 2008. Accordingly, the proposed VTP has been examined in the context of projected traffic growth, utilisation of the expanded airport infrastructure and overall tariff sustainability during the Fourth Control Period.

13.4.14 The Authority is of the view that the VTP provides an appropriate level of support for traffic development and route expansion at Kempegowda International Airport, Bengaluru, while ensuring that aeronautical tariffs remain cost-reflective and do not impose an undue burden on airport users. The Authority also directs BIAL to ensure that the implementation of the VTP remains consistent with ICAO principles of transparency and non-discrimination.

13.4.15 The Authority further emphasizes that the effectiveness of the VTP, including its contribution to traffic growth, route development and utilisation of airport capacity, shall be assessed based on actual outcomes and experience during the Fourth Control Period. Such review would enable the Authority to evaluate the continued appropriateness of the scheme in future tariff determinations.

13.4.16 The Authority directs BIAL to maintain separate financial year-wise records of VTP incentives granted under the VTP program and the corresponding incremental traffic and revenue outcomes attributable to the scheme during the Fourth Control Period.

13.4.17 In the light of above and as elaborated in **Chapter 12**, the Authority has determined the ARR for the Fourth Control Period as given at **Table 288**, which is again reproduced as follows:

Table 288 of Chapter 12: Baseline Aggregate Revenue Requirement (ARR) and Yield-Per Passenger for the Fourth Control Period decided by the Authority ***(Rs. in Crore)***

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	9,080.70	10,429.42	11,217.35	11,650.14	11,977.20	
Fair Rate of Return (Refer: **Table 211**)	B	11.99%	11.99%	11.99%	11.99%	11.99%	
Return on average RAB	C=A*B	1,088.78	1,250.49	1,344.96	1,396.85	1,436.07	6,517.14
Depreciation	D	687.63	766.29	777.34	810.19	860.13	3,901.58
O&M expenses including concession fee (Refer: **Table 255**)	E	1,030.12	1,111.98	1,190.03	1,276.23	1,519.44	6,127.80
Tax Expense (Refer: **Table 271**)	F	49.38	52.62	80.55	76.52	75.16	334.24
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	**2,855.90**	**3,181.38**	**3,392.88**	**3,559.79**	**3,890.80**	**16,880.76**
NAR (Refer: **Table 268**)	H	1,468.63	1,683.70	1,890.83	2,138.63	2,417.63	9,599.40
Less: 30% NAR	I=H*30%	(440.59)	(505.11)	(567.25)	(641.59)	(725.29)	(2,879.82)
(Over)/Under Recovery of previous CP as on 31.03.2027 (Refer: **Table 118**)	J	603.38	-	-	-	-	603.38
Net ARR	**K=G+I+J**	**3,018.69**	**2,676.27**	**2,825.63**	**2,918.21**	**3,165.51**	**14,604.31**
PV factor @11.99%	L	1	0.89	0.79	0.71	0.64	-
PV of ARR	**M=L*K**	**3,018.69**	**2,389.74**	**2,252.98**	**2,077.68**	**2,012.46**	**11,751.55**
Sum of PV of ARR	N	**11,751.55**					
Projected Aeronautical Revenue	O	**2,604.13**	**2,779.88**	**3,079.19**	**3,377.72**	**2,839.45**	**14,680.38**
Sum PV of Aeronautical Revenue	P = O*L	**11,751.55**					
Total traffic in Mn	Q	**301.0**					
Yield per Passenger (YPP) (in ₹)	R=(P/Q)*10	**390.42**					

Note: Above table represents the Base ARR, excluding the projects identified under the Incremental ARR approach on User Pays Principle. The ARR pertaining to such projects is reflected separately in **Table 285, Table 286 and Table 287** of **Chapter 12** of this Tariff Order.

13.4.18 As per Authority's decision and as per the computation of ARR in **Table 288**, BIAL is entitled to recover an ARR of Rs. 11,751.55 crores (in NPV terms) in respect of the Fourth Control Period. The present value of total projected Aeronautical Revenues as per the Authority including Landing & Parking, UDF charges and Other Charges is Rs. 11,751.55 crores (in NPV terms) as per the table given below:

Table 289: Aeronautical Revenue decided by the Authority for the Fourth Control Period

(Rs. Crore)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Total PV of ARR allowed to be recovered during Fourth Control Period (Refer Table 288)	**11,751.55**					**11,751.55**
Aeronautical Revenue						
UDF – A	1,274.99	1,346.84	1,493.00	1,652.41	1,274.94	7,042.18
Landing – B	663.47	702.98	774.83	850.41	617.98	3,609.67
Parking – C	32.97	39.60	45.33	51.62	59.20	228.72
Total D = A+B+C	**1,971.42**	**2,089.43**	**2,313.16**	**2,554.45**	**1,952.12**	**10,880.58**
CUTE/CUSS/BRS – E	156.46	177.80	197.08	216.10	237.30	984.75
Rents and Land Leases related to CGF & MRO – F	165.55	174.22	183.29	192.79	203.39	919.24
Revenue from CGF – G	310.69	338.44	385.66	414.38	446.64	1,895.80
Total Revenue H = D + E + F + G	**2,604.13**	**2,779.88**	**3,079.19**	**3,377.72**	**2,839.45**	**14,680.38**
PV Factor	1.00	0.89	0.79	0.71	0.64	-
PV of Aero Revenue – I	**2,604.13**	**2,482.26**	**2,455.15**	**2,404.84**	**1,805.17**	**11,751.55**
∑ PV Projected Aero Revenue (D)	**11,751.55**					**11,751.55**
Surplus / (Shortfall)	**0.00**					**0.00**

13.4.19 The Tariff Rate Card corresponding to the Aeronautical Revenue decided by the Authority as per **Table 289** is provided in **Annexure I.**

13.4.20 In addition to the ARR and yield a pproved for the base case scenario under **Table 288** of this Tariff Order, the Authority has approved Incremental ARR approach in **Chapter 12** of this Tariff Order. The Implementation Framework of the same is extracted below:

"***Implementation Framework for Incremental ARR Approach***

Asset Commissioning Declaration

The Airport Operator shall submit a self-declaration (as per the prescribed format in this Order under Annexure II), confirming that the identified asset has been commissioned and put to use.

Trigger for Incremental Tariff

*The Airport Operator shall submit to AERA a self-declaration, in the format prescribed under Annexure II of this Order, confirming that the identified asset has been duly commissioned and put to use. Upon receipt of such self-declaration, an Addendum to this Order shall be issued by AERA within 21 days of submission of the said self-declaration, after being satisfied that the prescribed requirements under this Order have been duly complied with to trigger the related tables given at **Para 13.4.21** of Chapter 13 of the Tariff Order for the related Capex projects under Incremental ARR. The additional tariff approved by AERA in respect of the identified asset(s) as per the aforesaid Tables under the Incremental ARR Approach shall then become effective from the date specified in such Addendum to the Tariff Order.*

Delay in Commissioning of identified asset under incremental ARR approach .

*In the event of any delay in the commissioning of the identified asset(s) beyond the schedule approved by the Authority, the additional airport charges/UDF at the rates specified in **Table 290, Table 291** and **Table 292** shall become effective only from the date specified in the Addendum to the Tariff Order issued by the Authority. No recovery of the additional tariff shall be permitted for any period during which the identified asset(s) remain uncommissioned or are not available for operational use. Accordingly, the Airport Operator shall not be entitled to levy or recover the*

additional airport charges/UDF for any period prior to the effective date specified in the Addendum to the Tariff Order.

Regulatory Verification

The Authority reserves the right to verify the date of commissioning, capitalisation, cost and Operationalisation of the asset during the true-up exercise. Any variation observed between the approved project cost/schedule and the actual capitalisation shall be appropriately adjusted in the subsequent tariff determination while truing up.

Adjustment of Differences

Any excess or short recovery arising on account of differences between the approved and actual capitalisation, commissioning dates or project costs shall be adjusted by the Authority during the true-up exercise in accordance with the applicable regulatory principles.

The Authority is of the view that the above implementation framework giving all relevant information up front in an easy and simplified form provides an appropriate balance between regulatory certainty, tariff stability, overall economic and viable operation of the airport, and protection of airport users' interests. It also establishes a transparent and objective mechanism for operationalising the Incremental ARR Approach while ensuring that tariff recovery remains linked to the availability of airport infrastructure for use by passengers and airlines."

13.4.21 In light of the above, the Authority has computed the additional impact of airport charges including UDF taking into consideration the identified projects on Incremental ARR basis on User Pays principles as provided in the tables below.

i) **Eastern Connectivity Tunnel:**

The incremental ARR determined by the Authority in respect of the Eastern Connectivity Tunnel, as detailed in **Table 285** of **Chapter 12** of this Order, is reproduced below for the purpose of determination of the corresponding incremental tariffs:

Table 285 of Chapter 12: Impact on ARR for Eastern Connectivity Tunnel (ECT) Incremental ARR approach decided by the Authority

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	236.00	464.00	-
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	-
Return on average RAB	C=A*B	-	-	-	28.30	55.63	83.93
Depreciation	D	-	-	-	8.00	16.00	24.00
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	36.30	71.63	107.93
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	-	-	**36.30**	**71.63**	**107.93**
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-					-
Net ARR after over/under recovery	L=J+K	-	-	-	**36.30**	**71.63**	**107.93**
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	-

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
PV of ARR	N=L*M	-	-	-	25.84	45.54	71.38
Sum present value of ARR (₹ in crore)	O	71.38					
Total traffic in Mn (Refer **Table 124**)	P	301.00					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	2.37					

Based on the above incremental ARR determined by the Authority for the Eastern Connectivity Tunnel, the corresponding incremental tariff rates are set out as under **Table 290** below.

Table 290: Incremental Tariffs pertaining to Eastern Connectivity Tunnel:

Project Name	UDF Domestic *(Rs. per Pax)*	UDF International *(Rs. per Pax)*	Landing (Domestic) *(Rs. per MT)*	Landing (International) *(Rs. per MT)*
	Embarking	Embarking		
Eastern Connectivity Tunnel (ECT)	15	26	0	30

Note: As detailed in Chapter 12 and considering the scheduled commissioning date of the above project together with the trigger for Incremental Tariff specified in Para 12.7.83, the Authority has considered 01.08.2029 as the effective date for computation purposes. However, the said tariff shall become applicable only from the effective date to be notified by the Authority through an Addendum, to be issued upon submission of the self-certification by the Airport Operator as per **Annexure II** confirming completion, commissioning of the project and putting to use for Airport users.

ii) T2 Phase 2 Apron:

The incremental ARR determined by the Authority in respect of the T2 Phase 2 Apron, as detailed in **Table 286** of **Chapter 12** of this Order, is reproduced below for the purpose of determination of the corresponding incremental tariffs:

Table 286 of Chapter 12: Impact on ARR for T2 Phase 2 Apron on Incremental ARR approach decided by the Authority

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	317.62	624.47	-
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	-
Return on average RAB	C=A*B	-	-	-	38.08	74.87	112.96
Depreciation	D	-	-	-	10.77	21.53	32.30
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	**48.85**	**96.41**	**145.26**
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	-	-	48.85	96.41	145.26
(Over)/Under Recovery of previous CP as on 31.03.2027	K						-
Net ARR after over/under recovery	L=J+K		-	-	**48.85**	**96.41**	**145.26**

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	-
PV of ARR	N=L*M	-	-	-	**34.78**	**61.29**	**96.07**
Sum present value of ARR (₹ in crore)	O	**96.07**					
Total traffic in Mn (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**3.19**					

Based on the incremental ARR determined by the Authority for the T2 Phase 2 Apron, the corresponding incremental tariff rates are set out in **Table 291** below:

Table 291: Incremental Tariffs pertaining to T2 Phase 2 Apron is provided below:

Project Name	UDF Domestic *(Rs. per Pax)*	UDF International *(Rs. per Pax)*	Landing (Domestic) *(Rs. per MT)*	Landing (International) *(Rs. per MT)*
	Embarking	Embarking		
T2 Phase 2 Apron	20	0	30	0

Note: As illustrated at Chapter 12 and based on the commissioning date of the aforesaid project and the Trigger for Incremental Tariff as mentioned at Para 12.7.83, AERA has considered for calculation purpose, the effective date of the above incremental tariff as 01.08.2029. However, the said tariff shall become applicable only from the effective date to be notified by the Authority through an Addendum, to be issued upon submission of the self-certification by the Airport Operator as per **Annexure II** confirming completion, commissioning of the project and putting to use for Airport users.

iii) T2 Phase 2 Terminal:

The incremental ARR determined by the Authority in respect of the T2 Phase 2 Terminal, as detailed in **Table 287** of **Chapter 12** of this Order, is reproduced below for the purpose of determination of the corresponding incremental tariffs:

Table 287 of Chapter 12: Impact on ARR for T2 Phase 2 Terminal on Incremental ARR approach decided by the Authority

(Rs. in Crore)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	-	-	-	2,211.79	4,349.24	-
Fair Rate of Return	B	11.99%	11.99%	11.99%	11.99%	11.99%	-
Return on average RAB	C=A*B	-	-	-	265.19	521.47	786.67
Depreciation	D	-	-	-	74.34	148.69	223.03
O&M expenses	E	-	-	-	-	-	-
Tax Expense	F	-	-	-	-	-	-
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	-	-	-	339.54	670.16	1,009.70
NAR	H	-	-	-	-	-	-
Less: 30% NAR	I=H*30%	-	-	-	-	-	-
Net ARR	J=G-I	-	-	-	**339.54**	**670.16**	**1,009.70**
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-	-	-	-	-	-
Net ARR after over/under recovery	L=J+K	-	-	-	**339.54**	**670.16**	**1,009.70**

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
PV factor @11.99%	M	1.00	0.89	0.80	0.71	0.64	-
PV of ARR	N=L*M	-	-	-	**241.74**	**426.05**	**667.79**
Sum present value of ARR (₹ in crore)	O	**667.79**					
Total traffic in Mn (Refer **Table 124**)	P	**301.00**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**22.19**					

Based on the incremental ARR determined by the Authority for the T2 Phase 2 Terminal, the corresponding incremental tariff rates are set out in **Table 292** below.

Table 292: Incremental Tariffs pertaining to T2 Phase 2 Terminal is provided below:

Project Name	UDF Domestic *(Rs. per Pax)*		UDF International *(Rs. per Pax)*		Landing (Domestic) *(Rs. per MT)*	Landing (International) *(Rs. per MT)*
	Embarking	Dis-embarking	Embarking	Dis-embarking		
T2 Phase 2 Terminal	166	70	173	73	196	332

Note: As illustrated at Chapter 12 and based on the commissioning date of the aforesaid project and the Trigger for Incremental Tariff as mentioned at Para 12.7.83, AERA has considered for calculation purpose, the effective date of the above incremental tariff as 01.05.2030. However, the said tariff shall become applicable only from the effective date to be notified by the Authority through an Addendum, to be issued upon submission of the self-certification by the Airport Operator as per **Annexure II** confirming completion, commissioning of the project and putting to use for Airport users.

13.4.22 No incremental tariff shall be applicable apart from User Development Fees and Landing Fees.

13.4.23 The incremental tariffs specified above shall be levied in addition to the applicable tariff rates as set out in Annexure- I. All other terms and conditions as specified in Annexure-I, shall remain unchanged.

13.5 Authority's decisions regarding Aeronautical Revenue for Fourth Control Period

Based on the material before it and based on its analysis, the Authority decides the following with regard to Aeronautical Revenue for the Fourth Control Period:

13.5.1 To consider the Aeronautical Revenue as per **Table 289**.

13.5.2 To consider incremental tariffs on the respective projects identified under User Pays principle as detailed in **Table 290, Table 291** and **Table 292**.

13.5.3 The Authority directs BIAL to keep a separate financial year-wise record of VTP incentives granted and revenue generated from increase in ATM and passengers on account of VTP during the Fourth Control Period.

13.5.4 To direct BIAL to ensure the principles of non-discrimination of ICAO are not violated.

13.5.5 To true up Aeronautical Revenue based on the actual numbers for the Fourth Control Period at the time of determination of Tariff for the Fifth Control Period

14. SUMMARY OF AUTHORITY'S DECISIONS FOR THE FOURTH CONTROL PERIOD

CHAPTER 2: TRUE-UP FOR THE SECOND CONTROL PERIOD

2.3.1 To retain the over recoveries as determined in the Tariff Order of the Third Control Period as per **Table 9.**

CHAPTER 3: TRUE-UP FOR THE THIRD CONTROL PERIOD

3.12.1 **To consider Traffic for True up of the Third Control Period based on Actuals as per** Table 10.

3.12.2 To consider the Aeronautical Capital Expenditure, Depreciation and RAB for True up of the Third Control Period as per **Table 43, Table 45 and Table 46** respectively.

3.12.3 To consider the WACC for True up of the Third Control Period as per **Table 52.**

3.12.4 To consider Aeronautical Operating Expenses for True up of the Third Control Period as per **Table 93**

3.12.5 To consider the Working Capital interest for True up of the Third Control Period as per **Table 97.**

3.12.6 To consider Aeronautical Taxes for True up of the Third Control Period as per **Table 101.**

3.12.7 To consider Non-Aeronautical Revenue for True up of the Third Control Period as per **Table 110.**

3.12.8 To consider Aeronautical Revenues for True up of the Third Control Period as per **Table 114.**

3.12.9 To consider under recovery of Rs 603.38 Crores (as per **Table 118**) till the Third Control Period for the tariff determination for the Fourth Control Period.

CHAPTER 4: TRAFFIC FOR THE FOURTH CONTROL PERIOD

4.6.1 To consider Traffic projections as per Table 124 for the Fourth Control Period.

4.6.2 To True up the traffic volume (Passenger, ATM and cargo) on the basis of actual Traffic achieved in the Fourth Control Period while determining tariff for the Fifth Control Period.

CHAPTER 5: CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

5.9.1 To consider the aeronautical capital additions for the Fourth Control Period in accordance with **Table 204**

5.9.2 To true up the aeronautical CAPEX based on actuals, subject to cost efficiency and reasonableness, at the time of determination of tariff for the next Control Period.

5.9.3 To consider aeronautical depreciation as per **Table 206** for the Fourth Control Period.

5.9.4 To true up the depreciation based on the actual asset additions and actual date of capitalization during the tariff determination of the next Control Period.

5.9.5 To reduce (adjust) 1% of the uncapitalized project cost from the ARR in case any particular capital project is not completed/ capitalized as per the approved capitalization schedule, as mentioned in Para 5.2.444 The same will be examined during the true up of the Fourth Control Period, at the time of determination of tariff for the next Control Period.

5.9.6 To examine the accounting of input tax credits in accordance with Chapter V of The Central Goods and Services Tax Act, 2017 and make necessary adjustments at the time of determination of tariffs for the next Control Period.

5.9.7 To consider average RAB for the Fourth Control Period as per Table 207

CHAPTER 6: WEIGHTED AVERAGE COST OF CAPITAL (WACC) FOR THE FOURTH CONTROL PERIOD

6.6.1 To consider WACC of 11.99% for the Fourth Control Period, as detailed in **Table 211.**

6.6.2 To true up the Cost of Debt for the Fourth Control Period based on actuals (or) SBI average 1-year MCLR plus 50 bps (whichever is lower) at the time of tariff determination for the Fifth Control Period.

CHAPTER 7: INFLATION FOR THE FOURTH CONTROL PERIOD

7.6.1 To consider the inflation rates for the Fourth Control Period as per **Table 214.**

CHAPTER 8: OPERATING EXPENSES FOR THE FOURTH CONTROL PERIOD

8.6.1 To consider Aeronautical Operating Expenses for the Fourth Control Period as per **Table 255**

8.6.2 To true-up Aeronautical Operating Expenses for the Fourth Control Period based on actuals at the time of tariff determination for the Fifth Control Period, subject to reasonability and efficiency.

CHAPTER 9: NON-AERONAUTICAL REVENUE (NAR) FOR THE FOURTH CONTROL PERIOD

9.6.1 To consider Non-Aeronautical Revenue for the Fourth Control Period for Kempegowda International Airport as per **Table 268.**

9.6.2 To consider Interest Income outside the minimum threshold at the time of true-up of NAR for the current Control Period.

9.6.3 To true up NAR for the current control period, at the time of determination of tariff for the next control period, as decided by the Authority in **Table 268** , subject to minimum threshold and para **9.6.2** of this Tariff Order.

CHAPTER 10: AERONAUTICAL TAXES FOR THE FOURTH CONTROL PERIOD

10.6.1 To consider Aeronautical Taxes, for the Fourth Control Period as per **Table 271.**

10.6.2 To true-up the aeronautical tax amount appropriately taking into consideration all relevant facts at the time of tariff determination for the next control period.

CHAPTER 11: QUALITY OF SERVICE FOR THE FOURTH CONTROL PERIOD

11.5.1 To not consider any adjustment in the Aggregate Revenue Requirement on account of Quality of Service for the Fourth Control Period.

11.5.2 BIAL should ensure that service quality at Kempegowda International Airport, Bengaluru adheres to the performance standards outlined in the Concession Agreement and shall comply with such performance standards as may be notified pursuant to the final order referred to in paragraph 11.2.11 once the same become applicable to major airports.

CHAPTER 12: AGGREGATE REVENUE REQUIREMENT FOR THE FOURTH CONTROL PERIOD

12.8.1 To consider the Base Line Aggregate Revenue Requirement and YPP for the Fourth Control Period for BIAL as per **Table 288** above.

12.8.2 To consider Incremental ARR & YPP for the respective User Pays project in accordance with **Table 285, Table 286 and Table 287**.

12.8.3 To true up the ARR and YPP for the Fourth Control Period based on actuals, subject to reasonableness and efficiency at the time of tariff determination of Fifth Control Period.

CHAPTER 13: AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

13.5.1 To consider the Aeronautical Revenue as per **Table 289.**

13.5.2 To consider incremental tariffs on the respective projects identified under User Pays principle as detailed in **Table 290, Table 291** and **Table 292.**

13.5.3 The Authority directs BIAL to keep a separate financial year-wise record of VTP incentives granted and revenue generated from increase in ATM and passengers on account of VTP during the Fourth Control Period.

13.5.4 To direct BIAL to ensure the principles of non-discrimination of ICAO are not violated.

13.5.5 To true up Aeronautical Revenue based on the actual numbers for the Fourth Control Period at the time of determination of Tariff for the Fifth Control Period

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AERA

15. TARIFF ORDER

15.1.1 In exercise of power conferred by Section 13(1)(a) of the AERA Act, 2008, and based on the above decisions, the Authority hereby determines the Aeronautical tariff to be levied at Bangalore International Airport for the Fourth Control Period as placed at **Annexure – I** of this Tariff Order.

15.1.2 In exercise of power conferred by Section 13(1)(b) of the AERA Act, 2008, read with rule 89 of the Aircraft Rules, 1937 made under the Aircraft Act 1934, the Authority hereby determines the rate of UDF as indicated in the Rate Card, at **Annexure – I** of this Tariff Order.

15.1.3 The tariff determined herein are ceiling rates, exclusive of taxes, if any.

15.1.4 The Order shall be made effective from September 1st, 2026.

15.1.5 The Airport Operator shall submit its MYTP to the Authority for the Fifth Control Period in a timely manner as per the Authority's Guidelines.

By the Order and in the Name of the Authority

(Suyash Narain)

Secretary

To
Mr. Hari Marar
Chief Executive Officer,
Bangalore International Airport Limited,
Kempegowda International Airport,
Bengaluru 560300

Copy To:

1. The Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003.
2. Directorate General of Civil Aviation: For Issuance of AIC.

Annexures

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ANNEXURE – I

TARIFF RATE CARD

Tariff Rate Card approved by the Authority for Aeronautical Services provided at Bangalore International Airport effective from September 1, 2026 to March 31, 2031

A. LANDING CHARGES

(Rate in ₹ per MT)

Type	September 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 to March 31, 2030	April 1, 2030 to April 30, 2030	May 1, 2030 to March 31, 2031
Domestic	442	442	442	442	442	295
International	652	652	652	652	652	374

Notes:

1. Landing Charges shall be payable to Bangalore International Airport Limited ("BIAL").
2. Weight of an aircraft means the Maximum Take-Off Weight ("MTOW"), in metric tonnes (1 MT = 1,000 kg), as indicated in the Certificate of Airworthiness issued by the competent authority.
3. Landing Charges shall be calculated based on the nearest MT (i.e. 1000 kg)
4. No Landing Charges shall be payable in respect of:
   a) Aircraft with a maximum certified passenger capacity of less than 80 seats, being operated by domestic scheduled operators at the airport.
   b) Training flights operated by DGCA approved flying schools/flying training institutes.
   c) Helicopters of all types (not applicable to non-scheduled operators).
   d) Military aircraft (Government of India) including para-military forces such as BSF, Coast Guard etc.
5. Domestic leg(s) of international routes operated by a foreign carrier shall be treated as international flights for the purpose of Landing Charges.
6. Domestic leg(s) of international routes operated by an Indian carrier shall be treated as domestic flights for the purpose of Landing Charges, irrespective of the flight number assigned.
7. The above-mentioned rates shall be referred to as Rack Rates (RR) wherever applicable in the Tariff Rate card.
8. Flights operated under the Hub and Spoke Policy issued by MoCA shall be treated in accordance with that Policy.

B. PARKING CHARGES

Parking Charges for all Aircraft - Domestic and International (after free parking period of first two hours)

(Rate in ₹ per MT per hour)

Flight	September 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 to March 31, 2030	April 1, 2030 to April 30, 2030	May 1, 2030 to March 31, 2031
First 2 hours after Free Parking Period	18	19	20	21	22	22

Flight	September 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 to March 31, 2030	April 1, 2030 to April 30, 2030	May 1, 2030 to March 31, 2031
Beyond 4 Hours	29	31	32	34	34	34

Notes:

1. No Parking Charges are levied for the first 2 hours. While calculating the free parking time, standard time of 15 minutes is added on account of time taken between touchdown and actual parking time on the parking stand. Another standard time of 15 minutes is added on account of taxiing time of aircraft from parking stand to take off point.
2. Weight of an aircraft means MTOW, in metric tonnes (1 MT = 1,000 kg), as indicated in the Certificate of Airworthiness.
3. Parking charges shall be calculated based on the nearest MT (i.e. 1000 kg).
4. For calculating chargeable parking time, any part of an hour shall be rounded off to the next hour.

C. USER DEVELOPMENT FEES (UDF)

(Rate in ₹ per passenger)

Type of Passenger	September 1, 2026 to March 31, 2027	April 1, 2027 to March 31, 2028	April 1, 2028 to March 31, 2029	April 1, 2029 to March 31, 2030	April 1, 2030 to April 30, 2030	May 1, 2030 to March 31, 2031
Domestic						
Embarking	300	300	300	300	300	160
Disembarking	125	125	125	125	125	65
International						
Embarking	997	997	997	997	997	854
Disembarking	426	426	426	426	426	366

Notes:

1. User Development Fee shall be payable to Bangalore International Airport Limited.
2. **Collection charges on UDF:** Collection charges shall be applicable as per the policy pertaining to such charges between the airport operator and the airlines.
3. For calculating UDF in Foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the first fortnight and rate as on 15th of the month for tickets issued in the second fortnight shall be adopted.
4. **Exemptions in Payment of User Development Fee (UDF)** - In terms of DGCA AIC No. 14/2019 dated 16.05.2019 and AIC No. 20/2019 dated 06.11.2019 (decision of Ministry of Civil Aviation, Govt. of India vide order no. AV 29012/39/2018-AD dated 30.10.2019) the following categories of persons are exempted from levy and collection of UDF:
   a. Children under the age of 2 years;
   b. Holders of Diplomatic Passport;
   c. Airline crew on duty including sky marshals and airline crew on board for the particular flight only, excluding Dead Head Crew or ground personnel;

d. Persons travelling on official duty on aircraft operated by Indian Armed Forces;
e. Persons travelling on official duty for United Nations Peace Keeping Missions;
f. Transit/ transfer passengers (this exemption may be granted to all the passengers transiting upto 24 hours. "A passenger is treated in transit only if onward travel journey is within 24 hours from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger").

5. UDF charges shall be applicable based on the passengers' date of travel.

6. Revised UDF charges will be applicable on tickets issued on or after September 1, 2026

D. CUTE/CUSS/BRS CHARGES

(Rate per passenger)

Particulars	Domestic	International
Per Embarking Passenger	Rs 75	USD 1

Notes

1. The CUSS/CUTE/BRS charge shall be applicable to the following departing passengers:
   a. Passengers on scheduled flights; and
   b. Passengers on non-scheduled, charter flights.
2. For scheduled passenger flights, the charges shall be billed and collected by the Concessionaire.
3. For ad hoc / non-scheduled passenger flights, the charges shall be billed and collected by Bangalore International Airport Ltd.
4. For converting the USD amount into INR, the RBI reference conversion rate as on the last day of the previous month shall be adopted for tickets issued in the first fortnight, and the rate as on the 15th of the month shall be adopted for tickets issued in the second fortnight.

Note: Tariffs under Incremental ARR

The aforementioned tariff rate card pertains to the baseline ARR as provided at **Table 288**. Further, the tariff rate cards for the Capex projects under Incremental ARR as contained at **Table 290**, **Table 291**, and **Table 292** of **Chapter 13** of the Tariff Order shall come into effect from such date as may be specified by the Authority through a separate addendum to this Order that will be issued by the Authority (**Para 12.7.83** of Chapter 12 of the Tariff Order), upon completion, commissioning and putting to use of the respective assets identified under the Incremental ARR approach.

General conditions

i. Aviation Security Fee (ASF) shall be applicable as prescribed by MoCA from time to time.
ii. Flights operating under Regional Connectivity Scheme (RCS) will be completely exempted from aeronautical charges as per Order No. 20/2016-17 dated March 31, 2017 of the Authority.
iii. All the above aeronautical charges are excluding Goods and Service Tax (GST). GST at the applicable tax rates is payable in addition to the above charges.

E. Variable Tariff Plan

Variable Tariff Plan (VTP) applicable only to Scheduled Domestic and International Passenger and Cargo Airlines.

The definition of various categories is given below:

New International Route means a flight to a destination that is currently underserved or unserved from BLR Airport by any airline in the previous 2 IATA seasons, in the following 2 categories:

- **Short-haul (SH) route less than 4500 km** from BLR having an existing frequency of less than or equal to 7 Departures per week
- **Long-haul (LH) route which is greater than or equal to 4500 km** from BLR, having an existing frequencies less than or equal to 14 departures per week

The VTP benefit will be only available for the additional incremental frequency on the existing routes (as per definition above) or for a new unserved route from the airport.

VTP for Scheduled International Passenger Flights for New International Route (as defined above)

Particulars	Year 1	Year 2	Year 3
Landing charges for International passenger flights for Long-Haul Route (Distance >= 4500 km)			
Rate per MTOW (for MTOW ≤ 100)	0 × RR	0 × RR	0 × RR
Rate per MTOW (for MTOW > 100)	0 × RR	0 × RR	0 × RR
Landing charges for International passenger flights for Short-Haul Route (Distance < 4500 km)			
Rate per MTOW (for MTOW ≤ 100)	0 × RR	0.5 × RR	0.75 × RR
Rate per MTOW (for MTOW > 100)	0 × RR	0.5 × RR	0.75 × RR

RR = Rack Rate

a. **New Airline:** An airline that has not operated in any domestic or international route from/to BLR in the last 4 IATA seasons.

VTP for Scheduled Domestic Passenger flights for a New Airline (as defined above)

Particulars	Year 1	Year 2	Year 3
Landing charges for domestic flights			
Qualifying Criteria	Handled Domestic Dep PAX per annum >=50,000	Handled Domestic Dep PAX per annum >=1,20,000	NA
Rate per MTOW (for MTOW ≤ 100 MT)	0 × RR	0 × RR	1 × RR
Rate per MTOW (for MTOW > 100 MT)	0 × RR	0 × RR	1 × RR

VTP for Scheduled International Passenger Flights for a New Airline (as defined above)

Particulars	Year 1	Year 2	Year 3
Landing charges for international passenger flights for Long-Haul Route (Distance >= 4500 km)			
Rate per MTOW (for MTOW ≤ 100)	0 × RR	0 × RR	0 × RR
Rate per MTOW (for MTOW > 100)	0 × RR	0 × RR	0 × RR
Landing charges for international passenger flights for Short-Haul Route (Distance < 4500 km)			
Rate per MTOW (for MTOW ≤ 100)	0 × RR	0.5 × RR	0.75 × RR

Particulars	Year 1	Year 2	Year 3
Rate per MTOW (for MTOW > 100)	0 × RR	0.5 × RR	0.75 × RR

RR = Rack Rate

General Terms & Conditions

1. The VTP is applicable to airlines operating scheduled passenger flights and that have signed a formal Airline Operations Agreement (AOA) with BIAL. The Airline Operations Agreement shall be fair, transparent and non-discriminatory, consistent with applicable law and relevant ICAO principles on airport charges.
2. No discount over and above the Variable Tariff Plan shall be applicable.
3. An airline should operate a minimum of 16 weeks of continuous scheduled operations with a minimum of 2 departures per week to avail VTP.
4. The payment of landing charges should be made in full without any deductions, as per the invoicing by BIAL. The discount shall be provided in the form of a Credit Note at the end of a respective IATA season of operations.
5. Airlines once enrolled in the incentive schemes will continue benefiting until the expiration of their respective scheme. Airlines already benefiting from a particular scheme cannot switch to the new VTP for the same operation.

   Example: If an Airline XY commences operations on a new Long-Haul International/Short-Haul International route in October 2026, then the VTP applicable as of the commencement date shall apply throughout the next three (3) years.
6. The benefit under this Plan shall in no event extend beyond March 31, 2031, and shall be subject to such determination as the Authority may make for the Fifth Control Period.
7. The distance is as per the stage length of great circle, also the unit of kilometres refers to air kilometres for calculating the qualifying distance as per great circle path.

VTP for Cargo Airlines

Category	Year 1	Year 2	Year 3
Landing charges			
New International Freighter or New Route	0 × RR	0 × RR	0.25 × RR
Additional Frequency – Existing International Route	0 × RR	0.25 × RR	0.50 × RR
New Domestic Freighter or New Route	0 × RR	0.25 × RR	0.25 × RR

RR = Rack Rate

General Terms & Conditions (Cargo)

1. The VTP is for freighters and P2C converted flights.
2. All benefits under New Freighter, New Route and Additional Frequency shall be applicable to all Airlines (approved by DGCA) that satisfies the applicable eligibility criteria and have signed a formal Airline Operations Agreement with BIAL. However, the Airline Operations Agreement and the implementation of the Scheme shall be fair, transparent and non-discriminatory, consistent with applicable law and relevant ICAO principles on airport charges.
3. For the purpose of this VTP plan, airline frequency means the number of arrival services in a week that an airline may provide.

4. New Freighter means a new airline operating into BLR with a freighter aircraft.
5. A New Route means a route that is currently unserved by a freighter aircraft from KIAB by any airline (unserved by the qualifying airline for the previous six months).
6. Additional Frequency means an incremental frequency enhancement by an existing operating freighter or cargo airline to a destination/origin from BLR Airport. This will cover either arrival airport and/or destination airport connecting KIAB with the freighter.
7. An airline should operate a minimum of 16 turnarounds of operations to avail VTP (in the respective IATA season or in a period of six months).
8. No discount over and above the Variable Tariff Plan shall be applicable.
9. The payment of landing charges should be made in full without any deductions, as per the invoicing by BIAL. The discount shall be provided in the form of a Credit Note at the end of a respective IATA season of operations.
10. Airlines once enrolled in the incentive schemes will continue benefiting until the expiration of their respective scheme. Airlines already benefiting from a particular scheme cannot switch to the new VTP for the same operation.

    Example: If an Airline XY commences operations on a new International Route in October 2026, then the VTP applicable as of the commencement date shall apply throughout the next three (3) years.
11. The benefit under this Plan shall in no event extend beyond March 31, 2031, and shall be subject to such determination as the Authority may make for the Fifth Control Period.

सत्यमेव जयते
भा.वि.आ.वि.प्रा.
AERA

ANNEXURE – II

SELF CERTIFICATION

Format for Self-Certification by the Airport Operator on Completion and Commissioning of a Project classified under Incremental ARR

This is to certify that the project titled "_____" has been successfully completed in accordance with the approved scope, specifications, and applicable requirements.

It is further certified that necessary installation, testing, commissioning, and verification activities have been duly carried out. The project has been operationalized and has been put into regular use with effect from _____.

Based on the completion and successful commissioning/capitalisation of the project, it is confirmed that the project is functioning as intended and is available for its designated purpose.

This certificate is being issued in compliance with AERA Tariff Order No. 14/2026-27.

सत्यमेव जयते

(Signature)

Name:

Designation: Chief Executive Officer

Place: _____

Date: _____

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AERA

ANNEXURE – III

SUSTAINING CAPEX

BIAL's submission on requirements under Sustaining CAPEX for the Fourth Control Period

Table 293: Sustaining CAPEX Assets proposed for End-of-Life Replacement use by BIAL for the Fourth Control Period

(in Rs. Cr.)

S.No.	Asset Description	Location	Cost
1	Replacement of CFTs	Airside	44.00
2	Replacement of T2 FOH lights 4400/17600 - Ph1	Terminal	19.80
3	Provision of new fixtures for the AGL system for South Runway – Taxiway	Airside	18.99
4	Refurbishment of guidance signages	Airside	19.44
5	Non-Potable Water Supply System	Utilities	19.00
6	Replacement of BDDS equipment viz. TCV, SLCV and MROV	Terminal	18.00
7	Replacement of T1 Screw Chillers along with associated Primary Pumps, Secondary Pumps, Cooling Towers (FM approved), Condenser Pumps and associated electrical starter panels in a phased manner	Terminal	16.50
8	Cars / Vehicles including airside Follow-Me vehicles, Inspection vehicles	Airside	14.90
9	Potable Water Supply System	Utilities	15.50
10	Replacement of T1 PBBs	Airside	14.00
11	Electromechanical replacement/upgradation of T1 & T1A BHS check-in counters, including Drum Motor, Weighing Machine, Take Away Conveyor, Dispatch Conveyor, Weighing Conveyor etc.	Landside	12.90
12	Relaying of North Runway	Airside	12.75
13	Relaying of Taxiway A	Airside	12.00
14	Runway Sweeper	Airside	10.50
15	Water Treatment Plant	Utilities	10.50
16	Relaying of Taxiway P, Q, G	Airside	10.00
17	Replacement of SIEMENS FAS (T1, T1A AND ANCILLARY BUILDING)	Terminal	10.00
18	Electromechanical upgradation of T1A PBBs	Landside	7.00
19	Rubber Removal Equipment	Airside	8.00
20	Replacement of Terminal 1 higher capacity UPS 200KVA x 10 nos & 120KVA x 2 nos	Utilities	7.80
21	Passenger Trolley	Terminal	6.84
22	Replacement of aged Terminal 1 high-access equipment (Spider lifts FS370 - 3 nos)	Terminal	7.50
23	Replacement of NOTIFIER FAS & FSS (ANCILLARY BUILDING)	Landside	7.00
24	Replacement of T2 Landscape lights - Ph1	Terminal	3.60
25	Replacement of T2 Landscape lights - Ph2	Terminal	3.60
26	Sit and Ride Lawn Mowers	Airside	1.20
27	Sewage System	Utilities	5.20
28	Signage refresh	Terminal	4.50
29	Civil Construction Equipment - Runway, Taxiway and Apron Painting Equipment and Grind Lazer	Airside	4.95
30	Replacement of Air-Cooled Chillers at Airside Airline Building & Landside Airline Building along with Primary Pumps and associated electrical starter panels	Landside	4.80
31	Replacement of old and obsolete standalone type ACs in Terminal	Terminal	1.72
32	Pond Water Management	Utilities	3.00
33	ATRS additional trays - T1 & T2	Terminal	4.62

S.No.	Asset Description	Location	Cost
34	Replacement of Terminal 1 Automatic Sliding doors located in Departure and Arrival Gates	Terminal	4.10
35	Provision of Apron high mast lighting with new LED fixtures	Airside	3.04
36	Replacement of Terminal 1 old low ceiling LED lights	Terminal	2.70
37	Reclining chairs	Terminal	2.85
38	Water Tenders	Airside	3.00
39	Rescue Trucks	Airside	3.00
40	Electromechanical replacement/upgradation of T1A BHS Low throughput diverters and High-speed Diverters	Landside	2.80
41	New AEOC	Landside	2.53
42	Structure Strengthening Works for buildings in the campus	Landside	2.50
43	Access Equipment - T1	Terminal	2.50
44	CCTV Camera (Replacement)	Landside	2.45
45	Replacement of complete Jockey Pump & Motor, Main Electrical Pump & Motor Assembly (both Sprinkler & Hydrant network) as per FM Approved at (T1, ATC, ANCILLARY & SLP) along with Electrical Control Panels	Landside	2.40
46	SITC of VFD for Terminal 1 tunnel ventilation fans 75 KW / 100 HP (Fresh Air Ventilation Fans & Exhaust Ventilation Fans)	Landside	2.40
47	Toilet Accessories - Toilet Paper Holder, M-fold Dispenser for Terminals	Terminal	0.75
48	Replacement of depreciated SWR, SAR, Begur Road, P7 parking street lights 500/1330 Ph1	Landside	2.21
49	Electric Buggy for Passengers	Airside	1.98
50	Tech refreshment of Terminal 2 integrated breaker status monitoring system	Terminal	2.00
51	Replacement of complete Engine Driven Fire Pump Assembly (T1, ATC, ANCILLARY & SLP) along with Electrical Control Panels	Landside	2.00
52	Grass Cut and Collect Equipment	Airside	2.00
53	City Sweeper / City Cat mini Road Sweeper machine	Landside	2.00
54	Replacement of batteries for all AGL substations (20 battery banks)	Airside	1.90
55	Replacement of Paver blocks North of AAB	Airside	1.89
56	Replacement of T2 BOH lights 2600/2600 - Ph2	Terminal	1.64
57	Replacement of Terminal 1 Roof Track lights 700/1400 Phase 1	Terminal	1.58
58	Replacement of Terminal 1 Roof Track lights 700/700 Phase 2	Terminal	1.58
59	Passenger seating sofa	Terminal	1.44
60	Ambulances	Airside	1.60
61	Replacement of aged Terminal 1 high-access equipment (Scissor lifts - 6 units)	Terminal	1.56
62	Tow vehicles	Landside	1.50
63	STP Equipment Refurbishment with required replacement	Landside	1.50
64	Tech refreshment of Terminal 1 integrated breaker status monitoring system	Terminal	1.50
65	Debris collectors	Airside	1.50
66	Fire Extinguisher	Airside	1.23
67	Sign boards	Airside	1.43
68	SITC of CAAQMS	Landside	1.40
69	Replacement of Hydraulic Bollards	Landside	1.35
70	Automated External Defibrillators with cabinets	landside	1.33
71	SITC of Odor control units	Utilities	1.32
72	Replacement of Bullet Proof Vehicle or BRV	Landside	1.32
73	Replacement of Terminal 1 Data Centre UPS 2 x 200KVA Modular UPS	Utilities	1.30
74	Replacement of Elevators (LBD-01 & 02) at Bravo Building	Landside	1.05
75	Replacement of LED track lights in Terminals	Terminal	1.30
76	Tractors	Airside	1.29
77	Replacement of HHMDs (check for value)	Terminal	1.24
78	Replacement of T2 BOH lights 2000/4600 - Ph1	Terminal	1.20

S.No.	Asset Description	Location	Cost
79	Upgradation of Terminal 1 existing bullnose lights, Boulevard Road Bridge 1 & 2 strip lights, T1 garden pavilion lights, etc.	Terminal	1.20
80	Replacement of Elevators (LLB-25 & 26) at Landside Airline Building	Landside	1.20
81	Replacement of Elevators (LAB-23 & 24) at Airside Airline Building	Airside	0.70
82	12 KL Tankers	Airside	1.07
83	Barricades / View cutters	Terminal	1.03
84	CAFS - Compressed Air Foam System - 10 Kgs	Airside	1.01
85	Sewage Bowser	Airside	1.00
86	Upgradation of SIEMENS FAS (NSPR)	Airside	1.00
87	Miscellaneous requirements (below 1 Cr) **(refer Table 294)**		**40.81**
	Total Cost		***494.28***

Table 294: Miscellaneous Sustaining CAPEX Assets proposed for End-of-Life Replacement purposes by BIAL for the Fourth Control Period

S.No.	Asset Description	Location
1	Bird scaring devices (Acoustic devices/tabs) - Binoculars, Night Vision Binoculars, Bird scaring devices, Flashlights, Night trap cameras and other miscellaneous items	Airside
2	Turn Out Suits with PPE	Airside
3	BA back plates	Airside
4	Terminal vertical green infrastructure maintenance	Airside
5	Replacement of batteries for all other areas	Airside
6	Provision of in-field photometric equipment	Airside
7	Backhoe Loader	Airside
8	Rescue Tools	Airside
9	Skid Steer with Attachments	Airside
10	Patrolling vehicle	Landside
11	Replacement of UF modules at 3MLD	Landside
12	Special repair to Bridges, Underpasses & Flyovers	Landside
13	Apron sealant replacement – North	Airside
14	Apron sealant replacement – South	Airside
15	Tractors	Landside
16	Lux meter as per the operational requirements	Terminal
17	Refurbishment of guidance signages	Airside
18	Follow-Me vehicles	Airside
19	Replacement of Elevator (LBD-03) at Bravo Building	Airside
20	Replacement of all domestic lighting at airside, including perimeter and street lighting	Airside
21	Tippers	Airside
22	Replacement of Line Lazer 01 & 02	Airside
23	Pond Water Quality Management	Utilities
24	Replacement of 250 nos. 100W LED Track Lights	Terminal
25	Battery Management System – T2 Higher KVA UPS	Terminal
26	Replacement of VESDA & WLD at Server room and IT rooms at T1 and T1A	Landside
27	Turn Out Boots	Airside
28	Replacement of complete Engine-driven Fire Pump Assembly (INTO PLANE) along with electrical control panels	Airside
29	Replacement of Inspection Buggies	Airside
30	Apron high mast lighting motor and winch wire replacement	Airside
31	Replacement of patrolling vehicles	Landside
32	Hydraulic Table	Airside
33	Replacement of Terminal 1 Column flood lights 300/690 – Phase 1	Terminal
34	Replacement of Terminal 1 Column flood lights 390/390 – Phase 2	Terminal

S.No.	Asset Description	Location
35	Rotary Slashers	Airside
36	IOT – Water flow Meter	Utilities
37	Vehicle for landside movement	Landside
38	Refurbishment of windsocks – 4 nos.	Airside
39	Replacement of Cleaning Machineries	Airside
40	WIFI Kiosk	Terminal
41	Emergency Evacuation Chairs with covers	Landside
42	Replacement of complete Jockey Pump & Motor, Main Electrical Pump & Motor Assembly as per FM Approved at (Into Plane) along with electrical control Panels	Airside
43	Electric Buggy for Maintenance team	Airside
44	Tool Truck	Airside
45	Floor Carpet	Airside
46	Janitor Trolleys	Landside
47	Replacement of old Security Porta Cabins for Landside	Landside
48	Helmets HEROS	Airside
49	Replacement of TATA Tippers -KA432642.	Airside
50	Replacement of TATA Tippers -KA433857	Airside
51	Portable Electric Gensets	Airside
52	High mast Cable and Pole painting	Airside
53	Terminal-1 Planter light / landscape	Terminal
54	Security Barricades (Metal)	Landside
55	Replacement of existing Boom barriers (12 pairs)	Landside
56	Terminal 1 - Distribution Panel replacements installed in AOD 2007 - Ph1	Utilities
57	Terminal 1 - Distribution Panel replacements installed in AOD 2007 - Ph2	Utilities
58	Replacement of Terminal 1 Hand Dryers 100nos phase 2	Terminal
59	STP infrastructure replacement/refurbishment works	Landside
60	Engine Operated Pumps (EOP)	Airside
61	Replacement of Expansion joints at MMTH & T2 Forecourt area	Terminal
62	Centrifuge for Redundant Operation	Utilities
63	Lift and carry truck	Airside
64	SITC of 200mm GI line from MPH to HVAC Backside	Landside
65	Apron high mast centralized UPS system	Airside
66	Automatic Swing Gate	Terminal
67	Replacement of Terminal 1 Hand Dryers 100nos phase 1	Terminal
68	Replacement of battery chargers for MPSS chargers	Landside
69	IROP chairs	Terminal
70	Conversion-NR RGL Halogen fixtures-LED	Airside
71	Highchairs	Terminal
72	Electrical Chain Hoist-Pumping Stations	Utilities
73	Indoor Ambulances	Terminal
74	Brush Cutters	Airside
75	Turbine Pump Replacement with VFD	Utilities
76	Baggage Tubs -T1	Terminal
77	Replacement of security wall coil North	Airside
78	Truck Mounted Boom Aerial Lift	Landside
79	Street light fixtures, High Mast lights	Terminal
80	PW Transfer Wilo Pumps	Utilities
81	Poly house with climate control system	Landside
82	Bird scaring devices (binoculars+ shot launchers + tabs)	Airside
83	Ergonomic Workstation at AOCC ((6no's)	Airside
84	3 by 6 Stainless steel standee	Terminal
85	Replacement KA433727&KA433729 Tractors	Airside
86	11KV cables replacement NPO, CISF, STP etc. loop	Landside
87	Pesticide Boom Sprayers	Airside

S.No.	Asset Description	Location
88	Workshop equipment - Hand Tools box, Torque, Hand held Drill Machines, Cutting Machine, Grinder, Vice Bench, Work Bench, Spark plug Tester and Cleaner	Airside
89	Workshop equipment - Hydraulic Jacks and Tripod Stands	Airside
90	Blind Fold	Airside
91	Blind Curtain	Airside
92	Reclining chairs	Terminal
93	Replacement of Flow meters	Airside
94	Motorola MTP3150 walkie-talkie	Terminal
95	V&E Contract Drivers Waiting Area	Airside
96	Rainwater Disposal Pump-Control Panel	Utilities
97	Low Ceiling lighting T1 Arrival & BCA	Terminal
98	Online filter for 3MLD SBR UF feed water	Landside
99	BA cylinder	Airside
100	Pumps for STP-1.0 MLD,1.5 MLD & 3.0 MLD	Landside
101	Access equipment - MMTH usage	Terminal
102	Provision of new mobile lighting tower	Airside
103	Provision of new DG set of 50 KVA and 125 KVA	Airside
104	Electromagnetic Flow meters	Landside
105	Color coded bins ((Tricolor SS 304 & above grade)	Landside
106	Construction of toilet facility	Utilities
107	Passenger seating sofa	Terminal
108	Janitor Cupboards	Landside
109	Neck Bands / Announcement device	Terminal
110	Tools, Instruments, and Safety Equipment	Terminal
111	Pre-paid card energy meter boxes system	Landside
112	LT cable fault locater	Landside
113	DepartureGatesLoungeTable-T2Level3.	landside
114	Replacement FOD Bins	Airside
115	4 by 8 Stainless steel standee	Terminal
116	SHOE WRAPPING MACHINE	Terminal
117	Signages Terminal operations, MTH , CDA& BOH areas	Terminal
118	HK Machinery Robotic Floor sweeper	Landside
119	Photometric Test sensor panel & software	Airside
120	Toilet Accessories – Shoe Shine Machines for T1/T2	Landside
121	Workshop Equipment – ARC Welding Machines	Airside
122	Water Supply Line – BG-41, Zone-9 & 10, AOCC	landside
123	Workshop Equipment – Air Compressor with Air Storage Tank	Airside
124	Portable Speakers	Terminal
125	Q-tops – A3 size	Terminal
126	Metal Barricades	Landside
127	Replacement of Colour-Coded Bins	Airside
128	Workshop Equipment – Two-Post Lift	Airside
129	Wall-Mounted Q-tops	Terminal
130	New 100mm PRV Stations Fixing – 5 Locations	landside
131	Furniture required in PHN/NEC/MPSS/CUP	Landside
132	Ambient Noise Level Meter – Class I	Landside
133	Konica / TMS Luminance Meter	Airside
134	Replacement of Dispensers	Airside
135	Sod Cutters	Airside
136	Workshop Equipment – Pallet Truck	Airside
137	Workshop Equipment – Pneumatic Lines with FRLs	Airside
138	Workshop Equipment – Pneumatic Wrenches, Hoses and Connectors	Airside
139	Masthead A3 to be placed on top of Q Managers	Terminal
140	TMRS Handsets with Charger Pods	Landside

S.No.	Asset Description	Location
141	Tools and Tackles	Utilities
142	Radar Level Sensors with IOT Device	Landside
143	PVC Cones & Plastic Barricades for parking management at Landside Security	Landside
144	Workshop Equipment – Oil Dispenser	Airside
145	Hedge Trimmers	Airside
146	Earth Resistance Tester – Megger DET4TCR2	Airside
147	Dethatcher	Airside
148	Control Centre LED Screen	Terminal
149	Hedge Trimmer – Extended Length	Airside
150	HK Machinery – Carbon Tech Pole for Façade Cleaning	Landside
151	BOD Trak Manometric BOD Apparatus	Landside
152	Workshop Equipment – Wet and Dry Vacuum Cleaners	Airside
153	T2 Power / Hand Tools	landside
154	Transportation Trolley	Landside
155	View Glass – Sludge Line & Chemical Dosing	Utilities
156	Workshop Equipment – MIG Welding Machine	Airside
157	Replacement – ELGI Workshop Two-Post Lift	Airside
158	Handheld Multi-Gas Detector	Landside
159	LED Fixtures – 230V South Perimeter Lighting	Airside
160	Storage Racks – Heavy Material / Spare	Airside
161	Replacement of switchgears (ACBs, MCCBs, contactors, relays etc.) of pump houses	Landside
162	Workshop Equipment - Plasma Cutter	Airside
163	Replacement of Mig welding machine	Airside
164	Vehicle diagnostic tech tool	Airside
165	Power Sprayer	Airside
166	Rotary Slasher	Airside
167	Brush Cutters	Airside
168	Mobile handset	Landside
169	Digital Straight Edge.	Airside
170	Hand Manual Stacker with roller	Airside
171	Workshop equipment - Battery Chargers	Airside
172	Workshop Equipment - Pneumatic operated Grease Gun	Airside
173	Tripod Stand and Chain Pulley Block Set	Utilities
174	Carpets, Acoustic Ceiling & Wall Panels - E&M	landside
175	CordlessToolsforT1&LS	landside
176	Barrel Capacity Emulsion Sprayer	Airside
177	Earth Auger	Airside
178	Table mounted Vertical Dill Machine	Airside
179	Three seater chairs for BMA and BBA	Airside
180	Lawn mower	Landside
181	Brush cutter	Landside
182	AccessLadders-AccessingT2CC1andCC2	landside
183	Replacement of Plasma cutter	Airside
184	Breath analyzer - 2 Nos	Airside
185	Hedge trimmer	Landside
186	Night vision binoculars	Airside
187	Chain Saw	Airside
188	Camera trap	Airside
189	Power sprayer Cum Duster	Airside
190	Chain Saw	Airside
191	Printer	Terminal
192	Cleaning Equipment-Ladders for High Access Cleaning	Landside
193	Mobile phone	Airside
194	Mobile handset	Terminal

S.No.	Asset Description	Location
195	New Portable mike PA system	Terminal
196	Duty Mobile for DMs	Airside
197	Chain saw	Landside
198	Backpack Sprayer	Airside

Table 295: Sustaining CAPEX Assets proposed for Capacity and Operational Enhancement for the Fourth Control Period

(Rs. Crore)

S.No.	Asset Description	Location	Total
1	AVDGS	Airside	25.00
2	Airside Airlines Building - Reconstruction	Airside	40.00
3	Interior work for BIAL corporate office (~ 150,000 sqft)	Landside	45.00
4	Landside Fire Station	Landside	40.00
5	Training & Process improvement facility	Landside	40.00
6	SITC of Rooftop Solar Plant on T1	Utilities	30.00
7	Upgradation of Existing STP	Landside	20.00
8	Rescue stairs	Airside	15.00
9	Central Kitchen	Landside	12.00
10	Overlay of perimeter Road North	Airside	12.00
11	Widening existing Airside perimeter roads to 7 m7-meterdth	Airside	10.00
12	Overlay of perimeter Road South	Airside	8.40
13	Road Recarpeting Work, Road Markings & Signages	Landside	8.00
14	Installation of TRAFFIC LIGHT AT APRON SERVICE ROAD; Installation of Trafficator lights for safety	Airside	6.28
15	Terminal Clinics and AMC Upgrade work (Post completion of the current Agreement).	Terminal	6.25
16	New Mechanical Sweeper Machine	Airside	6.00
17	Installation of Catwalk & Lifelines - T1 & T2	Landside	5.50
18	Upgradation of all parking stands with Stand leading lines	Airside	5.46
19	Valve, digital water meter Installation works at water lines - T1, T2 & MMTH	Terminal	5.18
20	AOCC expansion (Capacity enhancement) + Video wall upgradation	Airside	8.00
21	Apron mgt - Visual Monitoring System	Airside	4.81
22	Sanitary Lines & Water lines, SW Down take lines - T1, T2 & MMTH	Utilities	4.50
23	BA Smoke Gallery	Airside	3.00
24	SITC of 66KV/11KV, 31.5MVA transformer in SS3	Landside	4.00
25	Upgradation of PLC & SCADA (PHN & NEC, STP)	Landside	3.00
26	Hydraulic Road Blocker with civil works	Landside	3.45
27	Queue Management System and Automatic Queue combing	Terminal	3.00
28	Treated water storage facility (minimum 01 day holding capacity of 2 ML RCC)	Landside	3.00
29	Reconstruction of AFS Building	Airside	3.00
30	Purchase of Diesel Articulated Boom Lift for covering landside & T2 Phase 2 requirement	Terminal	2.60
31	Procurement of diesel operated articulated boom lift	Terminal	2.56
32	Purchase of 10m Vertical Mast for T2 Phase 2	Terminal	2.50
33	Construction of South Fire Pit & Oil Water Separator for fire pits	Airside	2.50
34	Admin Buildings & Utility Building Enhancement Works	Landside	2.50
35	Installation, testing & commissioning of A5,A6,A7,A8, A9 and A10 taxiway centerline joining light fixtures	Airside	2.35
36	Asset management system	Terminal	2.00
37	Basement CDA Area Enhancement	Terminal	2.00
38	DG Backup West Apron 45nos hatch pits	Utilities	2.00
39	Purchase of 14m Scissor lift for T2 Phase 2	Terminal	2.00

S.No.	Asset Description	Location	Total
40	SITC of 1500KVA MTU DG in PHN	Landside	2.00
41	LPG to CBG Conversion Project	Landside	2.00
42	3 Nos new Variant Innova Hy cross (ZX(O) Hybrid Petrol) vehicle for Administration department to accommodate CXOs requirements + Add Nexon (2 EV - Nexon EV Empowered Plus A 45 Red Dark Edition 45 kWh, Electric, Automatic, 489 km) + Dash Camera	Landside	1.67
43	SWDN including Cross Drain Enhancement Works	Landside	1.50
44	Elevator for domestic OOG Bags	Airside	1.50
45	Elevator for level 3 BIR room	Airside	1.50
46	Bottling Plant - Drinking Water	Landside	1.50
47	ABC Pre-check Enrolment at Arrival Immigration	Terminal	1.50
48	Smart PESC Queue management system	Terminal	1.50
49	Old Oil Spot Removal Machine	Airside	1.50
50	Building waterproofing South	Airside	1.25
51	Covered parking area for LMV, HMV and specialized vehicles	Airside	1.25
52	EXPANSION OF PASS OFFICE (BALANCE WORK)	Landside	1.21
53	DSA Vehicle with Customization	Airside	1.20
54	New Automation System integration for ACDM	Airside	1.20
55	Electrically operated mortised valves, BMS compatible - 40 Nos	Terminal	1.20
56	Video Analytics – Enhancements T1 & T2	Terminal	1.20
57	Disabled Aircraft – Dismantle, transport and reassemble	Airside	1.18
58	Improvement Works at STP	Landside	1.08
59	Office workstation/Training Station for OHS Function - 1000 Sq mtr	Airside	1.00
60	Façade Strengthening Work - T1 & T2	Landside	1.00
61	Purchase of 10m Vertical Mast for Metro Stations 1&2	Landside	1.00
62	Remotely Speed Monitoring Solution for T2 Apron 09 Stands & T2 Apron Phase 2	Airside	1.00
63	Industrial Fire Tender - South	Airside	1.00
64	Modernization of EAMS	Terminal	1.00
			435.77

Table 296: Sustaining Capex Assets proposed by BIAL for Safety and Security for the Fourth Control Period

(in Rs. Cr.)

S.No.	Asset Description	Location	Total
1	CTX machines (To replace dual view X ray machines - T2P1) - 16 Nos	Terminal	96.00
2	CTX machines (To replace dual view X ray machines - T1)	Terminal	72.00
3	Body Scanners (21 Nos) - T2P1	Terminal	67.20
4	Body scanners (14 Nos) - Terminal 1 - While requirement is 29, we will push for 50% of requirement in CP 4 only	Terminal	46.40
5	Radiological Detection equipment in 03 phases (Phase 01)	Terminal	30.10
6	Radiological Detection equipment (Phase 02)	Terminal	25.00
7	Radiological Detection equipment (Phase 03)	Terminal	25.00
8	Special QRT equipment	Landside	8.50
9	All weather Bird monitoring camera/devices	Airside	3.00
10	FOD Detection System for North and South Runways	Airside	4.00
11	Automated Runway Incursion Warning System	Airside	3.00
12	CISF requirements (Miscellaneous) (As and when CISF requirements come)	Landside	5.00
13	Dog Squad - Enhancement	Landside	3.52
14	Under Vehicle Scanners and associated works for the installation for left out roads	Landside	3.50
15	Container Tubular Shooting Range	Landside	3.33
16	Construction of New Police station	Landside	3.00
17	Northern Perimeter wall - Height increase (Immediate- prior to A8 project)	Airside	3.00
18	Speed violation detection camera	Landside	3.00
19	CCTV device Refresh & New	Airside	2.25

S.No.	Asset Description	Location	Total
20	Patrolling vehicles	Landside	1.35
21	Reverse Entry	Terminal	1.33
22	Development of fire drill pit	Airside	1.17
23	Full Body Scanner (tech refresh)	Airside	1.00
24	NSPR - Air side turf maintenance	Airside	1.00
25	Pre Induction Formalities of CISF	Landside	1.00
26	Boundary Wall Enhancement Works	landside	1.00
27	Requirement of various security gadgets for CISF	Landside	0.97
28	Miscellaneous requirements for CISF	Landside	0.94
29	Composite fire extinguishers for T1, T2	Terminal	0.90
30	Illegal Parking	Landside	0.86
31	PROPOSED ENHANCEMENT OF PASS OFFICE - GROUND FLOOR	Landside	0.75
32	Construction of new Hazard Waste Centre	Airside	0.75
33	Civil and Electrical works at CISF QRT barrack	Landside	0.71
34	Motorized Minor Spillage Kart	Airside	0.70
35	ION Scan 500DT/600 DT	Terminal	0.60
36	DARE -Aircraft Recovery Training School	Airside	0.60
37	ARFF Drill Pit paver block laying	Airside	0.57
38	DARE- Aircraft Recovery Training School	Airside	0.52
39	Replacement of Electrical Driven standby fire Pump Motor assembly with Engine Driven Pump-Motor Assembly at T2 & MMTH Water Curtain System	Landside	0.50
	Total		**424.01**

Table 297: Sustaining Capex Assets proposed by BIAL for Technology Update for the Fourth Control Period

(in Rs. Cr.)

S. No.	Asset Description	Cost
1.	Servers and network	45.56
2.	Licenses & Software	48.02
3.	End user assets	29.55
4.	Network refresh	21.95
5.	Data center modernization	17.76
6.	AODB replacement	78.77
7.	Cybersecurity upgrade	10.50
8.	Digital Twin	44.78
9.	IoT based asset tracking	10.50
10.	TAM	43.63
11.	AI Enablement & Enhancement	27.71
12.	Digital & ESG	22.19
13.	Virtual Lab Environment	8.26
14.	Innovation & pioneer projects	22.19
	Total	**431.39**

Table 298: Sustaining Capex Assets proposed by BIAL for Customer Service for the Fourth Control Period

S.No.	Asset Description	Location	Total
1	Replacement of customer seating - Sofas/chairs/high seats etc.	Terminal	7.20
2	Flooring Work - T1, T2 & MMTH	Landside	6.00
3	Queue managers	Terminal	3.60
4	Smart Hand baggage trolleys	Terminal	3.60
5	Restrooms Fixtures & Enhancement Works - T1, T2 & MMTH	Landside	4.00
6	Baggage repack station	Terminal	1.80
7	False Ceiling Work - T1, T2 & MMTH	Landside	4.00
8	Replacement of Furniture & civil Fixtures - T1 & T2 & MMTH	Landside	4.00

9	PRM facilities, Self-service kiosk, Sensory room and Kids play area	Terminal	3.84
10	Granite / Tile / other Flooring and Cladding - T1, T2 & MMTH	Landside	3.50
11	Replacement of Hardware & Sanitary Fixtures & signages- T1, T2 & MMTH	Landside	3.50
12	Existing Ceiling & structure painting & Enhancement works - T1, T2 & MMTH	Landside	3.00
13	Replacement of existing Drinking Waterspouts T1 & T2 & MMTH	Landside	2.80
14	Extendable Stainless-Steel Barricades	Landside	2.00
15	Continuous Ambient Air Quality Monitoring System	Landside	1.50
16	Overhead display for T1 e-gates	Terminal	1.50
17	**Miscellaneous requirements (below 1 Cr) (refer Table 299)**		**17.91**
	Total		**73.75**

Table 299: Miscellaneous Sustaining CAPEX Assets proposed for Customer Service by BIAL for the Fourth Control Period (value less than 1 Cr.)

S.No.	Capex Item Description	Location
1	Dual frame FIDS display at Boarding Gates-Silent Airport Concept-T2	Terminal
2	Ground Master Toro (1 Nos)	Airside
3	Smoking Room (Quad kerb)	Terminal
4	Water ATMs	Landside
5	Centralized clocks	Terminal
6	Feedback mechanism system for taking passenger feedback at various passenger touch point	Terminal
7	New cleaning Machineries	Airside
8	Normal and PRM friendly CUSS kiosk	Terminal
9	Digital communication displays units - A1 size	Terminal
10	Signage and Fascia replacement. LED strip	Terminal
11	Overhaul way finding for pulse & TOPS operations	Terminal
12	Smoking Lounge at T2	Terminal
13	Odor Control Units and beautification of STP area	Landside
14	VestibuleGatesFloorMat-T2L3andL0.	landside
15	Parking area enhancement work	Landside
16	Increase in Road & SWDN	Landside
17	Happy Feet expansion works for Separate Infant room	Landside
18	Design and Build of PRM Zone-Departure Hall	Terminal
19	Fogging climate comfort systems	Landside
20	Feedback mechanism system for taking passenger feedback at various passenger touch point	Terminal
21	Floor mounted Digital signage next to escalator	Terminal
22	Installation of E gate & fixed partition at D8-D9, D10-D11 & D12-D13 - work in progress	Terminal
23	Vendor Management Facilities (Attendance, Dining, Briefing and storage space)	Terminal
24	Terminal 1 identifier	Terminal'
25	AREA FROM MANIPAL HOSPITAL TO EAST ENTRY GATE - LANDSCAPE DEVELOPMENT WORKS - 23 Lacs LEFT OVER POCKETS: LANDSCAPE \DEVELOPMENT WORKS - Rs.44 lacs	Landside
26	Powered Baggage unloader	Airside
27	RECD (Emission Control Device) for DGs	Airside
28	Moss Wall Installation - T2 International Arrival	Landside
29	Construction of MRS Dump Yard	Airside
30	Major Spillage Treatment Kart	Airside
31	New Buggy (Baby Carrier)	Terminal
32	Grow lights for T2 Green Walls and exotic plants	Landside

S.No.	Capex Item Description	Location
33	Charging points under T2 rotunda	Airside
34	SS Railing at BMTC & App Taxi Zone MMTH	landside
35	Eagle Hoist passenger lift	Terminal
36	ClosedDrainAlpha1toAlpha3(Concrete)	landside
37	Civil Crossing + Irrigation systems for landscape area (where there is no provision of systems as on date) 1. T1 Volvo Bus Entry area landscape 2. P4 Exit Triangle 3. P4 Landscape near to bridge 4. Airside landscape near gate-1 5. New APHO office 6. Railway Station	Landside
38	New Pumping Systems for Trumpet Circle	Landside
39	Zone9,10 & Ramp Canteen Restroom upgrade	landside
40	Cleaning Machineries replacement	Airside
41	Terminal 1 identifier	Terminal
42	Shelter for Day-to-Day Patient Transfer outside RV Point No 1 (It has to be near ARFF Gate).	Landside
43	T1CDANewTubewell-Connectingpipeline	landside
44	Terminal 1 & Terminal 2 identifier	Terminal
45	Tubs	Terminal
46	Providing & Fixing of the MIGUAS`S	landside
47	Meeting room Renovation, Overhead projector & Flooring	Landside
48	Drainage Spouts & Grated Surface – MMTH L0	landside
49	New Signage Installation at MMTH	landside
50	BCM Chairs	Terminal
51	Decibel Monitoring Equipment	Terminal
52	T1 East Gate – Opp. Manipal	landside
53	Façade Glass – New Auto Door at T2	landside
54	SS Wall Cladding at T2 Baggage	landside
55	Tray Trolleys – Staff Frisking Points	Terminal
56	Q-Top SS 304 Make – A3 (Fork Heads)	Terminal
57	Trolley for Shifting Milk / Water Bottles / Consumables / Uniforms and Cafeteria Food (Mild Steel Industrial Platform Trolley, Load Capacity: 400 kg)	Landside
58	Golden Beruru Pots – Small and Medium Size (50 Nos.)	Landside
59	Jet Pressure Machine with Hot Water	Airside
60	Self-Run Electric Wheelchairs for Emergency Evacuation	Landside
61	Access Ladders Installation	landside
62	Walk-Behind Scrubber Dryer	Airside
63	QR Code for Trees and Palms at FOA	Landside
64	Irrigation System for Nursery Potted Plants	Landside
65	Hubless CI Drain Lines	landside
66	PRM Signage Structure with Charging Point for Passenger Seating	Terminal
67	Stainless Steel Trolley – 4(L) × 2(W) × 1(H) feet (12 Nos.)	Landside
68	Water Cart – Battery Operated, In-built Drum along with Pump and Spray Gun (4 Nos.)	Landside
69	Portable Generator – 5.5 KVA	Airside
70	Pan Carriers / Cambro Boxes for ARFF South/North and AOCC (Insulated Pan Carrier – Brown, with CT06 6-Compartment Tray, Green, and Lid for 6-Compartment Tray)	Airside
71	Blowers – 4 Nos.	Landside
72	Wet & Dry Vacuum Cleaner – Heavy Duty	Airside
73	Brush Cutters (Maruyama) – 6 Nos.	Landside
74	Single Disk Walk-Behind Scrubbing Machine	Airside
75	Portable Jet Pressure Machine	Airside
76	Partitions between X-Ray and DFMD (Gap Filling – Similar to Changi)	Terminal

S.No.	Capex Item Description	Location
77	Hydraulic Pallet Lift	Landside
78	Chain-Link Fencing at Nursery	Landside
79	Digital Screen for L&F Office	Terminal
80	Digital (Soft Board) Screen – Similar to T1, at T2 TM Office (L3), for Staff Communication (to be used as Soft Board)	Terminal
81	View Cutters (Foldable, with Wheels)	Terminal
82	Self-Propelled Lawn Mowers (2 Nos.) – Honda HRC 216	Landside
83	Steam Cleaner	Airside
84	Walk-Behind Manual Sweeper Machine	Airside

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APPENDICES

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APPENDIX-I

Capex Evaluation Report submitted by MECON Limited for the Fourth Control Period at the Consultation Stage

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APPENDIX-II

Final Capex submitted by MECON Limited for the Fourth Control Period

Sl. No.	Cost Code	Program / Projects	COST In INR Crore								
			Hard Cost in INR Crore (Excluding GST & Cess)	Indexation	GST @ 14% (net of ITC)	Cess @ 1%	Cost incl Indexation, taxes	Soft Cost	Total including Soft Cost	IDC	Total incl IDC
		Airfield Works									
1.01	A.1	West Cross Field Taxiway	970.00	1.8	136.9	9.6	1,124.3	95.3	1,220.6	4.6	1,225.3
1.02	A.2	Airfield works (Taxiway extension, Isolation bay etc)	300.0	4.5	55.2	3.9	453.7	39.6	493.3	8.5	502.8
1.03	A.3	T-2 Apron (9 +4 Stands)	203.0	1.2	28.6	2.0	234.8	20.6	255.4	5.7	261.1
1.04	A.4	T-2 Phase 2 Apron (40 Stands)	498.0	56.0	77.4	5.5	636.0	63.6	699.5	60.4	760.0
1.05	A.5	Taxiway Z & Enabling works	84.0	0.2	11.8	0.8	96.8	8.5	105.3	1.5	106.8
1.06	A.6	T2 Phase 2 West Apron (18 Stands)	-	-	-	-	-	-	-	-	-
1.07	A.7	Cargo West Apron (12 Stands)	96.0	2.0	13.7	1.0	112.7	11.3	124.0	9.2	133.2
1.08	A.8	North Airside Perimeter Wall & Perimeter Road	10.0	0.4	1.5	0.1	12.0	1.2	13.2	0.7	13.9
1.09	A.9	Taxiway B9 & Enabling Works	32.0	1.5	4.7	0.3	38.5	3.9	42.4	1.5	43.9
		Total Airfield	2,289	66.6	329.8	23.6	2,708.3	244.9	2,953.0	93.1	3,046.9
2	B	**Passenger Terminal**									
2.01	B.1	T1 Upgrade	696.0	1.7	98.0	7.0	804.7	70.3	875.0	18.2	893.2
2.02	B.2	T2 Enhancement	54.0	0.2	7.6	0.5	62.3	5.5	67.8	0.7	68.5
2.03	B.3	T2 Phase 2	3,548.0	366.0	500.4	42.2	4,456.6	485.0	5,334.5	798.2	6,132.7
2.04	B.4	T1/T2 Connectivity - Pier Expansion	135.0	18.4	21.5	1.5	176.4	17.8	194.1	13.8	207.9
2.05	B.5	GA Terminal	-	-	-	-	-	-	-	-	-
2.06	B.6	Airport Staff Parking & Cafeteria	95.0	6.0	14.1	1.0	116.2	11.6	127.8	9.1	136.9
2.07	B.7	Contingency Facility	27.0	0.6	3.9	0.3	32.0	3.2	35.2	1.7	36.9
2.08	B.8	New Air Traffic Control Tower (ATCT)	89.0	8.6	13.7	1.0	112.3	11.2	123.7	8.8	132.5
		Total Terminal	4,947	403.5	749.1	53.5	6,153.5	604.5	6,758.0	850.6	7,608.6
3	C	**Landside Access and Parking**									
3.01	C.1	Eastern Connectivity Tunnel (ECT)	1,217.0	104.9	185.1	13.2	1,520.2	150.8	1,671.0	245.3	1,916.1
3.02	C.2.1	Airport Terminal Metro Station (ATMS)	252.0	8.9	36.5	2.8	300.0	30.0	330.0	23.0	353.0
3.03	C.2.2	KIA West Metro Station(KWMS)	-	-	-	-	-	-	-	-	-
3.04	C.4	T1 to T2 & Metro Connector (walkway)	58.0	2.0	8.4	0.6	69.0	6.9	75.9	3.6	79.5
3.05	C.5	North West Road Expansion (2+2 Lane)	17.0	0.4	2.4	0.2	20.0	2.0	22.0	1.7	23.7
3.06	C.6	Cargo Avenue (NCR) Expansion (2+2 Lane) LSG to Alpha I	9.0	0.6	1.3	0.1	11.0	1.1	12.1	0.9	13.0
3.07	C.7	T1 & T2 Departure and arrival recirculation	38.0	2.5	5.7	0.4	46.6	4.7	51.2	2.9	54.1
3.08	C.10	MAR Recirculation Link	71.0	3.9	10.5	0.7	86.1	8.6	94.7	5.3	100.0
3.09	C.11	MAR-SMR Interchange Upgrade	-	-	-	-	-	-	-	-	-
3.1	C.12	North Boundary Road (Landside North East Road)	-	-	-	-	-	-	-	-	-
		Total Landside	1,662	123.2	249.9	17.9	2,053.8	203.5	2,256.6	282.7	2,539.6
4	D	**Others**									
4.01	D.1	Utilities	457.0	52.2	71.3	5.1	585.6	58.6	644.1	57.9	702.0
4.02	D.2	MMTH Enhancement	22.0	0.2	3.1	0.2	25.5	2.6	28.1	1.6	29.6
4.03	D.3	Green Belt Development	7.0	0.5	1.1	0.1	8.6	0.9	9.5	1.6	11.0
4.04	D.4	Rainwater Harvesting Pond-I	67.0	11.5	13.8	1.0	113.3	11.3	124.6	9.8	134.4
		Total others	553	64.4	88.2	6.4	733.0	73.3	806.3	70.7	877.0
		Grand total	9,471	656.1	1,416.1	101.3	11,648.5	1,126.5	12,775.0	1,297.1	14,072