फा. सं. ऐरा/20010/एमवाईटीपी/ जीएचआईएएल/ हैदराबाद/सीपी-IV/2025-26

F. No. AERA/20010/MYTP/GHIAL/Hyderabad /CP-IV/2025-26

आदेश संख्या 15/2026-27

Order No. 15/2026-27

सत्यमेव जयते

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण

Airports Economic Regulatory Authority of India

राजीव गांधी अंतरराष्ट्रीय हवाईअड्डा, हैदराबाद (आरजीआईए) 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 RAJIV GANDHI INTERNATIONAL AIRPORT, HYDERABAD (HYD) FOR THE FOURTH CONTROL PERIOD (01.04.2026 – 31.03.2031)

जारी करने की तारीख : 24 अगस्त , 2026

Date of Issue: 24 August, 2026

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AERA

LIST OF ABBREVIATIONS

Abbreviation	Expansion
AAI	Airports Authority of India
ABD	Assisted Bag Drop
ACI	Airports Council International
ADFG	Advance Development Fund Grant
AEP	Airport Entry Pass
AERA	Airports Economic Regulatory Authority of India
AERAAT	Airports Economic Regulatory Authority Appellate Tribunal
AGL	Airfield Ground Lighting
AMC	Annual Maintenance Contract
AOCC	Airport Operations Control Center
AODB	Airport Operational Database
AOL	Airport Operator Liability
ARFF	Aircraft Rescue & Fire Fighting
ARR	Aggregate Revenue Requirement
ASF	Aviation Security Fee
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATM	Air Traffic Movement
ATRS	Automated Tray Retrieval System
AUCC	Airport Users Consultative Committee
BCAS	Bureau Of Civil Aviation Security
BHS	Baggage Handling System
BIAL	Bangalore International Airport Limited
BRS	Baggage Reconciliation System
CAGR	Compounded Annual Growth Rate
CAM	Common Area Maintenance
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
CAT-I / CAT-II	Category-I / Category-II ILS approach lighting
CGF	Cargo, Ground handling and Fuel
CISF	Central Industrial Security Force
CNS	Communication, Navigation and Surveillance
COD	Commercial Operations Date
COE	Cost of Equity
COVID	Coronavirus Disease
CPD	Commercial Property Development
CRIS	CRISIL Risk and Infrastructure Solutions Limited
CSB	Cargo Satellite Building
CSR	Corporate Social Responsibility
CTX	Computed Tomography X-ray (HBS)
CUPPS	Common Use Passenger Processing System
CTB	Cargo Terminal Building
CUSS	Common Use Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Works in Progress
DGCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
EBIT	Earnings Before Interest and Tax

Abbreviation	Expansion
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECB	External Commercial Borrowing
ECT	Eastern Cross Taxiway
ESG	Environmental, Social & Governance
FAR	Fixed Asset Register
FEGP	Fixed Electrical Ground Power
FIA	Federation of Indian Airlines
FIDS	Flight Information Display System
FROR	Fair Rate of Return
GACAEL	GMR Air Cargo and Aerospace Engineering Limited
GDP	Gross Domestic Product
GHIAL	GMR Hyderabad International Airport Limited
GHRL	GMR Hospitality and Retail Limited
GIL	GMR Infrastructure Limited
GMR	GMR Group
GOI	Government of India
GPU	Ground Power Unit
GSE	Ground Support Equipment
HAML	Hyderabad Airport Metro Limited
HIAL	Hyderabad International Airport Limited
HMACPL	Hyderabad Menzies Air Cargo Pvt Ltd
HVAC	Heating, ventilation, and air conditioning
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICF	ICF International Limited
ICT	Information and Communications Technology
IDAT	Integrated Domestic Arrival Terminal
IDC	Interest During Construction
IFK	In Flight Kitchen
IFL	Interest Free Loan
IIDT	Integrated International Departure Terminal
IIM	Indian Institute of Management
IMC	Instrument Meteorological Conditions
INR	Indian Rupee
IRR	Internal Rate of Return
MAG	Minimum Annual Guarantee
MAHB	Malaysia Airports Holding Berhad (Mauritius)
MAR	Main Access Road
MARS	Multi-Aircraft Ramp System
MAT	Minimum Alternate Tax
MIAL	Mumbai International Airport Limited
MLCP	Multi-Level Car Parking
MoCA	Ministry of Civil Aviation
MPPA	Million Passengers Per Annum
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NATS	National Air Traffic Services UK
NOB	New Office Building
NPTB	Northern Precinct Terminal Building
OMDA	Operations, Maintenance and Development Agreement

Abbreviation	Expansion
PAPI	Precision Approach Path Indicator
PAT	Profit After Tax
PBT	Profit Before Tax
PCA	Pre-Conditioned Air
PCPE	Pre Control Period Entitlement
PESC	Pre-Embarkation Security Check
PMC	Project Management Consultancy
PPP	Public Private Partnership
PRM	Persons with Reduced Mobility
PSF	Passenger Service Fee
PSU	Public Sector Undertaking
PTC	Passenger Transport Center
PUC	Pollution Under Control
RAB	Regulated Asset Base
RBI	Reserve Bank of India
RGIA	Rajiv Gandhi International Airport
RITES	Rail India Technical and Economic Service Limited
RET	Rapid Exit Taxiway
ROI	Return on Investment
RTL	Rupee Term Loan
SATS	Singapore Airport Terminal Services Limited
SBD	Self-Baggage Drop
SFIS	Served From India Scheme
SHA	Security Hold Area
SITC	Supply, Installation, Testing & Commissioning
SLP	Special Leave Petitions
SOB	Site Office Building
SOCC	Security Operations Control Centre
SOP	Standard Operating Procedure
SPP	Spend Per Pax
SPS	Sewage Pumping Station
SSA	State Support Agreement
STP	Sewage Treatment Plant
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
TRA	Trust and Retention Account
UDF	User Development Fees
USD	US Dollar
VDGS	Visual Docking Guidance System
VTP	Variable Tariff Plan
WACC	Weighted Average Cost of Capital
WDV	Written Down Value
WIP	Work in Progress
WPI	Wholesale Price Index
XBIS	X-Ray Baggage Inspection System
YOY	Year on Year
YPP	Yield Per Passenger

1. BACKGROUND

1.1. Introduction

1.1.1. Rajiv Gandhi International Airport (hereinafter referred to as "RGI Airport", "RGIA" or "the Airport"), Hyderabad, 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. GMR Hyderabad International Airport Limited (GHIAL) (hereinafter referred to as "GHIAL", "HIAL", or "the Company") was incorporated on 17 December 2002 as a Special Purpose Vehicle (SPV) for the design, financing, construction, operation, and maintenance of a world-class greenfield international airport at Shamshabad, Hyderabad.

1.1.2. The development of RGIA traces its origin to the Memorandum of Understanding executed in November 2000 between the Government of Andhra Pradesh and the Airports Authority of India (AAI) for the establishment of a greenfield airport project under the PPP framework. Under the proposed structure, the Government and AAI together were envisaged to hold a 26% equity stake, while the remaining 74% was to be held by a private sector partner. Following a competitive international bidding process, the project was awarded to a consortium comprising GMR Group and Malaysia Airports Holdings Berhad (MAHB).

1.1.3. In September 2003, the project stakeholders executed the Shareholders' Agreement and entered into arrangements relating to State support and subsidy of over Rs. 4 billion for project implementation. Subsequently, a Concession Agreement was signed between Ministry of Civil Aviation (MoCA) and GHIAL on 20th December 2004 that authorized GHIAL for the Development, Construction, Operation and Maintenance of the Hyderabad International Airport.

1.1.4. In addition to financial support, the State Government facilitated land availability for the Airport project. A Land Lease Agreement (LLA) was executed in this regard between the State Government (Lessor) and GHIAL (Lessee) on 30th September 2003. The financial assistance and land support extended by the State Government constituted a critical enabling framework for timely implementation, construction and operationalisation of the Airport project.

1.1.5. At the stage of financial closure and commencement of construction activities, the initial phase of Hyderabad International Airport was conceived with a designated passenger handling capacity of approximately 12 million passengers with an estimated built-up area of 117,000 m2 (1,260,000 sq ft). In November 2023, the terminal was expanded towards the eastern side and in September 2024, the terminal was expanded towards western side. Its total operational area is 379,370 m2 (4,083,500 sq ft). With the expanded terminal, the passenger capacity has been increased to 34 million passengers per annum.

1.1.6. GHIAL operates as a joint venture company with the following shareholding structure as on 31.03.2026:

Table 1: Summary of Shareholding Structure of GHIAL

Company/Party	Holding (%)
GMR Airports Limited (GAL)[1]	74
Government of Telangana (GoT)	13
Airports Authority of India (AAI)	13
Total	100

Source: GHIAL MYTP for the Fourth Control Period

[1] RGIA was awarded to a consortium of GMR Group and Malaysia Airports Holdings Berhad (MAHB) originally. The GMR Group has acquired the stake from the MAHB (13% of the equity) in the year 2024.

1.2. Profile of Rajiv Gandhi International Airport

1.2.1. Rajiv Gandhi International Airport, Hyderabad ("RGIA"/ "Airport") was a greenfield airport developed under the Public-Private Partnership ("PPP") framework. The Airport was commissioned on 23.03.2008 and has since developed into an important aviation hub serving Hyderabad and the adjoining region.

1.2.2. RGIA has recorded significant growth in passenger and aircraft traffic since commencement of commercial operations. The Airport presently provides connectivity to approximately **74 domestic destinations** and **26 international destinations**. In terms of passenger throughput, RGIA is among the busiest airports in India and serves as a major aviation gateway 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	10.99	1.43	12.43	101.39	12.54	113.93
FY23	17.58	3.42	21.00	135.79	22.96	158.75
FY24	20.83	4.21	25.04	148.29	28.00	176.29
FY25	24.44	4.73	29.17	172.22	30.18	202.40
FY26	25.02	5.46	30.48	175.84	32.06	207.90
Total	**98.87**	**19.25**	**118.12**	**733.53**	**125.67**	**859.19**

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 RGI Airport, as submitted by GHIAL, are summarized in the table below.

Table 3: Terminal Building and Technical Details of RGIA

Terminal Building Details	
Terminal Building Area (sqm)	Current - 382,394 Post Expansion - 607,394
Designed Passenger Handling Capacity (MPPA)	Current -34 Post Expansion - 60
Check in counters- Conventional + SBD	149 (85-conventional, 64- SBD)
Security Screening Machines with ATRS	26
Emigration Counters	45
Immigration Counters	44
Aircraft Stands (Contact + Remote)	93 (Contact-45, Remote-48)
Departure Bus Gates (D+I)	24 (D) + 4 (I)
Arrival Bus Gates (D+I)	6 (D) + 3 (I)
Arrival Reclaim Belts (D+I)	7 + 7
Departure Ramp Capacity (Cars/hours)	3,600
Arrival Ramp Capacity (Cars/hour)	2,890
Airside Details	
Runway 09/27 (4260*60 m)	1
Annual ATM's	284,000
Peak Hr ATMs	42
Apron Area (sqm)	379,060
Taxiway Area (sqm)	1,477,590

Airside Area	1,856,650
Key Milestones FY 2026	
Passenger Traffic Handled (in Mn)	30.48
Average Pax/Day	83,517
Average ATM/Day	569
Highest ATM in an hour	35
Cargo Tonnage (in Tonnes)	1,82,440
No. of Destinations	100

1.3. Tariff Setting Principles for GHIAL

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:

a) *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);

b) to determine the amount of development fees in respect of major airports;

c) 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);

d) 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;

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

f) 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 the Hyderabad 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 Orders 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 23.01.2017in 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. A brief chronology of the tariff determination exercise undertaken and order issued for respective Control Periods by the Authority is set out below.

First Control Period (FY 2011-12 to FY 2015-16)

1.5.2. A brief timeline of events relating to determination of aeronautical tariff for the First Control Period is as follows:

a) GHIAL, vide letter No. GHIAL/AERA/2011-12/01 dated July 31, 2011 and in compliance with the directions of the Airports Economic Regulatory Authority Appellate Tribunal ("AERAAT"), submitted its Multi-Year Tariff Proposal (MYTP) for the First Control Period covering FY 2011-12 to FY 2015-16 for consideration by the Authority.

b) Following examination of the submissions and consideration of stakeholder comments on various tariff building blocks, the Authority determined the aeronautical tariff for GHIAL for the First Control Period vide Order No. 38/2013-14 dated February 24, 2014 (hereinafter referred to as *"Order No. 38/2013-14"*) in the matter of *Determination of Aeronautical Tariff in respect of GHIAL for the period 1 April 2011 to 31 March 2016.*

Second Control Period (FY 2016-17 to FY 2020-21)

1.5.3. A brief timeline of events relating to determination of aeronautical tariff for the Second Control Period is as follows:

a) Subsequent to issuance of Order No. 38/2013-14 for the First Control Period, GHIAL approached the Hon'ble High Court of Hyderabad by filing Writ Petition No. 22474/2014 on August 6, 2014 challenging the said tariff order and seeking interim relief in the matter. Thereafter, GHIAL filed an additional Writ Petition No. 27390/2015 before the Hon'ble High Court seeking immediate revision of tariffs.

b) For determination of tariffs for the Second Control Period, GHIAL submitted its initial Multi-Year Tariff Proposal (MYTP) on a shared till basis on March 25, 2016. Subsequently, GHIAL submitted a revised MYTP on December 5, 2016 and thereafter furnished an updated tariff financial model on January 28, 2017 incorporating audited financial results for FY 2015-16.

c) GHIAL made a further submission to the Authority on August 31, 2017 revising certain key elements of the tariff proposal, inter alia, relating to:

i. Revised capital expenditure implementation plan;
ii. Treatment of foreign exchange variation;
iii. Revision in depreciation rates; and
iv. Computation of revenues from non-aeronautical services for cross-subsidization purposes.

1.5.4. The Authority undertook a detailed review of the various submissions and supporting materials furnished by GHIAL in relation to the tariff building blocks and proposed its treatment thereof through Consultation Paper No. 30/2017-18 dated December 19, 2017 (hereinafter referred to as "*Consultation Paper No. 30/2017-18*").

1.5.5. Pursuant to publication of the Consultation Paper, the Authority conducted stakeholder consultations and held a series of meetings, discussions, and presentations with stakeholders and GHIAL on the issues and proposals set out therein.

1.5.6. Upon consideration of stakeholder submissions and analysis of the various building blocks relevant to tariff determination, the Authority determined the aeronautical tariff for GHIAL for the Second Control Period vide Order No. 34/2019-20 dated March 27, 2020 (hereinafter referred to as *"Order No. 34/2019-20"*) in

the matter of *Determination of Aeronautical Tariff in respect of GHIAL for the period 1 April 2016 to 31 March 2021.*

Third Control Period (FY 2021-22 to FY 2025-26)

1.5.7. A brief timeline of events relating to determination of aeronautical tariff for the Third Control Period is as follows:

a) GHIAL, vide letter No. GHIAL/2020-21/SPG/1460 dated July 23, 2020 submitted its Multi-Year Tariff Proposal (MYTP) for the Third Control Period covering FY 2021-22 to FY 2025-26 for consideration by the Authority.

b) In its MYTP submission, GHIAL referred to the proceedings before the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT") in Appeal No. 02 of 2014 and reiterated issues that, according to GHIAL, remained unresolved from earlier control periods. GHIAL further referred to pending judicial proceedings, including W.P. Nos. 6487/2014, 22474/2014, 27390/2015, and 3780/2018, and requested fresh consideration of such matters by the Authority along with an opportunity for detailed hearing before commencement of the consultation process for the Third Control Period.

c) GHIAL had also submitted that CSR expenditure had been allocated in accordance with the principles laid down by the Hon'ble TDSAT in respect of other airports.

d) Following submission of the MYTP, the Authority undertook a detailed examination of the proposal and held a series of meetings, presentations, and consultations with GHIAL, including discussions relating to the tariff financial model and treatment of individual building blocks.

e) After considering the submissions made by GHIAL and views expressed by stakeholders during the consultation process, the Authority determined the aeronautical tariff for GHIAL for the Third Control Period vide Order No. 12/2021-22 dated 31 August 2021 (hereinafter referred to as *"Order No. 12/2021-22"*) in the matter of *Determination of Aeronautical Tariff in respect of GHIAL for the period 1 April 2021 to 31 March 2026.*

f) GHIAL, vide its letter no. GHIAL/AERA/2025-26/2131 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

g) 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 amendment order dated 31.10.2025 amended Order No. 12/2021-22 dated 31.08.2021 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. 1st January 2026 to 31st March 2026.

Fourth Control Period (FY 2026-27 to FY 2030-31)

1.5.8. The Authority vide Order No.26/2025-26 dated 16.03.2026 allowed GHIAL 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.

1.5.9. The following are the tariff orders issued by the Authority for GHIAL:

Table 4: Tariff Orders issued by the Authority for GHIAL

Tariff Orders	Applicability Period	Pertaining To
Order No. 38/2013-14 dated February 24, 2014	w.e.f. 1st April 2011 to 31st March 2016	First Control Period
Order No. 34/2019-20 dated March 27, 2020	w.e.f. 1st April 2016 to 31st March 2021	Second Control Period
Order No. 12/2021-22 dated 31 August 2021	w.e.f. 1st April 2021 – 31st March 2026	Third Control Period
Amendment to Order No. 12/2021-22 dated 31st October 2025	w.e.f. 1st January 2026 – 31st March 2026	Third Control Period
Order no 26/2025-26 dated 16th March 2026 Interim Tariff Extension Order	w.e.f. 1st April 2026 – 30th September 2026	Fourth Control Period

1.6. Matters before the Hon'ble Supreme Court

1.6.1. The Authority vide its Order No. 12/2021-22 dated 31st August 2021, determined the Aeronautical tariff for the Third Control Period. GHIAL by filing an AERA Appeal No. 04/2021, before the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT") challenged certain decisions of the Authority contained therein. The Hon'ble TDSAT pronounced its judgment on February 14, 2024.

1.6.2. In its judgment dated 14th February 2024, Hon'ble TDSAT decided certain issues by relying upon its earlier judgments dated 21.07.2023 and 06.10.2023, passed in DIAL 2nd & 3rd Control Period Appeals and MIAL 2nd & 3rd Control Period Appeals, respectively. In all these judgements including the judgment dated 14.02.2024, in respect of GHIAL 3rd Control Period appeal certain issues have been decided in favor of the Airport Operators and on certain issues the decisions of the Authority have been upheld. All these judgments of Hon'ble TDSAT have been challenged in the Hon'ble Supreme Court by AERA by filing Civil Appeals there and these Civil Appeals are presently sub-judice. 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, are not yet finally adjudicated and hence yet to attain finality.

1.6.3. GHIAL, in its Multi-Year Tariff Proposal (MYTP) for the Fourth Control Period, had stated that the findings and directions of the Hon'ble TDSAT decided in favour of the Airport Operator have been factored into its tariff proposal and corresponding financial submissions.

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

1.7.1. GHIAL submitted the Multi-Year Tariff Proposal (MYTP) for the Fourth Control Period on 26th June 2025, for aeronautical services at Rajiv Gandhi International Airport, Hyderabad, for the Authority's consideration seeking revision of tariffs for earlier Control Periods and approval of tariff for the ensuing Fourth Control Period, i.e., from 1st April 2026 to 31st March 2031. In its proposal GHIAL had factored the decisions of Hon'ble TDSAT as passed vide its judgment dated 14.02.2024, wherein, the Hon'ble TDSAT had decided certain issues by relying upon its earlier judgments dated 21.07.2023 and 06.10.2023, passed in DIAL 2nd & 3rd Control Period Appeals and MIAL 2nd & 3rd Control Period Appeals, respectively. As per GHIAL, these decisions/orders, have implications for True-up of earlier Control Periods, including the Pre-Control Period Entitlement, First Control Period, Second Control Period and Third Control Period, as well as for the treatment of various Regulatory Building Blocks for the Fourth Control Period.

1.7.2. However, the Authority 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.

1.7.3. The Hon'ble Supreme Court vide its judgement dated 18th October 2024, rejected the contentions of Airport Operators and 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 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 are sub-judice.

1.7.4. The Authority had 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 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 these Civil Appeals filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized of the matters. Therefore, the Authority noted that under such circumstances if it decides to implement the Hon'ble TDSAT order without finally settling the issues before the Hon'ble Supreme Court and revision in tariff is effected considering GHIAL'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 GHIAL 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, GHIAL would have unjust enrichment at the cost of Airport users. All these factors clearly establish that considering GHIAL submissions of giving effects to the Hon'ble TDSAT judgement 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 decided 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.

1.7.6. Further, GHIAL, vide email dated 02.05.2026, furnished actual operational and financial data for FY 2025-26, including information relating to passenger and aircraft traffic, operating expenditure, non-aeronautical revenues, and Regulatory Asset Base (RAB). The aforesaid 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 GHIAL. PwC assisted the Authority in verifying and validating the data and supporting documents submitted by GHIAL, 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 engaged M/s RITES Limited as an independent Capital Expenditure (Capex) Consultant to evaluate the capital expenditure proposals submitted by GHIAL 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 consultant 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, sought from GHIAL 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 had 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 timelines of various submissions made by GHIAL with regards to the MYTP for the Fourth Control Period is as below:

Table 5: Timeline of various submissions made by GHIAL

Activity	Date
MYTP Submission	26.06.2025
MYTP presentation by GHIAL, initial site visit by the Authority and Tariff Consultant	05.09.2025
Initial Requirement List sent to GHIAL	12.09.2025
Response to queries for the Third and Fourth Control Period from GHIAL	25.09.2025
Additional Information/ Clarifications for the Third and Fourth Control Period from GHIAL	30.10.2025
Additional Information/ Clarifications on Capex and Opex for the Third and Fourth Control Period from GHIAL	27.11.2025
Additional Information/ Clarifications on Capex and Opex for the Third and Fourth Control Period from GHIAL	20.12.2025
Additional Information/ Clarifications on RPT for the Third and Fourth Control Period from GHIAL	12.01.2026
Additional Information/ Clarifications on Traffic for the Third and Fourth Control Period from GHIAL	18.02.2026
Additional Information/ Clarifications on Capex for the Third and Fourth Control Period from GHIAL	23.02.2026
Additional Information/ Clarifications on Capex for the Third and Fourth Control Period from GHIAL	22.03.2026
Submission of unaudited actual figures for FY26	02.05.2026
Additional Information/ Clarifications on Capex for the Third and Fourth Control Period from GHIAL	08.05.2026
Additional Information/ Clarifications on Opex for the Third and Fourth Control Period from GHIAL	26.05.2026
Additional Information/ Clarifications on Opex for the Third and Fourth Control Period from GHIAL	08.06.2026
Additional Information/ Clarifications on Capex and Opex for the Third and Fourth Control Period from GHIAL	10.06.2026

1.7.10. After reviewing the various submissions made by GHIAL along with MYTP, the Authority issued the Consultation Paper No. 02/2026-27 dated 19th June 2026.

1.7.11. GHIAL 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. The ATP and Tariff Rate Card are available on AERA's website.

1.7.12. Subsequent to the release of the Consultation Paper, the Authority convened a meeting with Stakeholders on the 6th July 2026. 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. The Minutes of the

Meeting is available on AERA's website.

1.7.13. Stakeholders' comments and GHIAL's counter comments were scheduled for submission by 20th July 2026 and 30th July 2026 respectively. As part of the Stakeholder's Consultation process, the following stakeholders submitted comments on the Consultation Paper No. 02/2026-27 dated 19th June 2026 till the last date of submission of Stakeholders' comments i.e., 20th July 2026 and these comments are available on AERA's website:

1. GMR Hyderabad International Airport Limited (GHIAL)
2. Adani Airport Holdings Limited (AAHL)
3. Hyderabad Airlines Operators Committee (AOC HYD)
4. Association of Private Airport Operators (APAO)
5. Bangalore International Airport Limited (BIAL)
6. Business Aircraft Operators Association (BAOA)
7. Construction Federation of India (CFI)
8. InterGlobe Aviation Limited (IndiGo)
9. International Air Transport Association (IATA)
10. Lufthansa Group
11. Domestic Air Cargo Agents Association of India (DACAAI)

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

Name of Stakeholders' who commented / submitted views on Regulatory Building Blocks / Tariff Determination Process	Component Impacting Tariff Determination for the Fourth Control Period
Background (Sub-judice Matters)	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA)
Background (Related Party Transactions)	• International Air Transport Association (IATA) • Hyderabad Airlines Operators Committee (AOC HYD)
True-up for the PCPE, First Control Period and Second Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA)
True-up for the Third Control Period (Traffic)	• International Air Transport Association (IATA)
True-up for the Third Control Period (Capex)	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA)
True-up for the Third Control Period (Operating Expenses)	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA)
True-up for the Third Control Period (Aeronautical Taxes)	• GMR Hyderabad International Airport Limited (GHIAL)
True-up for the Third Control Period (Non-Aeronautical Revenue)	• GMR Hyderabad International Airport Limited (GHIAL)
True-up for the Third Control Period (Aeronautical Revenues)	• GMR Hyderabad International Airport Limited (GHIAL) • Bangalore International Airport Limited (BIAL), • Association of Private Airport Operators (APAO)
True-up for the Third Control Period (WACC)	• International Air Transport Association (IATA)
Traffic for the Fourth Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA)

Name of Stakeholders' who commented / submitted views on Regulatory Building Blocks / Tariff Determination Process	Component Impacting Tariff Determination for the Fourth Control Period
	• Lufthansa Group
Capital Expenditure (Capex), Depreciation and RAB for the Fourth Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA) • Lufthansa Group • InterGlobe Aviation Limited (IndiGo) • Construction Federation of India (CFI)
Weighted Average Cost of Capital (WACC) for the Fourth Control Period	• International Air Transport Association (IATA) • Lufthansa Group • InterGlobe Aviation Limited (IndiGo)
Inflation for the Fourth Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA)
Operating Expenses for the Fourth Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA) • Lufthansa Group • Hyderabad Airlines Operators Committee (AOC HYD)
Non-Aeronautical Revenue (NAR) for the Fourth Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • International Air Transport Association (IATA) • Bangalore International Airport Limited (BIAL) • Association of Private Airport Operators (APAO) • Adani Airport Holdings Limited
Aggregate Revenue Requirement for the Fourth Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • Lufthansa Group • International Air Transport Association (IATA) • InterGlobe Aviation Limited (IndiGo) • Hyderabad Airlines Operators Committee (AOCHYD) • Bangalore International Airport Limited (BIAL) • Association of Private Airport Operators (APAO) • Adani Airport Holdings Limited (AAHL)
Aeronautical Revenues for the Fourth Control Period	• GMR Hyderabad International Airport Limited (GHIAL) • Domestic Air Cargo Agents Association of India (DACAAI) • InterGlobe Aviation Limited (IndiGo) • Business Aircraft Operators Association (BAOA)
Quality of Service for the Fourth Control Period	• International Air Transport Association (IATA) • Lufthansa Group

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 GHIAL on the comments from other stakeholders were received on 30th July 2026. Thus, the Stakeholders consultation process concluded on receipt of counter comments from GHIAL.

1.8. Related Party Transactions

1.8.1. The Authority, through its Independent Consultant, obtained details of the related parties to whom GHIAL rendered services or from whom it availed services during the Third Control Period. The list of such parties and the nature of services over the five-year period is set out below:

Table 7: Related Party Transactions of GHIAL in the Third Control Period

S No	Nature of Services	Name of Related Party	Description of Relationship
1	Security / manpower outsourcing charges	Raxa Security Services Limited	Fellow subsidiary company
2	Meetings and seminars, Travel	GMR Hospitality and Retail Limited	Subsidiary company
3	Manpower Technical outsourcing charges and Repairs & maintenance	GMR Airport Developers Limited	Fellow subsidiary company
4	Corporate cost allocation	GMR Airports Limited	Holding company
5	Corporate cost allocation	GMR Airports Infrastructure Limited	GAL's holding company
6	Corporate cost allocation	GMR Infrastructure Limited	GAL's holding company
7	Management services fee	GMR Power and Urban Infra Limited	GAL's holding company
8	IT services charges	Digi Yatra Foundation	Associate of GAL
9	Printing and stationery	Laqshya Hyderabad Airport Media Private Limited	Joint Venture
10	Advertising / Business promotions	Laqshya Hyderabad Airport Media Private Limited	Joint Venture
11	Security charges	GMR Rajahmundry Energy Limited	Associate of GIL
12	Maintenance charges	Airports Authority of India	Shareholders having significant influence
13	Consultancy charges (Survey related)	Airports Authority of India	Shareholders having significant influence
14	Testing & Inspection Charges	Airports Authority of India	Shareholders having significant influence
15	Subscription charges	Delhi International Airport Limited	Fellow subsidiary company
16	Rental expenses	Government of Telangana	Shareholders having significant influence
17	Rental expenses	GMR Hyderabad Aerotropolis Limited	Subsidiary company
18	Rental expenses	Sri Varalakshmi Jute Twine Mills Private Limited	Other entities in which Directors are interested
19	Rental expenses	GMR Family Fund Trust	Other entities in which Directors are interested
20	Concession fee	GMR Air Cargo and Aerospace Engineering Limited	Subsidiary company
21	Common Area Maintenance Charges and License fee	GMR Hospitality and Retail Limited	Subsidiary company
22	Concession Fees – Food & Beverage	GMR Hospitality Limited	Fellow subsidiary company
23	Common Area Maintenance Charges and License fee	Airports Authority of India	Shareholders having significant influence
24	Service charges	Airports Authority of India	Shareholders having significant influence
25	CPD – License fee	GMR Hyderabad Aviation SEZ Limited	Subsidiary company
26	CPD – License fee	GMR Hyderabad Aerotropolis Limited	Subsidiary company
27	CPD – License fee	GMR Hyderabad Airport Assets Limited	Subsidiary company
28	Advertisement income	Laqshya Hyderabad Airport Media Private Limited	Joint Venture
29	CAM and License fee	GMR Airport Developers Limited	Fellow subsidiary company
30	Concession fee – Duty free / Retail / Car park / License fee / Commercial	GMR Airports Limited	Holding company

S No	Nature of Services	Name of Related Party	Description of Relationship
31	Space license fee	GMR Varalakshmi Foundation	Enterprises where KMP and their relatives exercise significant influence
32	Landing and parking	GMR Aviation Private Limited	Fellow subsidiary company
33	Lease rental / Rental income, CAM	Geokno India Private Limited	Other entities in which Directors are interested
34	Rental income, CAM	GMR Business Process and Services Private Limited	Fellow subsidiary company

1.8.2. The Authority noted that GHIAL had 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 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 determines that a Related Party Transaction should be brought before the Board, or where Audit Committee does not approve the transaction 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 and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be appropriate under the circumstances.

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 Law and in accordance with the provisions of this Agreement, GoI recognises that HIAL may carry out:

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

(b) 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

(c) 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. For the purpose of exercising its rights pursuant to Article 3.2.1 HIAL may, subject to and in accordance with the terms of this Agreement, at any time, grant Service Provider Rights (including the right of the Service Provider Right Holders to grant sub-rights) to any Person for the purpose of carrying out the activities and businesses described in Article 3.2.1 on such terms and conditions as HIAL may determine are reasonably appropriate, subject to the same being within the

framework of this Agreement and not being contrary to the terms and conditions of this Agreement provided that, if and to the extent required by any Applicable Law related to security clearance in the interest of national security, such Service Provider Right Holders operating at the Airport shall have obtained the necessary and requisite security clearance. The grant by HIAL of a Service Provider Right shall not relieve HIAL of any of its responsibilities, duties and obligations under this Agreement"

1.8.4. The Authority noted that as per the provisions of the concession agreement mentioned above, The grant of service provider rights does not relieve GHIAL of its responsibilities, duties, and obligations under the agreement, ensuring accountability remains with GHIAL.

1.8.5. The Authority also noted that the Board of Directors of GHIAL comprise nominee directors from Govt. of Telangana and MoCA.

1.8.6. Further, the Authority observed that as per the Audited Financial Statements of GHIAL for FY 2025, the Statutory Auditor had confirmed the following:

In our opinion and according to the information and explanations given to us, all transactions entered into by the Company with the related parties are in compliance with sections 177 and 188 of the Act, where applicable. Further, the details of such related party transactions have been disclosed in the standalone financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in Companies (Indian Accounting Standards) Rules 2015 as prescribed under section 133 of the Act.

1.8.7. Based on the above, the Authority expects the Board of Directors of GHIAL and the GoI to exercise their rights and/or obligations under the Companies Act 2013, SEBI Regulations 2015 and concession agreement to ensure that the contracts with Related Parties are at arm's length basis and that the Related Party had 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 organised into multiple chapters to facilitate a structured and comprehensive examination of the tariff determination exercise for GHIAL for the Fourth Control Period. The sequence of Chapters is as follows:

i. **Chapter 1** provides the introduction, profile of GMR Hyderabad International Airport Limited (GHIAL) and Rajiv Gandhi International Airport (RGIA), 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 and the timeline associated with the determination of tariffs for the Fourth Control Period. Thereafter, comments of GHIAL and other stakeholders, response of GHIAL to other stakeholders' comments and the Authority's analysis are set out.

ii. **Chapter 2** presents the submissions of GHIAL relating to the true-up of Pre-Control Period Entitlement (PCPE). This is followed by the Authority's examination and proposals on the same as set out in Consultation Paper 02/2026-27 dated 19th June 2026. Thereafter, comments of GHIAL and other stakeholders, response of GHIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

iii. **Chapter 3** deals with the submissions of GHIAL relating to the true-up of the First Control Period. The Chapter covers the issues raised by GHIAL, the Authority's examination and proposals on the same as set out in Consultation Paper 02/2026-27 dated 19th June 2026. Thereafter, comments of

GHIAL and other stakeholders, response of GHIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

iv. **Chapter 4** presents the submissions of GHIAL 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 02/2026-27 dated 19th June 2026. Thereafter, comments of GHIAL and other stakeholders, response of GHIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

v. **Chapter 5** covers the submissions of GHIAL 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, operation and maintenance expenditure, aeronautical revenue, non-aeronautical revenue, aeronautical taxes and other related matters as set out in Consultation Paper 02/2026-27 dated 19th June 2026. Thereafter, comments of GHIAL and other stakeholders, response of GHIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

vi. **Chapter 6 to 13** present the submissions of GHIAL on the key Regulatory Building Blocks for the Fourth Control Period i.e. Traffic projections; Capital Expenditure; Depreciation; 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 02/2026-27 dated 19th June 2026. Thereafter, comments of GHIAL and other stakeholders, response of GHIAL to other stakeholders' comments and the Authority's analysis and final decisions are set out.

vii. **Chapter 14** 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. 02/2026-27 dated 19th June 2026. Thereafter the comments of GHIAL and other stakeholders, response of GHIAL on other Stakeholders' comments, the Authority's analysis and final decisions are set out.

viii. **Chapter 15** presents Aeronautical Revenue for the Fourth Control Period. Thereafter the comments of stakeholders, response of GHIAL to other stakeholders' comments, the Authority's analysis and final decisions are set out.

ix. **Chapter 16** summarizes the Authority's decisions on all matters related to Tariff Computation

x. **Chapter 17** is the Tariff Order issued by the Authority for Rajiv Gandhi International Airport (RGIA), Hyderabad for the Fourth Control Period.

xi. The Order contains the following Annexures

i. **Annexure I**- Tariff Card pertaining to RGIA, Hyderabad 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 Incremental ARR

iii. **Annexure III** - GHIAL's submission on General Capex for the Fourth Control Period

xii. The Order contains the following Appendices

i. **Appendix 1:** Capex Evaluation Report submitted by M/s RITES Limited for the Fourth Control Period.

1.10. Stakeholders' comments regarding Background for Tariff Determination for RGIA, Hyderabad for the Fourth Control Period

1.10.1. During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL, IATA and Hyderabad Airlines Operators Committee in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding Background for Tariff Determination for RGIA, Hyderabad for the Fourth Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding Background for Tariff Determination for RGIA, Hyderabad for the Fourth Control Period

1.10.2. GHIAL's comment with regards to the Background on Sub-judice Matters for RGIA, Hyderabad is as follows:

"A. GHIAL's submission on non-implementation of TDSAT Judgements

GMR Hyderabad International Airport Limited (GHIAL), through its Multi Year Tariff Proposal (MYTP) for CP-4, filed with Airport Economic Regulatory Authority (AERA / Authority) to implement the Hon'ble TDSAT judgements on various issues as discussed below:

Para 1.7 of CP: GHIAL had filed appeal in TDSAT against the Authority's tariff order for the Third Control Period (Order No. 12/2021-22). TDSAT had pronounced its Judgement on 14.02.2024. Following judgements on specific issues raised by GHIAL were considered in respective control periods, which is impacting the building blocks:

- *Pre-Control Period Entitlement (PCPE).*
- *Treatment of Cargo, Ground Handling & Fuel Services as Aeronautical Services.*
- *Treatment of income from Real Estate Development.*
- *Treatment of Other Income.*
- *Capital expenditure for phase expansion of GHIAL to increase capacity from 20 MPPA.*
- *Treatment of Cargo Satellite Building (CSB).*
- *Non-Consideration of 30% of Non-Aero revenue as part of Aeronautical Revenue Base for calculation of aeronautical taxes.*
- *Allocation of various assets (reservoir, parking stand, IDAT & IIDT, Township & Landscaping).*
- *Failure to consider depreciation as per the Audited Financials.*
- *Correction in Cost of Debt.*
- *Interest Charges on Delayed Payments of Advance Tax.*
- *Benefit received by Airport Operator from "Served From India Scheme (SFIS)" whether is aeronautical or non-aeronautical income? o Postponement of Partial Recovery of ARR.*
- *Penalty in case of delayed execution of projects.*
- *Interest income on debt adjusted against Interest During Construction (IDC).*

Proposal of the Authority vide Consultation Paper

The Authority has considered for non-implementation of the Hon'ble TDSAT Judgements. Relevant Extracts as follows:

"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.

1.7.3. The Hon'ble Supreme Court vide its judgement dated 18th October 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 are 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 these Civil Appeals filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized of the matters. Therefore, the Authority notes that under such circumstances if it decides to implement the Hon'ble TDSAT order without finally settling the issues before the Hon'ble Supreme Court and revision in tariff is effected considering GHIAL'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 GHIAL 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, GHIAL would have unjust enrichment at the cost of Airport users. All these factors clearly establish that considering GHIAL submissions of giving effects to the Hon'ble TDSAT judgement 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 Appeals will be taken once the matters attain finality in the proceedings before the Hon'ble Supreme Court."

GHIAL's Response

With regard to TDSAT Judgement, although the authority has challenged it in Supreme Court, in the absence of stay order, based on earlier Supreme Court Judgements and legal positions, authority should have implemented the referred TDSAT Judgement. However, the authority has taken a view to wait for the

outcome of Supreme Court Judgement. In this regard, it is imperative to note that as per Order 41 Rule 5 of the CPC, 1908 unless the appeal is listed and there is an interim order and merely pendency of the appeal before the Supreme Court will not amount the stay on the operation of the order passed by the Court/Tribunal.

Following Supreme Court Judgements support the implementation of TDSAT Judgement in the absence of stay order by the Honourable Supreme Court:

i.The Regulatory Authorities are bound by this principle of judicial discipline. The orders passed by the Regulatory Authorities are appealable to the concerned Appellate Tribunal under the statute and any order passed in such appeal by the Appellate Tribunal is required to be carried out by the Regulatory Authority unless and until the order of the Appellate Tribunal is stayed, set-aside or modified by the Apex Court to which the second Appeal lies under the scheme of such statute. [Refer Judgment dated 23.09.2013 passed by APTEL in Appeal No. 52 of 2012- Para 121-124]

ii.Mere pendency of appeal before the Supreme Court against the order does not absolve the party not to comply the order. Provisions of appeal even if availed without any stay, will expose the party to contempt proceedings, for non-compliance. [Refer Dr. Sajad Majid Vs. Dr. Syed Zahoor Ahmed and Anr.; 1989 Cri LJ 2065 Para 8]

Even in the Recent TDSAT judgement dated 29th May 2026 in case of MIAL and judgement dated 11th Sep 2025 in case of GGIAL, TDSAT has specifically directed AERA to implement the impact of said judgement within 3 months. TDSAT, in paragraphs 412–450 of the Order (dated 29th May 2026), reiterated that its earlier judgments continue to be binding and must be followed unless they are specifically stayed or overturned by the Supreme Court. The Tribunal emphasized that the mere pendency of an appeal does not diminish the precedential value of its decisions, as doing so would undermine regulatory certainty, consistency, and the rule of law. Accordingly, TDSAT held that AERA is required to apply established TDSAT jurisprudence while determining tariff and regulatory matters and cannot disregard such precedents solely because they are under challenge before a higher court.

Excerpts from the Hon'ble TDSAT's judgment in the matter of MIAL dated 29th May 2026 are reproduced below:

"441. It is the foundational rule of Indian precedent law is that a judgment of a competent court or tribunal is binding both as an operative order and as a statement of the applicable law from the moment of its pronouncement. The pendency of an appeal does not suspend this effect, until reversal or stay by a superior court suspends or extinguishes it; the mere filing of an appeal does not. This principle has deep roots in various decisions of the Hon'ble Supreme Court.

442.The doctrine of merger in relation to special leave to appeal being granted under Article 136, as explained by the Hon'ble Supreme Court in Kunhayammed v. State of Kerala , (2000) 6 SCC 359, rests on the principle that once a superior forum has finally adjudicated upon a decree or order passed by an inferior court, tribunal or authority, the operative order thereafter becomes the order of the superior forum into which the earlier order merges.

443.However, the Hon'ble Court was careful to emphasise that the doctrine is neither automatic nor of universal application. Its operation depends upon the nature and scope of the jurisdiction exercised by the superior forum and the extent of the controversy that is actually placed before it. For ready reference Para 12 of the aforesaid judgement reads as under:

12. The logic underlying the doctrine of merger is that there cannot be more than one decree or operative orders governing the same subject-matter at a given point of time. When a decree or order passed by an inferior court, tribunal or authority was subjected to a remedy available under the law before a superior forum then, though the decree or order under challenge continues to be effective and binding, nevertheless its finality is put in jeopardy. Once the superior court has disposed of the lis before it either way — whether the decree or order under appeal is set aside or modified or simply confirmed, it is the decree or order of the superior court, tribunal or authority which is the final, binding and operative decree or order wherein merges the decree or order passed by the court, tribunal or the authority below. However, the doctrine is not of universal or unlimited application. The nature of jurisdiction exercised by the superior forum and the content or subject-matter of challenge laid or which could have been laid shall have to be kept in view.

444.The Hon'ble Supreme Court expressly clarified that the mere invocation of appellate or supervisory jurisdiction does not, by itself, bring about merger of the impugned order into the order of the superior forum. The applicability of the doctrine must be determined with reference to the character of the jurisdiction exercised by the superior court and the precise subject-matter that forms the basis of the challenge. In other words, unless and until the superior forum has actually exercised its jurisdiction to examine and determined the issues raised before it, the order under challenge continues to subsist and operate in law.

445.The sound structural logic of this principle is inescapable. Every judgment of every court below the Hon'ble Supreme Court is, in principle, amenable to further appeal. If the pendency of an appeal were sufficient to extinguish a judgment's precedential force, no judgment of any inferior court or tribunal, indeed, no judgment other than those of the Supreme Court itself would ever have any binding or even persuasive authority.

446.The doctrine of stare decisis , which the Hon'ble Supreme Court has repeatedly held to be a cornerstone of the rule of law in India, would be rendered meaningless. This consequence is obviously contrary to the constitutional and legal order and resultantly anti-thesis to rule of law.

450. As a cumulative effects of the aforesaid facts, arguments, findings and applicable legal principles, discussed hereinabove, this AERA Appeal no. 2 of 2025 is hereby allowed and accordingly stands disposed of. Consequently, AERA order no. 01/2025-26 issued on 07.05.2025 (Annexure A-1 to the memo of this appeal) passed by Respondent no.1-AERA stands modified to the extent the issues allowed in the present appeal. AERA is directed to consider giving effect to the same within a period of three months from the date of the receipt of the copy of this judgment. All the pending miscellaneous applications connected with this appeal are also disposed of."

Excerpts from the Hon'ble TDSAT's judgment in the matter of GGIAL dated 11th Sep 2025 are also reproduced below:

178. Earlier decisions rendered by this Tribunal are binding upon AERA. AERA must have followed the decision given by this Tribunal. All the decisions given by this Tribunal are binding even in the cases where appeal has been preferred by AERA and no stay has been granted by Hon'ble the Supreme Court of India. The Judgments are delivered by this Tribunal not only for reading but for understanding it and for following the same.

186.It is trite to state that it is elementary principle of law that the determinations of this Tribunal binds AERA unless and until stayed or set aside by the Hon'ble Supreme Court. The mere pendency of an appeal does not dilute the ratio decidendi. Where no interim stay is in force, the Tribunal's pronouncement operates proprio vigore and must be implemented inter partes in the very matter decided and, on parity,

in cognate cases presenting the same point.

187.That non-adherence to a binding precedent constitutes a jurisdictional error and a breach of judicial discipline in the statutory hierarchy. The emerging practice of deferring obedience on the footing of a pending but unstayed appeal is deprecated. If the Authority considers a prior ratio inapplicable, it must identify the material distinctions, record reasons, and, where necessary, seek clarification; it may not simply ignore the ruling.

188.The AERA tariff framework already contains a safety-valve in the form of true-up. Should the Hon'ble Supreme Court subsequently vary the governing law, symmetrical adjustments can be effected at the next determination without unsettling settled accounts. The availability of true-up removes any rationale for holding back compliance with binding Tribunal law in the interim.

189.In the present case, the binding pronouncements dated 21.07.2023 and 06.10.2023 were in the Authority's knowledge when it framed the impugned order. In the absence of a stay, AERA is obliged to align its determinations with those rulings both for this appellant and for other similarly situated airports.

191.Delay also inflicts irremediable economic prejudice as airlines and passengers are inherently transient; non-aeronautical users (F&B, retail) are diffuse; and over a span of four- or five-years retrospective recovery becomes, in practice, illusory. Deferral of compliance therefore distorts competitive dynamics and burdens the very users whom the statute seeks to protect.

192.Accordingly, AERA shall give immediate effect to the controlling decisions of this Tribunal specifically the judgments dated 21.07.2023, 06.10.2023 and 14.02.2024 in this matter and in all like cases, subject only to any express order to the contrary passed by the Hon'ble Supreme Court. If the law is later modified, AERA shall apply the true-up mechanism to reconcile accounts in the succeeding control period.

202. Thus, AERA cannot wait till the final decision is given by the Hon'ble the Supreme Court of India to comply with directions given by TDSAT because sometimes airlines are winding up and those passengers will not be available at all for recovery. AERA should not have treated the mere filing of appeal as a stay granted by the Hon'ble the Supreme Court of India.

In view of the above, where TDSAT has mentioned the specific Judgement dated 14th Feb 2024 and basis various legal position, we once again request Authority to be kind enough to implement the TDSAT Judgement in the current dispensation of CP-4 tariff order.

Other Stakeholders' comments regarding Background for Tariff Determination for RGIA, Hyderabad for the Fourth Control Period

1.10.3. IATA's comment with regards to the Background for Tariff Determination for RGIA, Hyderabad 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 HYD 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"

1.10.4. Hyderabad Airlines Operators Committee's (AOC HYD) comment with regards to the Background on Related Party Transactions for RGIA, Hyderabad is as follows:

"Related Party and Management Costs

We encourage AERA to continue applying robust scrutiny to related-party transactions, management fees, and corporate overhead allocations included within the regulatory cost base. Such costs should only be recoverable where they are demonstrably necessary, efficiently incurred, represent arm's-length value, and deliver direct operational benefits to airport users.

AOC appreciates the opportunity to participate in this consultation and looks forward to the Authority's consideration of stakeholder feedback before issuing the final paper.

On a related note, we would also like to draw the Authority's attention to the attached communication submitted by AOC HYD regarding the under-collection of User Development Fee by airlines arising from an inadvertent error in the fare and tax data uploaded into the Global Distribution System by the uploading carrier. This matter pertains to the previous control period 1Jan2026 to 31Mar2026 during which the applicable UDF was initially determined at INR 1,000 per passenger, with applicability linked to tickets issued effective 1 January 2026.

At the time of implementation, the carrier had inadvertently uploaded the UDF amount of INR1,000 in the GDS for tickets issued for travel effective 1 January 2026. Subsequently, AERA issued a revised Order on 1 November 2025, whereby the applicable UDF for the relevant period was revised to INR 1,500 per passenger. However, as the GDS continued to reflect the earlier UDF amount of INR 1,000 and the correction was only implemented on 19 November2025, a significant number of tickets had already been issued at the lower UDF rate during the intervening period.

As a result, airlines collected only INR 1,000 from passengers instead of the revised amount of INR 1,500, leading to a short collection of INR 500 per passenger. Notwithstanding the lower amount collected from passengers, airlines were nevertheless required to remit the full UDF amount of INR 1,500 per passenger to the airport operator. This created a direct financial burden on the airlines, which had no practical means of recovering the differential amount from passengers after ticket issuance.

The issue was subsequently raised with GHIAL, the airport operator at Hyderabad. In its response, GHIAL indicated that it would be willing to issue credit notes to compensate airlines for the losses incurred due to the incorrect UDF upload, subject to AERA permitting recovery of the corresponding amount during the Fourth Control Period. While this acknowledgement is appreciated, the matter remains unresolved and continues to have a financial impact on the affected carriers.

It is pertinent to note that a similar situation arose at Bengaluru Airport, where airlines experienced under-collection of UDF due to comparable circumstances. In that instance,

Kempegowda International Airport Limited issued credit notes to airlines for the excess UDF remitted to the airport operator over and above the amount actually collected from passengers. This practical and equitable approach ensured that airlines were not unfairly disadvantaged by circumstances beyond their control.

For the Authority's reference, the airline-wise details of the UDF short collection, together with the amounts remitted to GHIAL, are provided below. Total INR 37185310 (Three Crore Seventy One Lakh Eighty Five Thousand Three Hundred Ten).

Airlines	UDF Short Collection (INR)
Emirates	16520000
Cathay Pacific	4457450
Fly Dubai	324500
Saudia	184670
Singapore Airlines	2804860
Oman Air	1286790
Qatar Airways	3859190
British Airways	3732930
Gulf Air	2574730
Thai Airways	1091500
Sri Lankan Airlines	348690

In view of the above, AOC HYD respectfully and earnestly requests the Authority's support in addressing this matter and advising GHIAL to adopt a similar approach by issuing credit notes to the affected airlines. Such a resolution would ensure consistency in regulatory treatment across airports, uphold principles of fairness, and prevent airlines from bearing financial losses arising solely from administrative or system-related errors in the implementation of regulated charges."

1.10.5. IATA's comment with regards to the Background on Related Party Transactions for RGIA, Hyderabad is as follows:

"IATA notes that GHIAL engages in a substantial number of transactions with related parties across various activities, including corporate cost allocation, management services, manpower outsourcing, IT services, advertising, rental arrangements, concession agreements and other operational services. The consultation paper also notes that the Board has approved policies governing Related Party Transactions, that the Statutory Auditor has confirmed compliance with applicable requirements of the Companies Act and SEBI regulations, and that Government and AAI nominees are represented on the Board.

While IATA acknowledges these governance arrangements, compliance with corporate governance requirements alone should not automatically imply that all related party transaction costs are efficient, prudent and appropriate for recovery through regulated airport charges. Regulatory scrutiny serves a fundamentally different purpose from statutory compliance. The key consideration for airport users is whether costs arising from related party arrangements reflect arm's-length, market-based pricing, provide demonstrable value to airport operations, and are no greater than those that would have been incurred through a transparent and competitive procurement process – which is the area of focus for AERA. Absent such evidence, there is a legitimate concern that related party arrangements may be used to shift activities, their costs and revenues outside the direct scope of regulatory and user scrutiny, resulting in inflated charges and the extraction of additional returns by affiliated entities beyond what would be achievable under competitive market conditions.

Given the significant scale of the regulatory asset base, operating expenditure and future capital investment proposed for the Fourth Control Period, airlines are concerned that insufficient scrutiny of these arrangements could result in airport users funding costs that exceed efficient market benchmarks. This concern is particularly relevant in areas such as corporate allocations, management services, technical services, manpower outsourcing, rentals, consultancy services and other intra-group arrangements where the airport operator and service provider may have aligned commercial interests.

IATA therefore encourages AERA to continue applying a robust regulatory review of all material related party transactions and to require the airport operator to demonstrate that such arrangements are conducted on a genuine basis that deliver the required efficiency. Wherever possible, costs recovered through airport charges should be supported by independent benchmarking, competitive tender outcomes or other objective evidence demonstrating that the services have been procured at rates comparable to or better than those available in the open market.

Further, airlines support AERA's established approach of excluding costs that do not directly contribute to the provision of aeronautical services or that duplicate functions already performed within the airport organization. Corporate allocations, shareholder-related management fees and strategic service charges should continue to be subject to a high evidentiary threshold before being considered recoverable from airport users. Airport users should only bear costs that are necessary, efficient and directly attributable to airport operations.

IATA recommends that AERA enhance transparency around related party transactions by requiring GHIAL to disclose, for all material RPTs, the transaction value, allocation methodology, procurement process, benchmarking against third-party market rates, and justification for selecting a related party over an independent supplier. Periodic reporting of significant related party transactions and independent validation of key service agreements would provide greater assurance that airport users are not bearing costs that exceed efficient market levels. Increased transparency would improve stakeholder confidence and support AERA's objective of ensuring that only prudent and efficiently incurred costs are recovered through airport charges through such arrangements."

1.10.6. Lufthansa Group's comment with regards to the Background on Related Party Transactions for RGIA, Hyderabad is as follows:

"Transparency in Tariff Determination

Given the complexity and financial significance of the tariff proposal, Lufthansa Group requests the Authority to ensure that sufficient time and complete supporting information are made available to stakeholders during tariff consultations. Transparent disclosure of assumptions, methodologies and supporting data will facilitate meaningful stakeholder participation and strengthen regulatory confidence.

Conclusion: Lufthansa Group respectfully submits that meaningful consultation with airlines should precede major capital investment decisions that have a material impact on airport tariffs. As the primary users funding airport infrastructure through regulated charges, airlines should have the opportunity to provide input on the necessity, timing and scope of such investments. The Authority should ensure that airport charges remain efficient, proportionate and internationally competitive.

As Rajiv Gandhi International Airport competes with major regional hubs for airlines, passengers and cargo, excessive airport charges can undermine route development, international connectivity, transit traffic, tourism and cargo growth, while increasing airline operating costs and ultimately passenger fares. The regulatory framework should therefore strike an appropriate balance between the airport's financial sustainability and the affordability and competitiveness of air services.

We also respectfully request the Authority to share the submissions received from other stakeholders, including the Airport Operators, to enable us to review the positions taken and provide informed and meaningful comments, consistent with the principles of transparency and an effective consultative process."

1.11. GHIAL's response to Stakeholders' comments regarding Background for Tariff Determination for RGIA, Hyderabad for the Fourth Control Period

1.11.1. GHIAL's response to AOC HYD's comment on Related Party Transactions is as follows:

"Related Party transactions

- *Related Party Transactions (RPTs) are undertaken only where they support airport operations and provide operational, technical, regulatory, or administrative benefits to GHIAL.*
- *All RPTs are governed by robust oversight mechanisms, including Board-approved policies, Audit Committee review, statutory audit, and compliance with Companies Act and SEBI requirements.*
- *Services obtained through related parties leverage group expertise, specialized capabilities, and economies of scale, resulting in operational efficiencies and cost optimization.*
- *RPT costs included in the CP4 proposal relate to legitimate airport operational requirements such as IT, technical support, manpower, regulatory compliance, and corporate support services.*
- *All RPT-related costs remain subject to AERA's prudence review, including examination of their necessity, reasonableness, allocation methodology, and relevance to airport operations.*
- *Costs that are shareholder-related, non-operational, duplicative, or not attributable to airport operations are not intended to be recovered through airport charges.*
- *GHIAL has provided supporting information on material RPTs and remains committed to transparency and compliance with applicable regulatory requirements.*

Accordingly, GHIAL submits that its RPTs are driven by genuine business needs, deliver operational benefits and efficiencies, and remain subject to comprehensive regulatory scrutiny to ensure that only prudent and airport-related costs are considered for recovery

Short Collection on UDF:

AERA issued Amended Tariff Order No. 12/2021-22 dated 31 October 2025, extending the tariffs applicable during the period 1 April 2025 to 31 December 2025 for the further period 1 January 2026 to 31 March 2026. The revised applicability of tariffs was communicated to all airlines well in advance. However, the error occurred at the airline's end in the collection of UDF from passengers. There was no lapse or omission on the part of the Airport Operator in this regard. Further, AERA had already clarified the applicable tariffs for the said period through its email dated 4 February 2026 addressed to Mr. Sunil Menon of Cathay Pacific. However, if AERA agrees to true-up the short collection for GHIAL, we will be able to provide credit note in line with BIAL's treatment."

1.11.2. GHIAL's response to IATA's comment on Related Party Transactions is as follows:

"***Related Party transactions***

- *Related Party Transactions (RPTs) are undertaken only where they support airport operations and provide operational, technical, regulatory, or administrative benefits to GHIAL.*
- *All RPTs are governed by robust oversight mechanisms, including Board-approved policies, Audit Committee review, statutory audit, and compliance with Companies Act and SEBI requirements.*
- *Services obtained through related parties leverage group expertise, specialized capabilities, and economies of scale, resulting in operational efficiencies and cost optimization.*
- *RPT costs included in the CP4 proposal relate to legitimate airport operational requirements such as IT, technical support, manpower, regulatory compliance, and corporate support services.*
- *All RPT-related costs remain subject to AERA's prudence review, including examination of their necessity, reasonableness, allocation methodology, and relevance to airport operations.*

- *Costs that are shareholder-related, non-operational, duplicative, or not attributable to airport operations are not intended to be recovered through airport charges.*
- *GHIAL has provided supporting information on material RPTs and remains committed to transparency and compliance with applicable regulatory requirements.*

Accordingly, GHIAL submits that its RPTs are driven by genuine business needs, deliver operational benefits and efficiencies, and remain subject to comprehensive regulatory scrutiny to ensure that only prudent and airport-related costs are considered for recovery."

1.12. Authority's analysis on Stakeholders' comments regarding Background for Tariff Determination for RGIA, Hyderabad for the Fourth Control Period

1.12.1. The Authority notes GHIAL's submission requesting implementation of the Hon'ble TDSAT Judgment dated 14th February 2024 while referencing recent TDSAT judgments in the cases of Mumbai International Airport Limited (MIAL) dated 29th May 2026 and GMR Goa International Airport Limited (GGIAL) dated 11th September 2025.

1.12.2. In this regard, the Authority is of the view that the approach proposed in Consultation Paper No. 02/2026-27 dated 19.06.2026 regarding the treatment of matters that are presently sub-judice is appropriate and requires retention for the reasons set out below.

a) Matters are Sub-Judice:

As discussed in paragraphs 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, 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 has challenged the TDSAT Judgment dated 14th February 2024 by filing Civil Appeals in the Hon'ble Supreme Court under Section 31 of the AERA Act, 2008. The Hon'ble Supreme Court, vide its judgment dated 18th October 2024, held that such Civil Appeals are maintainable and are presently hearing these matters on merit. As a result, these issues are presently pending before the Hon'ble Supreme Court and are sub-judice.

b) Regulatory Certainty and Protection of Airport Users:

The Authority is of the view that the approach of continuing the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period (Order No. 12/2021-22 dated 31.08.2021) is consistent with the principles of regulatory certainty, transparency, consistency and prudence.

This approach 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 disparity. More importantly, once charges are recovered from a large and dispersed passenger base over extended periods, refunding excess collections would be practically difficult, if not impossible. This difficulty is particularly acute given the challenges associated with tracking and reimbursing individual passengers across multiple years. Therefore, deferring recovery until the disputed matters achieve legal finality protects users from bearing the risk of unrecoverable charges and prevents the subsequent complexities and administrative burden of attempting adjustments after collection.

c) Regulatory Framework for Addressing Judicial Determinations:

The Authority further notes that the existing regulatory framework provides an appropriate mechanism to give effect to the final judicial outcome through the tariff determination process that includes the true-up mechanism, once the disputes attain finality. This ensures that any consequential adjustment, if required after final judicial outcome, is undertaken in a transparent, equitable and legally sustainable manner after due regulatory scrutiny.

d) Public Interest Considerations:

The Authority notes that the approach of deferring implementation pending legal finality received broad support from stakeholders during the Stakeholder Consultation Meeting held on 06.07.2026, as 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 inclusion of disputed claims in the ongoing tariff determination process until the pending legal proceedings attain finality.

e) Precedent in Similar Circumstances (BIAL):

The Authority notes that for Bangalore International Airport Limited (BIAL), which similarly had matters pending before TDSAT and the Supreme Court arising from its Third Control Period tariff determination, the Authority adopted the same approach of continuing the tariff determination exercise consistent with the Third Control Period Tariff Order. IATA had specifically supported this approach for BIAL, noting that:

- 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

This identical approach is equally applicable to GHIAL's Fourth Control Period tariff determination, where similar legal proceedings remain pending.

f) Asymmetric Risk to Airport Users:

The Authority is of the considered view that implementation of TDSAT's 14th February 2024 directions in the Fourth Control Period, prior to final determination by the Hon'ble Supreme Court, would create the following scenario:

- If the Authority implements TDSAT's directions now and the Supreme Court subsequently upholds the Authority's appeal, refunding excess tariff collections to passengers and airlines would be practically infeasible, as the dispersed passenger base would have no mechanism through which to receive refunds after such a significant time gap
- This would result in a substantial unjust gain to GHIAL at the cost of airport users

- Conversely, by deferring implementation pending finality, of judicial outcome and subsequently if the Supreme Court upholds TDSAT's directions, the true-up mechanism ensures that any consequential adjustment can be accommodated during the tariff exercise of the Fifth Control Period in a transparent and orderly manner.

g) Revisiting Matters Intrinsically Connected with Sub-Judice Issues:

The Authority specifically observes that, pending final adjudication of matters arising from the Third Control Period tariff determination, it would not be appropriate to revisit individual components of the Third Control Period determinations that are intrinsically connected with the issues presently under judicial consideration. Doing so before conclusion of the pending judicial proceedings may create regulatory disparity and uncertainty and would result in tariff impacts that may subsequently require adjustments, including addressing circumstances where recovery from airport users may have already taken place.

h) True-Up Mechanism in Risk Mitigation:

The Authority observes that the true-up mechanism forms an integral part of the regulatory framework under the AERA Guidelines, 2011 and is intended to address variations between projected and actual financial and operational parameters through a transparent regulatory process. However, where the underlying determination itself remains subject to ongoing judicial proceedings before a superior court, the Authority is of the view that it would not be appropriate to implement contested determinations until the pending proceedings have been concluded and the final judicial outcome is available. The true-up mechanism itself provides an appropriate forum and framework for addressing the final judicial outcome once it is determined, ensuring that the outcome is accommodated equitably without creating irreversible tariff over-collection risk in the interim period.

i) Consistency Across Airports:

The Authority further notes that this approach of deferring implementation pending final adjudication ensures consistency in its treatment across regulated airports. Where airports have had Third Control Period matters remaining sub-judice before superior courts, the Authority has consistently applied this approach (as exemplified with BIAL). Applying different approaches to GHIAL on pending legal claims would introduce inconsistency in the regulatory framework.

The Authority is of the considered view that, pending final adjudication of the Civil Appeals filed by the Authority before the Hon'ble Supreme Court relating to the TDSAT Judgment dated 14th February 2024, public interest would be better served by continuing the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period (Order No. 12/2021-22 dated 31.08.2021).

1.12.3. The Authority notes that this approach received broad support from various stakeholders during the Stakeholder Consultation Meeting held on 06.07.2026, 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. 02/2026-27 dated 19.06.2026.

1.12.5. The Authority notes IATA's support for the approach proposed in Consultation Paper No. 02/2026-27 dated 19.06.2026 regarding the treatment of matters that are presently sub judice. As discussed in paragraphs 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 the Consultation Paper, the Authority has proposed to continue the tariff determination exercise based on the decisions contained in Tariff Order No. 12/2021-22 dated 31.08.2021 until the pending matters are finally adjudicated by the Hon'ble TDSAT and the Hon'ble Supreme Court of India.

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 disparity and uncertainty and also potential complexities in making subsequent adjustments, particularly where charges have already been recovered from a large number of passengers. The Authority further notes that the existing regulatory framework provides an appropriate mechanism to give effect to the final judicial outcome through the tariff determination process, including the true-up mechanism, after the disputes attain finality. This ensures that any consequential adjustment, if needed, is undertaken in a transparent, equitable and legally sustainable manner after due regulatory scrutiny, wherever applicable. The Authority also notes that this approach received broad support from various stakeholders during the Stakeholder Consultation Meeting held on 06.07.2026, 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. Accordingly, the Authority retains its proposal regarding the treatment of sub judice matters as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

1.12.6. Accordingly, the Authority retains its proposal regarding the treatment of sub-judice matters as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

Related party and Management Cost:

1.12.7. The Authority has taken note of the observations made by AOC Hyderabad regarding Related Party Transactions (RPTs) and the counter comments provided by GHIAL. In this regard, the Authority generally undertakes a detailed examination of Related Party Transactions to ensure that such transactions are conducted on an arm's length basis and as per the provisions contained in the Companies Act, 2013 for such RPTs so that no undue benefit is extended to related parties at the expense of other stakeholders.

1.12.8. Wherever it is observed that contracts awarded to related parties are not based on prevailing market rates or do not satisfy the arm's length principle or not in consonance with the extant provisions of the Companies Act, 2013, appropriate adjustments are carried out by the Authority to align such transactions with market benchmarks. Further, besides provisions of Companies Act, 2013 the Authority also ensures that all Related Party Transactions comply with the applicable provisions of the Concession Agreement and other relevant statutory and regulatory requirements.

Under collection of UDF:

1.12.9. The Authority has considered the comments submitted by AOC Hyderabad regarding the under-collection of User Development Fee (UDF) and the counter-submissions made by GHIAL. The Authority notes that, vide Tariff Order No. 12/2021-22 dated 31.08.2021, the applicable UDF was linked to the date of issuance of tickets, and a reduction in UDF rates was envisaged for tickets issued on or after 01.01.2026. Subsequently, the Authority, vide its Amendment Order dated 31.10.2025, permitted the Airport Operator

to levy and collect Aeronautical Charges, including Landing Charges, Parking Charges, and UDF, at Rajiv Gandhi International Airport, Hyderabad, at the same rates as were applicable during the period from 01.04.2025 to 31.12.2025, for the period from 01.01.2026 to 31.03.2026 as well.

1.12.10. Accordingly, the Authority observes that there was no reduction in the applicable UDF rates during the period from 01.01.2026 to 31.03.2026, and, therefore, no ambiguity existed in the applicable tariff. The Authority further notes that the under-collection of UDF arose solely on account of an inadvertent error in the fare and tax data uploaded by the concerned carrier into the Global Distribution System (GDS), and not on account of any deficiency or ambiguity in the tariff determination made by the Authority.

1.12.11. The Authority is of the view that losses arising from operational or administrative errors attributable to airlines or other third parties cannot be considered a legitimate component of Aggregate Revenue Requirement (ARR) and, therefore, should not be passed through to airport users or other stakeholders.

1.12.12. Accordingly, the Authority decides not to allow the pass-through of the under-collection of UDF arising from the inadvertent error in the fare and tax data uploaded into the Global Distribution System by the concerned carrier.

1.12.13. The Authority notes IATA's submission and GHIAL's counter comments regarding related party transactions at GHIAL and the distinction between corporate governance compliance and regulatory scrutiny for cost recovery through regulated tariffs.

1.12.14. The Authority notes IATA's observation that GHIAL engages in a substantial number of transactions with related parties across various activities, including Corporate cost allocation, Management services, Manpower outsourcing, IT services, Advertising, Rental arrangements, Concession agreements and Other operational services. The Authority notes that such related party arrangements are not inherently problematic, provided they comply with the Concession Agreement framework and meet applicable regulatory standards.

1.12.15. The Authority agrees with IATA's fundamental distinction that:

- Governance Compliance (Board approvals, Statutory Auditor confirmation, government nominees on Board) addresses requirements under the Companies Act, 2013 and SEBI regulations
- Regulatory Scrutiny addresses the distinct question of whether costs are necessary, efficient, directly attributable to airport operations, and recoverable through regulated tariffs
- Compliance with corporate governance requirements does not automatically imply that costs are appropriate for recovery through regulated airport charges. These serve fundamentally different purposes.
- Regulatory scrutiny, as undertaken by the Authority under the AERA Act, 2008 and AERA Guidelines, 2011, must independently assess whether related party transaction costs meet regulatory standards for cost recovery, regardless of governance approvals.

1.12.16. For costs arising from related party transactions to be recoverable through aeronautical tariffs, the Authority requires demonstration that such costs meet the following standards:

i. **Arm's-Length Pricing:** Costs must reflect market-based pricing comparable to rates available from independent suppliers. Related party status does not exempt transactions from competitive pricing standards.

ii. **Transparent Procurement:** To the extent feasible, related party transactions of material value should reflect transparent and competitive procurement processes or in exceptional circumstances justified non-competitive engagement with clear operational necessity.

iii. **Demonstrable Value Addition:** Services must add genuine value to airport operations and be directly attributable to aeronautical services or common airport infrastructure, not primarily to shareholder governance functions.

iv. **No Duplication or Overlap:** Related party costs should not duplicate functions already performed by GHIAL's own management, personnel, or other consultants. Detailed evidence must separate incremental services from duplicative functions.

v. **Independent Benchmarking:** For material related party transactions, costs should be supported by independent evidence demonstrating pricing is comparable to market rates, including quotations from independent suppliers or third-party benchmarking.

1.12.17. The Authority notes IATA's specific concerns regarding the following categories of related party arrangements:

i. **Corporate Cost Allocations:** Must be supported by detailed allocation methodology, benchmarked against standalone airports' costs, and verified to exclude shareholder governance costs.

ii. **Management Services:** Must be specifically defined with clear deliverables, shown necessary for operations, priced at competitive rates, and not overlapping with employee or other consultancy costs already recovered.

iii. **Manpower Outsourcing:** Must be priced comparably to independent manpower providers, documented with evidence of competitive sourcing or in exceptional circumstances justified non-competitive engagement, and must be proportionate to operational requirements.

iv. **IT and Technical Services:** Must have detailed service level agreements, competitive pricing with independent benchmarking, and demonstrated efficiency equivalent to independent providers.

v. **Rental and Other Operational Services:** Must be priced at market rates with evidence of comparable market arrangements.

1.12.18. The Authority agrees with IATA's concern that insufficient scrutiny of related party arrangements could result in airport users funding costs that exceed efficient market benchmarks. Given the substantial scale of GHIAL's regulatory asset base and operating expenses, even marginal inefficiencies in related party transactions could translate into material cost burdens on dispersed passenger base.

1.12.19. The Authority is therefore ensuring that all costs recovered through aeronautical tariffs, including those from related party arrangements, meet rigorous standards of necessity, efficiency, and market-based pricing.

1.12.20. The Authority notes that GHIAL's Concession Agreement permits related party transactions subject to conditions including prior approval of the Authority for material transactions, adherence to arm's-length principles, transparency requirements, compliance with applicable laws and probity and governance oversight.

1.12.21. The Authority, through its independent consultant, has ensured that all related party transaction approvals under these provisions meet the regulatory standards set out above.

1.12.22. The Authority notes Lufthansa Group's submission and reiterates its commitment to transparency in tariff determination and confirms that it practices a transparent and evidence-based process that is substantiated through comprehensive stakeholder consultation and public disclosure of information.

1.12.23. The Authority notes that it already implements multiple transparency measures:

a) Stakeholder Consultation Meetings: The Authority conducts stakeholder consultation meetings for each airport, bringing together representatives of airlines, airport operators, trade bodies, passenger advocacy groups, and other interested parties. These meetings provide an opportunity for stakeholders to directly engage with the Authority, ask clarifying questions regarding tariff proposals, and present their perspectives orally;

b) Written Comment Periods: Following issuance of Consultation Papers, the Authority invites written submissions from all stakeholders of the aviation industry, including Airport operators, Airline operators. Airline industry associations and trade bodies, Passenger advocacy groups and consumer organizations, General public and other interested parties;

c) Comment Analysis and Incorporation: The Authority carefully examines all stakeholder submissions, analyzes the concerns and suggestions raised, and addresses them in its final Tariff Order;

d) Transparent Response in Tariff Order: The Authority's Tariff Order includes detailed discussion of stakeholder submissions, explaining how each concern has been considered and providing the regulatory rationale for the Authority's conclusions regarding tariff determinations.

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2. TRUE-UP OF PRE CONTROL PERIOD ENTITLEMENT (PCPE)

2.1. Issues raised by GHIAL for True-up of the Pre-Control Period Entitlement

2.1.1. GHIAL in their MYTP for the Fourth Control Period raised the issues pertaining to True-up of the Pre Control Period on the following building blocks:

- Regulatory Asset Base and Depreciation
- Operations and Maintenance expenditure
- Aeronautical and Non-Aeronautical Revenue
- Aeronautical Taxes

2.2. GHIAL's submissions regarding True-up for the Pre-Control Period Entitlement

2.2.1. GHIAL in its MYTP submission of the Fourth Control Period raised the issue of Pre Control Period Entitlement (PCPE). As per GHIAL, it is entitled to levy and collect the airport charges from the date of commencement of its operations i.e. from 23.03.2008 in accordance with the provisions of the Concession Agreement.

2.2.2. TDSAT in its judgment dated 14.02.2024 stated that Central Government vide Gazette notification dated 20/03/2008 notified the "Airport Opening Date"; as 23rd March 2008.

2.2.3. Based on above, GHIAL requested the Authority to consider pre-control period eligibility as part of True-up as submitted in its MYTP for Fourth Control Period.

2.2.4. The computation of True-up of the Pre Control Period Entitlement as submitted by GHIAL as part of the MYTP for the Fourth Control Period is summarized in the table given below:

Table 8: True-up of Pre Control Period Entitlement as submitted by GHIAL

(Rs. in crores)

Particulars	Ref	23.03.2008 to 31.03.2008	FY09	FY10	FY11	Total
Return on Capital Employed	A	5.28	179.67	175.37	170.55	530.87
Total Expenses (inc. Concession Fee)	B	50.03	184.14	159.88	185.58	579.63
Depreciation	C	2.38	89.42	92.80	94.82	279.42
Tax	D	-	-	-	-	-
Less: NAR Cross-Subsidization	E	1.98	51.29	52.29	55.93	161.49
Aggregate revenue Requirement (F = A+B+C +D-E)	F	55.72	401.93	375.76	395.02	1228.43
Actual Regulated Charges	G	3.90	207.36	248.00	325.09	784.34
Annual Deficit (H)=(F)-(G)	H	51.82	194.57	127.76	69.93	444.09
Present Value as on 31.03.2022		208.40	711.17	430.70	222.04	1572.31

2.3. Authority's examination regarding True-up for the Pre-Control Period Entitlement at the Consultation Stage

2.3.1. The Authority on the basis of submissions made by GHIAL in its MYTP for the 3rd Control Period had considered the true-up of the Pre Control Period Entitlement w.e.f. 01.04.2008, for the 1st Control Period, while determining the Aggregate Revenue Requirement (ARR) for the Third Control Period. However, GHIAL had filed an appeal before the Hon'ble TDSAT against the Tariff Order of the Third Control Period

and Hon'ble TDSAT vide its judgment dated 14.02.2024, had directed that true-up for Pre Control Period Entitlement shall be carried out w.e.f. 23.03.2008. However, the Authority has challenged this decision of Hon'ble TDSAT by filing Civil Appeal in Hon'ble Supreme Court.

2.3.2. As noted in Paras 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, the 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 Appeals filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized of the matters.

2.3.3. In the light of the discussions as detailed in above referred paras and consistent with the regulatory guidelines of AERA, the Authority proposed to retain the true-up of the PCPE as previously determined in the Tariff Order No. 12/2021-22 dated 31st August, 2021 for the Third Control Period. Accordingly, the true-up considered by the Authority for PCPE, is reflected in Table 11 of this Tariff Order.

Stakeholders' comments regarding True-up for the Pre-Control Period Entitlement

2.3.4. During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL and IATA, in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding True-up for the Pre-Control Period Entitlement for RGIA, Hyderabad for the Fourth Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up for the Pre-Control Period Entitlement

2.3.5. GHIAL's comment with regards to the True-up for the Pre-Control Period Entitlement for RGIA, Hyderabad is as follows:

"Non-Consideration of True-up of Previous Periods (PCPE, CP-1 & CP-2)

Proposal of the Authority vide Consultation Paper for PCPE

2.4.1. To consider True-up for the PCPE as per Table 9 of this Consultation Paper in line with the Tariff Order for the Third Control Period.

GHIAL's Response

GHIAL would like to request Authority to consider implementing the TDSAT judgement dated 14th Feb 2024 bases the request discussed in the section-A above."

Other Stakeholders' comments regarding True-up for the Pre-Control Period Entitlement

2.3.6. IATA's comment with regards to the True-up for the Pre-Control Period Entitlement for RGIA, Hyderabad is as follows:

"True-up of Pre-control Period Entitlement (PCE), First Control Period and Second Control Period

IATA supports AERA's proposal to maintain the treatment established in the Third Control Period until the Supreme Court has reached final determinations on the issues under appeal. IATA considers this approach appropriate because legacy-period entitlements, particularly where disputed or under judicial consideration, should not be converted into immediate tariff burden for current and future users before legal finality. The recovery of such amounts through UDF or other airport charges would be difficult to reverse in practice once collected from a dispersed passenger base over multiple years.

IATA therefore requests AERA to retain the treatment adopted in the Third Control Period and avoid admitting any additional disputed legacy claims until all related appeals and legal challenges are finally resolved."

GHIAL's response to Stakeholders' comments regarding True-up for the Pre-Control Period Entitlement

2.3.7. GHIAL's response to IATA's comment on True-up of Pre-control Period Entitlement (PCE), First Control Period and Second Control Period is as follows:

"It is important to note that in many of the recent TDSAT judgements (29th May 2026 in case of MIAL and judgement dated 11th Sep 2025 in case of GGIAL), TDSAT has specifically directed AERA to implement the impact of said judgement within 3 months without prejudice to ongoing litigation in Hon'ble Supreme Court. Although the authority has challenged it in Supreme Court, in the absence of stay order, based on earlier Supreme Court Judgements as well and legal positions, authority should have implemented the referred TDSAT Judgement.

Following Supreme Court Judgements support the implementation of TDSAT Judgement in the absence of stay order by the Honourable Supreme Court:

The Regulatory Authorities are bound by this principle of judicial discipline. The orders passed by the Regulatory Authorities are appealable to the concerned Appellate Tribunal under the statute and any order passed in such appeal by the Appellate Tribunal is required to be carried out by the Regulatory Authority unless and until the order of the Appellate Tribunal is stayed, set-aside or modified by the Apex Court to which the second Appeal lies under the scheme of such statute. [Refer Judgment dated 23.09.2013 passed by APTEL in Appeal No. 52 of 2012- Para 121-124]

Mere pendency of appeal before the Supreme Court against the order does not absolve the party not to comply the order. Provisions of appeal even if availed without any stay, will expose the party to contempt proceedings, for non-compliance. [Refer Dr. Sajad Majid Vs. Dr. Syed Zahoor Ahmed and Anr.; 1989 Cri LJ 2065 Para 8]"

Authority's Analysis on Stakeholders' comments regarding True-up for the Pre-Control Period Entitlement

2.3.8. The Authority notes GHIAL's submission requesting reconsideration and implementation of true-up for previous periods (PCPE, CP-1 and CP-2) based on the TDSAT Judgment dated 14th February 2024.

2.3.9. As discussed in paragraphs 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, the Authority has proposed to continue the tariff determination exercise based on the decisions contained in Tariff Order No. 12/2021-22 dated 31.08.2021 until the pending matters are finally adjudicated by the Hon'ble Supreme Court of India.

2.3.10. 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 disparity and uncertainty and also potential complexities in making subsequent adjustments, particularly where charges have already been recovered from a large number of passengers.

2.3.11. The Authority further notes that the existing regulatory framework provides an appropriate mechanism to give effect to the final judicial outcome through the tariff determination process, including the true-up mechanism, after the disputes attain finality. This ensures that any consequential adjustment, if needed, is undertaken in a transparent, equitable and legally sustainable manner after due regulatory scrutiny, wherever applicable.

2.3.12. The Authority also notes that this approach received broad support from various stakeholders during the Stakeholder Consultation Meeting held on 06.07.2026, 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.

2.3.13. Accordingly, the Authority retains its proposal regarding the treatment of sub judice matters as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

2.3.14. The Authority notes IATA's support for the approach proposed in Consultation Paper No. 02/2026-27 dated 19.06.2026 regarding the treatment of matters that are presently sub judice. As discussed in paragraphs 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, the Authority has proposed to continue the tariff determination exercise based on the decisions contained in Tariff Order No. 12/2021-22 dated 31.08.2021 until the pending matters are finally adjudicated by the Hon'ble Supreme Court of India.

2.3.15. 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 disparity and uncertainty and also potential complexities in making subsequent adjustments, particularly where charges have already been recovered from a large number of passengers.

2.3.16. The Authority further notes that the existing regulatory framework provides an appropriate mechanism to give effect to the final judicial outcome through the tariff determination process, including the true-up mechanism, after the disputes attain finality. This ensures that any consequential adjustment, if needed, is undertaken in a transparent, equitable and legally sustainable manner after due regulatory scrutiny, wherever applicable.

2.3.17. The Authority also notes that this approach received broad support from various stakeholders during the Stakeholder Consultation Meeting held on 06.07.2026, 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.

2.3.18. Accordingly, the Authority retains its proposal regarding the treatment of sub judice matters as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

2.4. Authority's decisions regarding True-up for the Pre-Control Period Entitlement

Based on the material before it and its examination, the Authority decides the following regarding True-up for the Pre-Control Period Entitlement:

2.4.1. To consider True-up for the PCPE of this Tariff Order in line with the Tariff Order for the Third Control Period as per **Table 11**.

3. TRUE-UP FOR THE FIRST CONTROL PERIOD

3.1. Issues raised by GHIAL regarding True-up for the First Control Period

3.1.1. GHIAL in their MYTP for the Fourth Control Period raised the issues pertaining to True-up of the First Control Period on the following building blocks:

- Regulatory Asset Base and Depreciation
- Operation and Maintenance expenditure
- Aeronautical and Non-Aeronautical revenue
- Aeronautical Taxes

3.2. GHIAL's submission regarding True-up for the First Control Period

3.2.1. GHIAL, in its MYTP for the Fourth Control Period, submitted the revised True-up for the First Control Period as per the table below:

Table 9: True-up of First Control Period as submitted by GHIAL

(Rs. In crores)

Particulars	Ref	FY12	FY13	FY14	FY15	FY16	Total
RAB for Calculating ARR	(A)	1,615.40	1,526.51	1,444.66	1,344.27	1,290.42	
Fair Rate of Return applied to the RAB	(B)	10.10%	10.10%	10.10%	10.10%	10.10%	
Return on RAB	(C)	163.17	154.19	145.92	135.78	130.34	729.40
Operation and Maintenance Expenditure (including Aeronautical Concession fee)	(D)	218.47	221.47	232.27	224.70	237.62	1,134.52
Depreciation	(E)	95.63	95.81	95.92	123.80	138.47	549.63
Taxes pertaining to Aeronautical Services	(F)	-	-	-	-	-	-
Gross Aggregate Revenue Requirement	(G)	477.26	471.47	474.11	484.28	506.43	2413.56
Less: 30% of Revenue from Non-Aeronautical Services	(H)	64.82	71.36	78.54	86.77	95.93	397.41
Net Aggregate Revenue Requirement	(I)	412.45	400.12	395.57	397.51	410.51	2,016.14
Actual Regulated Charges	(J)	378.22	455.76	454.35	119.31	290.12	1697.76
Under Recovery / (Over Recovery)	(K)	34.22	(55.65)	(58.78)	278.20	120.39	318.39
Present value as on 31.03.2022		98.48	(145.45)	(139.53)	599.86	235.76	649.12

3.3. Authority's examination regarding True-up for the First Control Period at the Consultation Stage

3.3.1. The Authority took note of GHIAL's submissions pertaining to the true-up of the First Control Period, as included in the Multi-Year Tariff Proposal (MYTP) filed for the Fourth Control Period. The Authority had duly examined and appropriately considered True-up of First Control Period while determining the Aggregate Revenue Requirement (ARR) for the Third Control Period. However, GHIAL challenged various decisions of the Authority in the 3rd Control Period Tariff Order by filing an appeal before the Hon'ble TDSAT. Hon'ble TDSAT vide its judgment dated 14.02.2024 had decided the appeal and decided certain issues in favor of the Airport Operator and on certain issues the decisions of the Authority have been

upheld. However, the Authority has challenged this judgment of Hon'ble TDSAT by filing Civil Appeal in Hon'ble Supreme Court.

3.3.2. As noted in Paras 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, the 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 of the matters.

3.3.3. In the light of the discussions as detailed in above referred paras and consistent with the regulatory guidelines of AERA, the Authority proposed to retain the true-up of the First Control Period as previously determined in the Tariff Order No. 12/2021-22 dated 31 August 2021 for the Third Control Period. Accordingly, the true-up considered by the Authority for the First Control Period, is reflected in Table 9 of this Tariff Order.

Stakeholders' comments regarding True-up for the First Control Period

3.3.4. During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL and IATA in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding True-up for the First Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up for the First Control Period

3.3.5. GHIAL's comment with regards to the True-up for the First Control Period for RGIA, Hyderabad is as follows:

"Non-Consideration of True-up of Previous Periods (PCPE, CP-1 & CP-2)

Proposal of the Authority vide Consultation Paper for True-up of CP-1

3.4.1. To consider True-up for the First Control Period as per Table 9 of this Consultation Paper in line with the Tariff Order for the Third Control Period.

GHIAL's Response

GHIAL would like to request Authority to consider implementing the TDSAT judgement dated 14th Feb 2024 bases the request discussed in the section-A above."

Other Stakeholders' comments regarding True-up for the First Control Period

3.3.6. IATA's comment with regards to the True-up for the First Control Period for RGIA, Hyderabad can be referred from Para 2.3.6 of Chapter 2 of this tariff order.

GHIAL's response to Stakeholders' comments regarding True-up for the First Control Period

3.3.7. GHIAL's response to IATA's comment on True-up of Pre-control Period Entitlement (PCE), First Control Period and Second Control Period can be referred from Para 2.3.7 of Chapter 2 of this tariff order.

Authority's analysis on Stakeholders' comments regarding True-up for the First Control Period

3.3.8. The Authority's response and analysis on the Stakeholders' comments may be referred to in paragraphs 2.3.8 to 2.3.18 of Chapter 2 of this Tariff Order. Accordingly, the Authority retains its proposal regarding the treatment of sub judice matters, as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

3.4. Authority's decisions regarding True-up for the First Control Period

Based on the material before it and its examination, the Authority decides the following with respect to True-up of the First Control Period:

3.4.1. To consider True-up for the First Control Period in line with the Tariff Order for the Third Control Period as per **Table 11**.

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4. TRUE-UP FOR THE SECOND CONTROL PERIOD

4.1. Issues raised by GHIAL regarding True-up for the Second Control Period

4.1.1. GHIAL in its MYTP for the Fourth Control Period raised the issues pertaining to True-up of the Second Control Period on the following building blocks:

- Regulatory Asset Base
- Aeronautical Depreciation
- Weighted Average Cost of Capital (WACC)
- Operation and Maintenance expenditure
- Aeronautical and Non-Aeronautical revenue
- Aeronautical Taxes

4.2. GHIAL's submission regarding True-up for the Second Control Period

4.2.1. The revised True-up as submitted by GHIAL for the Second Control Period as part of its MYTP submission for the Fourth Control Period is shown in table below:

Table 10: True-up of Second Control Period as submitted by GHIAL

(Rs. In crores)

Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Total
RAB for Calculating ARR	A	1,244.71	1,153.11	1,360.91	1,793.04	1,992.45	7,544.23
FRoR applied to RAB	B	10.71%	10.71%	10.71%	10.71%	10.71%	
Return on RAB	C	133.29	123.48	145.74	192.01	213.37	807.90
Operating expense (including concession fee)	D	248.13	403.26	336.45	431.75	315.47	1,735.05
Aeronautical Depreciation	E	136.64	137.08	122.37	133.93	157.12	687.13
Aeronautical Tax	F	-	95.20	184.85	146.13	-	426.17
Less: NAR Cross-Subsidisation	G	115.38	129.42	156.67	177.63	72.91	652.00
Net Aggregate Revenue Requirement (H= C+D+E+F-G)	H	402.69	629.60	632.73	726.19	613.04	3,004.26
Actual Aero Revenue	I	710.26	807.93	910.50	910.74	155.62	3,495.05
Under Recovery / (Over Recovery) - (J= H-I)	J	(307.57)	(178.32)	(277.76)	(184.55)	457.42	(490.79)
Present value as on 31.03.2022	K	(511.52)	(267.88)	(376.90)	(226.20)	506.40	(876.08)

4.3. Authority's examination regarding True-up for the Second Control Period at the Consultation Stage

4.3.1. The Authority took note of GHIAL'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. The Authority had duly examined and appropriately considered True-up of Second Control Period while determining the Aggregate Revenue Requirement (ARR) for the Third Control Period. However, GHIAL challenged various decisions of the Authority in the Third Control Period Tariff Order by filing an appeal before the Hon'ble TDSAT. Hon'ble TDSAT vide its judgment dated 14.02.2024 had decided the appeal and decided certain issues in favor of the Airport Operator and on certain issues the decisions of the Authority have been upheld. However, the Authority has challenged this judgment of Hon'ble TDSAT by filing Civil Appeal in Hon'ble Supreme Court.

4.3.2. As noted in Paras 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, the 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 of the matters.

4.3.3. In the light of the discussions as detailed in above referred paras and consistent with the regulatory guidelines of AERA in Tariff Order No. 12/2021-22 dated 31 August 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 81 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 11: True-up of Second Control Period decided by the Authority in the Tariff Order of the Third Control Period

(Rs. In crores)

Particulars	2017	2018	2019	2020	2021	Total
Average Regulatory Asset Base (a)	1402.3	1323.31	1501.81	1827.18	1887.21	7941.81
FROR/WACC (b)	10.73%	10.73%	10.73%	10.73%	10.73%	
Return on RAB (c) = (a * b)	150.52	142.04	161.2	196.12	202.57	852.44
Operating Expense (Aero) (d)	231.75	384.9	315.78	417.72	324.6	1674.76
Aeronautical Concession fees (e)	33.64	37.96	44.01	44.83	10.55	170.99
Depreciation on RAB (f)	131.17	122.47	138.69	179.41	192.88	764.63
Aeronautical Tax (g)	72.07	10.53	19.18	18.96	0	120.75
Cross-subsidy (30% of non-aeronautical revenue) (h)	106.45	114.75	134.85	147.09	90.62	593.75
Net Aggregate Revenue Requirement (i) = (sum of c to g) - (h)	512.72	583.15	543.99	709.91	639.91	2989.67
Actual Aero Revenues (j)	841.1	949	1100.3	1120.8	263.7	4274.82
Difference (k) = (i) - (j)	(328.34)	(365.85)	(556.35)	(410.86)	376.25	(1285.15)
Fair Rate of Return/WACC	10.73%	10.73%	10.73%	10.73%	10.73%	
Discounting Factor (l)	1.66	1.5	1.36	1.23	1.11	
True-up of the Second Control Period (as on 31.03.2022) (m) = (k) * (l)	(546.66)	(550.08)	(755.42)	(503.79)	416.63	(1,939.31)
True-up of PCPE (as on 31.03.2022) (n)						736.55
True-up the First Control Period (o) (as on 31.03.2022)						0.51
Under recovery of Pre Control Period and First Control Period as on 01.04.2016 (refer Table 13 of Second Control Period Tariff Order) (p)						407.18
Discounting Factor (q)						1.87
Under recovery of Pre Control Period and First Control Period as on 31.03.2022 (r) = (p)*(q)						760.64
Total True-up to be carried forward to the Third Control Period (s) = (m)+ (n) + (o) + (r)						(441.6)

Stakeholders' comments regarding True-up for the Second Control Period

4.3.4. During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL and IATA in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding True-up for the Second Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up for the Second Control Period

4.3.5. GHIAL's comment with regards to the True-up for the Second Control Period for RGIA, Hyderabad is as follows:

"Non-Consideration of True-up of Previous Periods (PCPE, CP-1 & CP-2)

Proposal of the Authority vide Consultation Paper for True-up of CP-2

4.4. Authority's proposals regarding True-up for the Second Control Period

Based on the material before it and its examination, the Authority proposes the following with respect to True-up of the Second Control Period:

4.4.1 To consider True-up for the Second Control Period as per Table 9.

4.4.2 To retain the over-recovery of Rs. 441.60 Cr as determined during True-up for the Second Control Period as part of the tariff determination exercise for the Third Control Period.

GHIAL's Response

GHIAL would like to request Authority to consider implementing the TDSAT judgement dated 14th Feb 2024 bases the request discussed in the section-A above."

Other Stakeholders' comments regarding True-up for the Second Control Period

4.3.6. IATA's comment with regards to the True-up for the Second Control Period for RGIA, Hyderabad can be referred from Para 2.3.6

GHIAL's response to Stakeholders' comments regarding True-up for the Second Control Period

4.3.7. GHIAL's response to IATA's comment on True-up of Pre-control Period Entitlement (PCE), First Control Period and Second Control Period can be referred from Para 2.3.7 of Chapter 2.

Authority's analysis on Stakeholders' comments regarding True-up for the Second Control Period

4.3.8. The Authority's response and analysis on the Stakeholders' comments may be referred to in paragraphs 2.3.8 to 2.3.18 of Chapter 2 of this Tariff Order. Accordingly, the Authority retains its proposal regarding the treatment of sub judice matters, as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

4.4. Authority's decisions regarding True-up for the Second Control Period

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

4.4.1 To consider True-up for the Second Control Period as per **Table 11.**

4.4.2 To retain the over-recovery of Rs. 441.60 Cr for True-up for the Second Control Period as part of the tariff determination exercise for the Third Control Period as per **Table 11.**

5. TRUE-UP FOR THE THIRD CONTROL PERIOD

5.1. Background

5.1.1. The Authority issued the Tariff Order no. 12/2021-22 dated 31st August 2021 for the Third Control Period, settling the regulatory building blocks after considering GHIAL's submissions (including those addressing COVID-19 impacts) and comments from other stakeholders. GHIAL had challenged that Order before the Hon'ble TDSAT. Hon'ble TDSAT vide its judgment dated 14.02.2024, had disposed off the appeal filed by GHIAL against the tariff order for the 3rd Control Period. In this judgment the Hon'ble TDSAT had decided certain issues in favor of GHIAL and certain decisions of the Authority have been upheld. However, Authority has challenged the judgment of Hon'ble TDSAT by filing Civil Appeal in the Hon'ble Supreme Court. Further, 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 and 1.7.5 of this Tariff Order, the 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 of the matters.

5.1.2. In the light of the discussions as detailed in above referred paras 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.

5.2. Issues raised by GHIAL pertaining to True-up for the Third Control Period

5.2.1. GHIAL had 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

5.2.2. For each of the issues raised by GHIAL, the Authority had examined the True-up for the Third Control Period, issue wise, in the following manner:

(i) Recording and understanding GHIAL'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.

5.2.3. The Authority had considered the following documents for determining the True-up for the Third Control Period:

(i) Tariff Order for the Third Control Period (Order No. 12/ 2021-22) dated 31.08.2021.

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

(iii) AERA Guidelines and Orders.

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

(v) The Hon'ble TDSAT Judgment dated February 14, 2024.

5.2.4. In view of the Authority's analysis provided 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 issues raised by the Authority in the Civil Appeal against the judgements of the Hon'ble TDSAT, the Authority was of the view that presently it needed to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period as the matters were sub-judice before the Hon'ble Supreme Court.

5.3. True-up of Traffic

GHIAL's submissions regarding True-up of Traffic for the Third Control Period

5.3.1. GHIAL, as per the MYTP submitted on 26.06.2025 for the Fourth Control Period (2026-31), submitted the Traffic achieved by RGI Airport during the Third Control Period from FY 2022 till FY 2026. The details of passenger traffic, Air Traffic Movements (ATMs) and cargo volumes submitted by GHIAL for the purpose of true-up of the Third Control Period are provided in the table below:

Table 12: Traffic Submitted by GHIAL for True-up for the Third Control Period

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Passenger Traffic (Mn)						
Domestic	10.99	17.58	20.83	24.44	27.43	101.28
International	1.43	3.42	4.21	4.73	5.62	19.41
Total	**12.43**	**21.51**	**25.04**	**29.17**	**33.05**	**120.69**
Air Traffic Movements (Nos)						
Domestic	101,389	135,790	148,291	172,217	190,062	747,749
International	12,537	22,957	27,995	30,178	32,547	126,214
Total	**113,926**	**158,747**	**176,286**	**202,395**	**222,609**	**873,963**
Cargo Projection (MT)						
Domestic	64,529	66,987	69,032	68,840	77,880	347,268
International	75,546	75,447	80,780	98,825	121,900	452,498
Total	**140,075**	**142,434**	**149,812**	**167,665**	**199,780**	**799,766**

5.3.2. Subsequently, vide email dated 02.05.2026, GHIAL submitted revised actual traffic for the last tariff year (FY26) of the Third Control Period. The revised traffic details submitted by GHIAL are provided in table below:

Table 13: Revised Traffic Submitted by GHIAL for the Third Control Period

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Passenger Traffic (Mn)						
Domestic	10.99	17.58	20.83	24.44	25.02	98.87
International	1.43	3.42	4.21	4.73	5.46	19.25

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Total	**12.43**	**21.00**	**25.04**	**29.17**	**30.48**	**118.12**
Air Traffic Movements (Nos)						
Domestic	101,389	135,790	148,291	172,217	175,838	733,525
International	12,537	22,957	27,995	30,178	32,062	125,669
Total	**113,926**	**158,747**	**176,286**	**202,395**	**207,900**	**859,194**
Cargo Projection (MT)						
Domestic	64,529	66,987	69,032	68,840	76,860	346,248
International	75,546	75,447	80,780	98,825	115,599	446,197
Total	**140,075**	**142,434**	**149,812**	**167,665**	**192,458**	**792,444**

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

5.3.3. Decision no 5.6.1: *"The Authority decides to consider the traffic as shown in the Table 90 for the Third Control Period which shall be trued up based on actuals at the time of tariff determination of the Fourth Control Period."*

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

Table 14: Traffic considered by the Authority for the Third Control Period

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Passenger Traffic (Mn)						
Domestic	12.06	18.62	19.51	21.28	24.82	96.29
International	0.89	2.89	3.85	4.16	4.47	16.26
Total	**12.95**	**21.51**	**23.36**	**25.44**	**29.29**	**112.55**
Air Traffic Movements (Nos)						
Domestic	107,659	166,238	174,154	189,986	221,650	859,687
International	5,826	18,997	25,329	27,355	29,382	106,889
Total	**113,485**	**185,235**	**199,483**	**217,341**	**251,032**	**966,576**
Cargo Projection (MT)						
Domestic	58,640	62,158	69,445	76,204	81,623	348,070
International	77,732	82,396	92,056	101,015	108,198	461,397
Total	**136,372**	**144,554**	**161,501**	**177,219**	**189,821**	**809,467**

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

5.3.5. The Authority examined passenger traffic submissions made by GHIAL 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 GHIAL is presented in the table below:

Table 15: PAX Traffic Variation between the Authority's projections and actuals for the Third Control Period

FY ending March (in Mn)	FY22	FY23	FY24	FY25	FY26	Total
Total PAX Traffic decided by the Authority in the TCP order (A)	12.95	21.51	23.36	25.44	29.29	112.55
Total PAX Traffic as per actuals submitted by AO (B)	12.43	21.00	25.04	29.17	30.48	118.12
Variation (B-A)	(0.52)	(0.51)	1.68	3.73	1.19	5.57
Variation (%) – Increase/(Decrease)	*(4%)*	*(2%)*	*7%*	*15%*	*4%*	*5%*

5.3.6. The Authority, vide its Tariff Order for the Third Control Period (FY22 – FY26), had projected the total passenger traffic at Rajiv Gandhi International Airport, Hyderabad ("RGIA") at 112.55 million passengers cumulatively over the five-year control period. As against the said projection, the actual passenger throughput stood at 118.12 million passengers, reflecting an aggregate positive variation of approximately 5% over the control period.

5.3.7. Actual passenger traffic in FY22 stood at 12.43 million as against the projected 12.95 million, reflecting a shortfall of approximately 4%. The said shortfall is directly attributable to the second wave of the COVID-19 pandemic.

5.3.8. Actual passenger traffic in FY23 was 21.00 million as against the projected 21.51 million, reflecting a marginal shortfall of approximately 2%. The variation is attributable to slower-than-anticipated recovery of international passenger traffic, particularly on long-haul routes.

5.3.9. Actual passenger traffic in FY24 stood at 25.04 million as against the projected 23.36 million, reflecting a positive variation of approximately 7%. The higher-than-projected throughput is attributable to pent-up travel demand following the easing of all pandemic-related restrictions.

5.3.10. Actual passenger traffic in FY25 stood at 29.17 million as against the projected 25.44 million, reflecting a significant positive variation of approximately 15%. The said variation is attributable to a confluence of factors, augmented terminal capacity enabling handling of higher passenger volume and launch of new domestic and international routes.

5.3.11. Actual passenger traffic in FY26 stood at 30.48 million as against the projected 29.29 million, reflecting a positive variation of approximately 4%. The said variation is attributable to sustained growth in air travel demand and continued expansion of domestic and international route networks.

5.3.12. The Authority further noted that actual passenger traffic for the Third Control Period exceeded the estimates considered by the Authority in the Tariff Order for the Third Control Period. The key factors contributing to this growth include the following:

- Improved connectivity to domestic and international destinations.
- Increase in regional economic activity
- Recovery and growth in travel demand after the COVID-19 pandemic

5.3.13. The Authority independently also verified the passenger traffic data with the traffic data available on the Airports Authority of India website. The revised passenger traffic submitted by GHIAL for the Third Control Period is consistent with the data available from AAI.

5.3.14. The Authority also examined the variation between Air Traffic Movements projected by the Authority at the time of tariff determination for the Third Control Period and the actual ATMs submitted by GHIAL. The comparison is shown in table below:

Table 16: ATM Variation between the Authority's Projections and Actuals for the Third Control Period

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Total ATM Projected by the Authority in the TCP order (A)	113,485	185,235	199,483	217,341	251,032	966,576
Total ATM as per actuals (B)	113,926	158,747	176,286	202,395	207,900	859,194
Variation (B-A)	441	(26,488)	(23,197)	(14,946)	(43,132)	(107,382)
Variation (%) – Increase/(Decrease)	*0%*	*(14%)*	*(12%)*	*(7%)*	*(17%)*	*(11%)*

5.3.15. As can be seen in the table above, the actual ATMs during the Third Control Period were lower than the ATMs projected by the Authority at the time of tariff determination for the Third Control Period. The highest variation was observed in FY 2025-26, where actual ATMs were lower by approximately 17% compared to the projected ATMs.

5.3.16. The Authority noted that the lower-than-projected ATMs were primarily due to improvement in passenger load factors and changes in fleet deployment. The passenger load factors increased from around 68% in FY 2021-22 to around 84% in FY 2024-25, thereby enabling airlines to carry higher passenger volumes without a proportionate increase in aircraft movements. Further, the declining share of ATR aircraft from 26% to 22% in FY 2024-25 also contributed to more efficient capacity deployment and lower ATMs compared to projections.

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

Cargo Traffic

5.3.18. The Authority also examined the variation between cargo traffic projected by the Authority at the time of tariff determination for the Third Control Period and the actual cargo traffic submitted by GHIAL. The comparison is shown in table below:

Table 17: Cargo Traffic Variation between the Authority's Projections and Actuals for the Third Control Period

FY ending March (MT)	FY22	FY23	FY24	FY25	FY26	Total
Cargo Traffic Projected by the Authority in the TCP Order (A)	136,372	144,554	161,501	177,219	189,821	809,467
Cargo Traffic as per actuals (B)	140,075	142,434	149,812	167,665	192,458	792,444
Variation (B-A)	3,703	(2,120)	(11,689)	(9,554)	2,637	(17,023)
Variation (%) – Increase/(Decrease)	*3%*	*(1%)*	*(7%)*	*(5%)*	*1%*	*(2%)*

5.3.19. As seen from table above, the overall cargo traffic for the Third Control Period was lower than the projections considered by the Authority by around 2%. The variation was relatively higher in FY 2023-24 and FY 2024-25, while the variation in other years was comparatively limited.

5.3.20. The variation between projected and actual cargo traffic during the Third Control Period is primarily due to the impact of the COVID-19 pandemic and the uneven recovery that followed. As shown in the table above, disruptions led to slower and more volatile recovery in the initial years, with deviations narrowing as conditions stabilized in later years.

5.3.21. The Authority had also independently verified the cargo traffic data with the data available on the Airports Authority of India website. The revised cargo traffic submitted by GHIAL for the Third Control Period is consistent with the data available from AAI.

5.3.22. In view of the above facts and figures, the Authority proposed to consider Traffic for true-up of the Third Control Period as presented in Table 13 at the Consultation Stage.

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

5.3.23. 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. 02/2026-27 dated 19th June 2026 regarding True-up of Traffic for the Third Control Period. The comments of the stakeholders are presented below.

GHIAL's comments regarding True-up of Traffic for the Third Control Period

5.3.24. No comments were received from GHIAL regarding True-up of Traffic for the Third Control Period.

Other Stakeholders' comments on True-up of Traffic for the Third Control Period

5.3.25. IATA's comment with regards to True-up of Traffic for the Third Control Period is as follows:

"IATA notes that actual passenger traffic during the Third Control Period reached 118.1 million passengers, exceeding AERA's forecast by approximately 5%. Given that airport costs are largely fixed, the higher-than-forecast passenger volumes should result in a lower per-passenger cost burden. Airlines therefore expect the benefits of stronger traffic performance to be reflected fully in the true-up process and ultimately in lower charges for airport users.

This outcome is also relevant for the Fourth Control Period because it demonstrates the importance of ensuring that forecast risk is not treated asymmetrically. Where actual traffic exceeds forecast, users should receive the benefit through lower unit costs and appropriate true-up. Conversely, where traffic or cost assumptions underperform, the regulatory framework already provides mechanisms through which efficient variances may be addressed. This confirms that airport users are exposed to a meaningful share of demand and revenue risk through the regulatory model – and reinforce the need for corresponding discipline in the treatment of WACC, O&M escalation and future capital recovery."

GHIAL's response to Stakeholders' comments regarding True-up of Traffic for the Third Control Period

5.3.26. GHIAL's response to IATA's comment on True-up of Traffic for the Third Control is as follows:

"GHIAL respectfully submits that the existing Multi-Year Tariff Framework is designed to determine tariffs for the entire Control Period on a present value basis, allowing the recovery of prudently incurred Capex & Opex through a stable and predictable tariff trajectory. In case of any under or over recovery by Airport Operator, the same gets claw backed at the rate of WACC to the next control period as true-up. Therefore, higher risk of any revenue loss is more on Airport Operator, rather than passengers."

Authority's analysis on Stakeholder's comments on True-up of Traffic for the Third Control Period

5.3.27. The Authority notes the submission made by the International Air Transport Association (IATA) and GHIAL's counter comments regarding the true-up of traffic for the Third Control Period and the implications of actual traffic performance exceeding the Authority's forecast.

5.3.28. The Authority notes that actual passenger traffic during the Third Control Period reached 118.1 million passengers, which exceeded the Authority's forecast by approximately 5%, as submitted by IATA. The Authority notes that this higher-than-forecast traffic performance demonstrates the importance of accurate traffic projections and robust true-up mechanisms in the regulatory framework.

5.3.29. The Authority duly notes and agrees with the IATA's observation that airport costs are largely fixed in nature, and therefore, higher-than-forecast passenger volumes should result in lower per-passenger cost burden. The Authority reiterates that this sound principle is appropriately reflected in the regulatory framework through over-recovery adjusted during true-up of previous Control Period in the subsequent Control Period as follows:

- **Operating Cost Leverage:** Fixed operating costs spread over higher traffic volume result in lower unit costs
- **Capital Cost Recovery:** As depreciation on the approved RAB is largely fixed, higher traffic spreads the cost over a larger passenger base, resulting in lower depreciation per passenger and reduced tariff impact.
- **User Benefit:** Lower per-unit costs should be reflected in tariff moderation for subsequent control periods

5.3.30. The Authority notes IATA's submission that forecast risk should not be treated asymmetrically. Authority is of the view that the True-up mechanisms exist precisely to correct forecast errors in either direction and ensure that final cost recovery is proportionate to actual traffic performance and actual costs incurred.

5.3.31. The Authority, therefore, considers that the actual traffic during the Third Control Period was higher than the forecast and, since a substantial part of airport costs is fixed, the higher traffic has resulted in better utilisation of the airport infrastructure. Accordingly, the benefit of the higher traffic has been passed on to airport users through the true-up process, which helps in moderating the tariffs for the Fourth Control Period. This approach ensures that airport costs are recovered fairly from users based on the use of airport infrastructure, while maintaining a reasonable balance of risks between the airport operator and the users, in accordance with the AERA Act, 2008 and AERA Tariff Guidelines, 2011. Accordingly, the Authority retains its proposal and decides to consider the traffic for True-up of Third Control Period as per Table 13.

5.4. True-up of Capital Expenditure (Capex), Depreciation and Regulatory Asset Base (RAB) for the Third Control Period

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

Expansion project for 34 MPPA

5.4.1. GHIAL submitted that RGIA witnessed significant traffic growth during FY2017 to FY2019, which required GHIAL to revisit the earlier expansion plan approved by the Authority in Order No. 34/2019-20 for the determination of Second Control Period, for expansion to 20 MPPA. Accordingly, GHIAL revised the capacity expansion plan and initiated expansion of RGIA to 34 MPPA to cater to traffic growth expected during determination of the Third Control Period.

5.4.2. GHIAL submitted a total capital expenditure of Rs. 7,177.51 Crores for True-up of the Third Control Period as against the approved capital expenditure of Rs. 6,090.78 Crores in the Third Control Period tariff order. The Asset category wise (head wise) details of CAPEX submitted by GHIAL for the Third Control Period are presented below:

Table 18: Head wise Capex submitted by GHIAL for True-up of the Third Control Period

(Rs. In Crores)

S.No	Particulars	Capex submitted by GHIAL
1	Expansion of Terminal Building	2916.03
2	Airport Systems	1141.80
3	Expansion of Apron & Taxiways, GSE Tunnel	1007.44
4	Expansion Kerb & Approach ramp	147.74
5	Road Infrastructure	167.42
6	**Total Hard Costs**	**5380.43**
7	Preliminaries	18.33
8	Insurance & Permits	19.18
9	Design Development and PMC	253.40
10	**Soft Costs excluding IDC**	**5671.34**
11	Interest During Construction	1506.17
12	**Total cost**	**7177.51**

5.4.3. GHIAL submitted that the expansion contract management was planned through a mix of independent packages and EPC contracts. In respect of EPC contracts, GHIAL invited tenders through International Competitive Bidding. Post negotiation of financial bids, the contracts were broken into two packages in order to optimise project cost and avail input tax credit on supplies under Goods and Services Tax ("GST"). The two packages comprised:

i. All works other than Airport Systems, awarded to M/s Larsen & Toubro Limited ("L&T").

ii. Airport Systems, awarded to M/s Megawide Construction Corporation ("MCSP") and M/s Beumer Group.

In addition, independent packages were awarded through competitive bidding to M/s MVR and M/s VNC for specific airside and road infrastructure works respectively.

5.4.4. GHIAL also submitted the actual cost incurred towards the 34 MPPA expansion project. As per GHIAL's submission, the total expansion capex incurred amounts to Rs. 5,671.34 Crores before IDC, which is higher than the cost of Rs. 5,596.23 Crores submitted by GHIAL during the Third Control Period tariff determination and higher than the cost of Rs. 4,820.05 Crores before IDC approved by the Authority in Order No. 12/2021-22.

Table 19: Summary of Contract Awarded for 34 MPPA Expansion as submitted by GHIAL

(Rs. In crores)

Particulars	L&T	MCSP	MVR	VNC	Beumer	Others	Total
Expansion of the Terminal Building including Piers	2,753.80	-	-	-	-	162.23	2,916.03
Airport Systems	-	906.54	-	-	152.48	82.77	1,141.80
Expansion of Apron & Taxiways, GSE Tunnel	746.90	-	142.70	58.52	-	59.31	1,007.44
Expansion of the Kerb & Approach Ramp	-	-	-	146.77	-	0.97	147.74
Road Infrastructure	-	-	-	23.38	-	144.04	167.42
Total Hard Cost (A)	**3,500.70**	**906.54**	**142.70**	**228.67**	**152.48**	**449.32**	**5,380.43**
Preliminaries	-	-	-	-	-	18.33	18.33
Insurance & Permits	-	-	-	-	-	19.18	19.18
Design Development and PMC	-	-	-	-	-	253.40	253.40
Total Soft Cost (B)	**-**	**-**	**-**	**-**	**-**	**290.91**	**290.91**
Cost before IDC (C) = (A) + (B)	**3,500.70**	**906.54**	**142.70**	**228.67**	**152.48**	**740.24**	**5,671.34**

5.4.5. The key reasons for increase in project cost over the amount approved by the Authority, as submitted by GHIAL, are as follows:

a) L&T Contract – All works other than Airport Systems

5.4.6. GHIAL submitted that the original L&T contract value, including changes submitted to the Authority during the Third Control Period tariff determination, was Rs. 3,063.98 Crores. The final cost of the L&T contract as submitted by GHIAL is Rs. 3,500.70 Crores, representing an increase of Rs. 436.72 Crores. GHIAL attributed the increase to the following:

i. **Changes in scope of works and utilisation of contingency budget – Rs. 228.11 Crores:**

During execution of the expansion works, GHIAL undertook additional works from the contingency budget, including revised layout of south east remote apron along with taxilane works, four Rapid Exit Taxiways in compliance with CAT-II requirements, aviation fuel hydrant system works at west pier, additional filling at north west apron, electrical load enhancements from 14.8 MW to 37.6 MW, grid changes in the terminal building from 9m x 9m to 18m x 18m and 18m x 36m, façade modifications, enhancements in toilet specifications, increase in warehouse and office areas and other design enhancements.

ii. **Extended stay cost – Rs. 112.10 Crores:**

GHIAL submitted that the project duration was extended for the terminal building from the original planned completion to FY2024 on account of multiple unforeseen lockdowns and restrictions due to COVID-19, logistics disruptions and manpower exodus, resulting in extended stay cost implications.

iii. **Price escalation for L&T contract – Rs. 76.70 Crores:**

GHIAL has submitted that price escalation was assessed and settled with L&T based on WPI evaluation, considering the extended project timeline.

iv. **Additional design manhours – Rs. 9.42 Crores:**

GHIAL submitted that L&T incurred additional manhours during execution due to changes in design, resulting in revised architectural, structural and MEP drawings.

v. **Decrease in scope of works – Rs. (102.07) Crores:**

GHIAL submitted that it revisited material specifications for certain materials used in airside and PTB works, length and breadth of certain civil works and configuration of RETs, i.e., 2 RETs at Code C and 2 RETs at Code E compliant, which resulted in reduction in cost.

b) Megawide Contract – Airport Systems

5.4.7. GHIAL submitted that the original Megawide contract value, including changes submitted to the Authority during the Third Control Period tariff determination, was Rs. 875.04 Crores. The final cost submitted by GHIAL is Rs. 906.54 Crores, representing an increase of Rs. 31.50 Crores. The increase comprises:

i. Descoping of self-baggage drop and revision to scope of other works amounting to Rs. (32.71) Crores.

ii. Claims from Megawide amounting to Rs. 64.21 Crores arising from multiple unforeseen events, including delay in approvals, COVID-19 lockdowns, Russia-Ukraine conflict and impact on supply chain, resulting in price escalations and extension of project timeline from FY2021 to FY2024.

c) Beumer Contract – Airport Systems

5.4.8. GHIAL submitted that the original Beumer contract value was Rs. 138.32 Crores. The final cost submitted by GHIAL is Rs. 152.48 Crores, representing an increase of Rs. 14.16 Crores on account of prolongation cost due to extended project timelines.

5.4.9. Based on the above, GHIAL submitted the total capitalisation up to March 31, 2025, for the true-up of the Third Control Period.

Table 20: Capex submitted by GHIAL for True-up of the Third Control Period

(Rs. In crores)

Particulars	Project Cost (A)	Capitalised till Mar'25 (B)	GST Input Credit on P&M (C)	Capital Work in Progress (D)	Cost Incurred (E=B+C+D)	Carry Forwards (F=A-E)
Expansion of the Terminal Building including Piers	2,816.64	2,677.30	110.52	14.03	2,801.84	14.80
Airport Systems	1,189.20	973.56	180.59	6.13	1,160.27	28.92
Expansion of Apron & Taxiways, GSE Tunnel	984.54	930.47	13.72	0.00	944.19	40.35
Expansion of the Kerb & Approach ramp	147.74	147.59	0.15	0.00	147.74	0.00
Road Infrastructure	167.42	23.38	1.68	6.99	32.05	135.37
ICT Cost	33.17	19.24	4.11	3.96	27.31	5.86
Miscellaneous Direct Capex & Election Items	0.00	0.00	0.00	0.00	0.00	0.00
Enabling works	47.04	37.88	4.77	3.36	46.01	1.03
Total Cost	**5,385.74**	**4,809.41**	**315.53**	**34.47**	**5,159.41**	**226.33**
Preliminaries	18.60	15.33	0.79	0.15	16.28	2.32
Insurance & Permits	23.60	17.56	1.53	0.04	19.13	4.47
Design Development and PMC	243.40	227.20	5.94	9.29	242.42	0.98
Contingencies	0.00	0.00	0.00	0.00	0.00	0.00
Soft Cost	285.60	260.09	8.26	9.48	277.83	7.77
Cost Before IDC	**5,671.34**	**5,069.51**	**323.79**	**43.95**	**5,437.24**	**234.10**
IDC	1,506.17	1,506.17	0.00	0.00	1506.17	0.00
Total Cost of Expansion Projects	**7,177.51**	**6,576.22**	**323.79**	**43.95**	**6,943.41**	**234.10**

GHIAL's submission on Asset Allocation between Aeronautical and Non-Aeronautical Assets

5.4.10. GHIAL 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.

5.4.11. GHIAL, for the purpose of allocation of assets between aeronautical and non-aeronautical assets for the Third Control Period, submitted that it followed the methodology adopted by the Authority as per the Independent Study by CRISIL on Allocation of Assets, which was adopted by the Authority vide Order No. 12/2021-22 for the Third Control Period.

5.4.12. GHIAL further submitted that the allocation had been carried out after considering changes arising out of implementation of the Hon'ble TDSAT Judgement dated 14.02.2024.

5.4.13. GHIAL submitted the following supporting documents along with MYTP in support of its asset allocation methodology:

i. Statutory Auditor's report on allocation of assets from 01.04.2021 to 31.03.2025.

ii. Statutory Auditor's report on retrospective capitalisation of GST on civil portions from 01.04.2017 to 31.03.2024.

iii. Area Allocation Report post 34 MPPA expansion (Annexure 10 to MYTP for 4th Control Period)

GHIAL's submission on Aeronautical Capex

5.4.14. Based on the head-wise capex and the allocation ratios adopted by GHIAL, the aeronautical capex submitted by GHIAL for the true-up of the Third Control Period aggregates to Rs. 6,205.39 Crores as detailed in the table below. The aeronautical portion of the capital expenditure works out to 86.46% of the total capex.

Table 21: Aeronautical Capital additions submitted by GHIAL for true-up of the Third Control Period

(Rs. In crores)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Capital Additions	478.78	1729.91	3171.26	349.00	476.43	**6205.39**

Recap of Capex approved in the Third Control Period Tariff Order

5.4.15. The Authority, at the time of tariff determination for the Third Control Period for GHIAL, decided the treatment of capital expenditure, asset allocation and depreciation for determination of Aeronautical Regulatory Asset Base ("RAB") as per Order No. 12/2021-22. The Authority had considered the capital expenditure proposed by GHIAL towards expansion of RGIA to 34 MPPA, general maintenance capital expenditure, metro connectivity, PSF assets and other capital expenditure items to be considered on incurrence basis. Further, since the tariffs were being determined based on 30% shared till, the RAB excluded the portion of assets attributed to the provision of non-aeronautical services. The Authority had accordingly considered only the aeronautical portion of assets for determination of RAB and depreciation for the Third Control Period.

5.4.16. As per the Tariff Order for the Third Control Period, i.e., Order No. 12/2021-22, the Authority, based on the analysis of the capital expenditure plan submitted by GHIAL and findings of the M/s RITES Limited Report, decided to allow Rs. 4,525.55 Crores (total capex) towards expansion capex, leading to capitalisation of Rs. 4,088.79 Crores in the Third Control Period. Further, the Authority had decided to allow Interest During Construction ("IDC") of Rs. 436.76 Crores based on prudent means of financing. Accordingly, the total expansion capex including IDC approved by the Authority for the Third Control Period was Rs. 4,525.55 Crores, i.e. total of Rs. 4088.79 Crores and Rs. 436.76 crores. Out of the total expansion capex of Rs. 4,525.55 Crores approved by the Authority, Rs. 4,083.86 Crores was considered as aeronautical capex. Further, the Authority allowed Rs. 1,565.23 Crores towards general capital expenditure for the Third Control Period, out of which Rs. 1,434.14 Crores was considered as aeronautical capex. Accordingly, the total capital expenditure allowed by the Authority for the Third Control Period, including both expansion capex and general capital expenditure, was Rs. 6,090.78 Crores, out of which Rs. 5,518.00 Crores was considered as Aeronautical Capex.

5.4.17. Decision No. 6.6.6: "*to allow GHIAL Rs. 4,820.05 Crores towards expansion capex, leading to capitalisation of Rs. 4,088.79* Crores *in the Third Control Period. Further, the Authority also decided to allow Interest During* Construction *("IDC") of Rs. 436.76 Crores for financing of the expansion capex based on prudent means of financing.* Accordingly, *the total expansion capex including IDC approved by the Authority was Rs. 4,525.55 Crores*".

Table 22: Break-up of the expansion project cost approved by the Authority in the Tariff Order for the Third Control Period

(Rs. In crores)

Particulars	As per GHIAL	As per Authority		
	Total Capex	Total	Aero	Non-Aero
Expansion of the Terminal Building including Piers (1)	2,517.23	2,227.10	1,884.13	342.97
Airport Systems (2)	1,070.00	960.67	960.67	0.00
Expansion of Apron & Taxiways, GSE Tunnel (3)	387.05	275.10	275.10	0.00
Expansion of the Kerb & Approach Ramp (4)	34.76	34.76	34.76	0.00
Road Infrastructure (5)	167.00	104.28	104.28	0.00
ICT Cost (6)	69.43	62.34	52.74	9.60
Miscellaneous Direct Capex (7)	57.00	51.18	43.30	7.88
Enabling Works (8)	46.73	41.96	35.49	6.46
Capitalized Pre-ops (9)	527.92	331.40	299.04	32.36
Capitalized IDC & Finance Charges (10)	602.68	436.76	394.35	42.41
Total Expenditure towards Capacity Expansion (a) = (sum of 1 to 10)	**5,479.79**	**4,525.55**	**4,083.86**	**441.69**

5.4.18. The capitalization schedule for the expansion capex as approved by the Authority in Order No. 12/2021-22 for the Third Control Period is given in the table below:

Table 23: Capitalisation schedule for the expansion capex approved by the Authority in the Tariff Order for the Third Control Period

(Rs. In crores)

Particulars	2022	2023	2024	2025	2026	Total
Aero	916.31	2,012.58	1,154.97	0.00	0.00	4,083.86
Non-Aero	90.98	219.37	131.34	0.00	0.00	441.69
Total	**1,007.29**	**2,231.96**	**1,286.31**	**0.00**	**0.00**	**4,525.55**

5.4.19. With respect to metro connectivity, the Authority vide decision No. 6.6.1 of Order No. 12/2021-22 decided not to allow the capital expenditure of Rs. 519 Crores towards metro connectivity during the Third Control Period. The Authority noted that, at that stage, specific details regarding the project such as components to be developed within the airport premises, cost details of various components, ownership etc. were not available. However, the Authority noted that the expenditure towards metro connectivity may be considered in future subject to the following conditions:

i. There is ring-fencing of assets and assets are within the boundary of the airport;

ii. The assets are capitalised in the books of GHIAL and put to use in accordance with the extant rules and regulations of AERA;

iii. The metro stations cater only to the airport. To clarify, metro stations for city side, aero city or any non-aeronautical services will not be considered as part of RAB.

5.4.20. In respect of general maintenance capital expenditure, the Authority vide decision Nos. 6.6.2 and 6.6.4 of Order No. 12/2021-22 decided to allow the following capital expenditure for the Third Control Period:

i. Airfield pavement enhancement and airfield ground lighting upgrade: The Authority decided to allow the capital expenditure of Rs. 308.56 Crores.

ii. General and allied capital works: The Authority decided to allow capex of Rs. 1,256.67 Crores.

5.4.21. Accordingly, the total general maintenance capital expenditure approved by the Authority was Rs. 1,565.23 Crores for the Third Control Period.

5.4.22. With respect to capital expenditure towards PSF assets, the Authority vide decision No. 6.6.5 of Order No. 12/2021-22 decided not to consider the capital expenditure of Rs. 94.30 Crores towards CISF residential quarters for the Third Control Period at that stage, given that the matter was sub-judice.

5.4.23. Further, the Authority vide decision No. 6.6.11 of Order No. 12/2021-22 decided to consider the general capital expenditure on incurrence basis for the following items as part of the true-up exercise, subject to efficiency and reasonableness:

i. Body Scanners

ii. NATS study for new runway requirement and airside capacity

iii. AOCC, IMC and SOCC in the expanded terminal

iv. Widening of the perimeter road

v. Development of GA Apron drains

5.4.24. In respect of asset allocation methodology, the Authority vide decision No. 6.6.3 of Order No. 12/2021-22 decided the following for the Third Control Period:

i. For the purpose of determination of RAB, the common assets related to the passenger terminal were apportioned into aeronautical and non-aeronautical assets utilising the Terminal Area Ratio of 84.6% (Aero) and 15.4% (Non-Aero).

ii. The common assets pertaining to functions other than the terminal building were apportioned utilising the average aeronautical asset ratio for the Second Control Period i.e. 91.3% (Aero) and 8.7% (Non-Aero).

5.4.25. The Authority had adopted the Independent Study by CRISIL on Allocation of Assets between Aeronautical Assets and Non-Aeronautical Assets for the purpose of asset allocation during the Third Control Period.

5.4.26. Based on the above decisions, the Authority had approved the capex for expansion of RGIA to 34 MPPA, general maintenance capital expenditure, airfield pavement enhancement and airfield ground lighting upgrade, and had decided the treatment for metro connectivity, PSF assets and certain items to be considered on incurrence basis. The overall capex approved by the Authority for the Third Control Period as part of Order No. 12/2021-22 is summarised in the table below:

Table 24: Summary of the Capex decided by the Authority in the Tariff Order of the Third Control Period

(Rs. In crores)

Sr. No.	Particulars (Rs. Crores)	2022	2023	2024	2025	2026	Total
1	Capacity Expansion to 34 MPPA (a)	1,007.29	2,231.96	1,286.31	0.00	0.00	4,525.55
2	Metro Contribution (b)	0.00	0.00	0.00	0.00	0.00	0.00
3	General Maintenance Capital Expenditure (c)	816.40	359.13	119.71	214.55	55.43	1,565.23
4	Capex toward PSF Assets (CISF quarters) (d)	0.00	0.00	0.00	0.00	0.00	0.00
5	**Total Capex (e) = (sum of a to d)**	**1,823.69**	**2,591.09**	**1,406.02**	**214.55**	**55.43**	**6,090.78**
6	**Aeronautical Capex (e)**	**1,649.43**	**2,346.12**	**1,259.96**	**208.13**	**54.36**	**5,518.00**
7	**Non-Aeronautical Capex (f)**	**174.26**	**244.97**	**146.07**	**6.42**	**1.07**	**572.78**

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

5.4.27. The Authority noted that GHIAL had proposed a total Capital Expenditure of Rs. 7,177.51 Crores for true-up of the Third Control Period as against the total approved Capital Expenditure of Rs. 6,090.78 Crores in the Tariff Order of the Third Control Period, resulting in a net variance of Rs. 1,086.73 Crores.

Table 25: Comparison of Project-wise Capex approved by the Authority in the Tariff Order of the Third Control Period and the Capex submitted by GHIAL for True-up of Third Control Period

(Rs. In crores)

Particulars	As approved by the Authority in TCP Order (A)	As submitted by GHIAL in True-up (B)	Variance (B-A)
	Total	Total	
Expansion of the Terminal Building including Piers (1)	2,227.10	2916.03	688.93
Airport Systems (2)	960.67	1141.80	181.13
Expansion of Apron & Taxiways, GSE Tunnel (3)	275.10	1007.44	732.34
Expansion of the Kerb & Approach Ramp (4)	34.76	147.74	112.98
Road Infrastructure (5)	104.28	167.42	63.14
ICT Cost (6)	62.34	-	-62.34
Miscellaneous Direct Capex (7)	51.18	-	-51.18
Enabling Works (8)	41.96	-	-41.96
Capitalized Pre-ops (9)	331.40	-	-331.40
Capitalized IDC & Finance Charges (10)	436.76	1,506.17	1,069.41
General Expenditure (11)	1,565.23	-	-1,565.23
Total Expenditure (a) = (sum of 1 to 11)	**6,090.78**	**7,177.51**	**1,086.73**

Review of variance in additional Capital Cost and Asset Capitalization date/ scheduling

5.4.28. In order to examine the above variances, the Authority, through its Independent Consultant, had undertaken a detailed review and due diligence of the actual capital expenditure incurred by GHIAL during the Third Control Period vis a vis the Capital Expenditure allowed by the Authority in the Tariff Order of the Third Control Period. The review included examination of the Fixed Asset Register, procurement and bidding processes, project implementation details, capitalisation dates, work orders, invoices, completion certificates, auditor's certificates and other supporting documentation submitted by GHIAL.

5.4.29. As part of the due diligence exercise, the Independent Consultant also reviewed the need, essentiality and prudence of the capital expenditure, keeping in view the prevailing and projected traffic demand at RGIA. The assessment included examination of the expansion works undertaken for enhancement of airport capacity to 34 MPPA, general maintenance capital expenditure, airside and terminal-related works, airport systems, road infrastructure, and other capital expenditure items submitted by GHIAL for true-up.

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

5.4.31. The Authority noted that GHIAL had submitted capital expenditure of Rs. 5,479.79 Crores towards expansion of RGIA to 34 MPPA. The Authority during the tariff determination exercise of Third Control Period, had engaged M/s RITES Limited as an independent consultant, to examine the scope, size, cost reasonableness of the expansion capex submitted by GHIAL. Based on its examination, M/S RITES LIMITED recommended an amount of Rs. 4,785.86 Crores. Further, after considering the submissions made by GHIAL and the comments received during the stakeholder consultation process, the Authority allowed capitalisation of Rs. 4,525.55 Crores towards the 34 MPPA expansion project for the Third Control Period.

5.4.32. The Authority noted GHIAL's submission that the expansion project timeline was extended from the original capitalization year of FY21 to actual capitalization year of FY24 on account of COVID-19 lockdowns, supply chain disruptions and other force majeure events, which resulted in additional interest costs during the extended construction period. GHIAL had further submitted that the increase in project cost before IDC from Rs. 5,654.02 Crores to Rs. 5,671.34 Crores required higher debt funding as well as extension of capitalization schedule leading to higher interest expenses, thereby increasing the IDC burden.

5.4.33. Based on the submissions made by the Airport Operator and the decisions taken by the Authority in the Tariff Order for the Third Control Period, the Authority had decided to analyze the capital expenditure in two parts:

(A) Capital Expenditure towards expansion of RGIA to 34 MPPA; and

(B) General capital expenditure.

5.4.34. The analysis of the same is presented in the following paragraphs.

(A) Capital Expenditure pertaining Expansion to 34 MPPA

Compliance with Concession Agreement and Approved Expansion Plan

5.4.35. The Authority noted that RGIA witnessed significant traffic growth during FY17–FY19, rendering the earlier expansion plan to 20 MPPA to be revisited in order to meet the growing demand. Accordingly, GHIAL revised the capacity expansion plan and initiated capacity expansion to 34 MPPA to cater to the growth in traffic in the Third Control Period (FY22–FY26).

5.4.36. The Authority noted that GHIAL had conducted an AUCC meeting on 7th September 2018 apprising the Authority and stakeholders of the overall expansion plan and the requirements therein. The Authority further noted that the expansion project was undertaken in accordance with the Concession Agreement and the development obligations of GHIAL as the airport operator.

5.4.37. The summary of the works executed by GHIAL for the purpose of meeting the 34 MPPA capacity for RGI Airport includes expansion of the passenger terminal building on both eastern and western sides with additional pier expansions, apron expansion on the west-side, construction of new Rapid Exit Taxiways, second parallel Taxiway (Taxiway-B), GSE Tunnel, 8-lane Main Access Road with elevated ramp, and associated airside and landside infrastructure. In total, an additional built-up area of 2,58,089 Sqm had been added to the existing terminal size of 1,21,281 Sqm, resulting in an integrated terminal of 3,79,370 Sqm, thereby increased the design capacity of the terminal building from 20 MPPA to 34 MPPA currently.

Bidding Procedure adopted by GHIAL

5.4.38. The Authority noted that GHIAL had planned the expansion contract management through a mix of independent packages and EPC contracts. In respect of the EPC contracts, GHIAL had invited tenders through International Competitive Bidding (ICB).

5.4.39. Request for Qualification (RFQ) for EPC works was published on 26.09.2017 to obtain Expression of Interest from interested applicants having prior experience in EPC work of similar nature. In response to the RFQ notification, Expressions of Interest were received from four firms:

i. M/s Larsen & Toubro Limited, India

ii. M/s Megawide Construction Corporation, Philippines

iii. M/s Limak As, Turkey

iv. M/s Shapoorji Pallonji & Company Private Limited, India

5.4.40. Based on the evaluation, three bidders namely M/s Larsen & Toubro Limited, M/s Megawide Construction Corporation and M/s Limak As, were pre-qualified to participate in the bidding. Subsequent to the pre-qualification process, GHIAL floated the invitation to tender on 01.12.2017 with the deadline for submission as 15.01.2018. Post pre-bid meeting and subsequent amendments, the final submission date was extended to 22.03.2018.

5.4.41. Tenders were opened on 24.03.2018 for technical evaluation and all bidders were technically qualified, with L&T scoring the highest technical score. The financial bids were opened on 04.07.2018, followed by two rounds of negotiations. At this stage, to optimize project cost and avail input tax credit on supplies under GST, GHIAL identified that the EPC contract can be split into two packages - Airport Systems and all works other than Airport Systems.

5.4.42. The final quotes received from the qualified bidders are summarised below:

Table 26: Final quotes by qualified bidders for 34 MPPA expansion

(Rs. In crores)

Items	Option 1 (Entire Scope)		Option 2 (All works other than Airport Systems)		Option 3 (Airport Systems)	
	L&T	Megawide	L&T	Megawide	L&T	Megawide
Phase 1 Works	2,355.52	2,523.04	1,768.62	1,978.57	Regretted to Quote	591.51
Phase 2 Works	997.86	1,001.48	720.38	779.30		230.81
Sub-Total	**3,353.38**	**3,524.52**	**2,489.00**	**2,757.87**		**822.32**
Taxes & Cess	643.17	634.43	477.39	528.96		157.72
Total	**3,996.55**	**4,158.95**	**2,966.39**	**3,286.83**		**980.04**

5.4.43. By splitting the contract between L&T and Megawide, GHIAL managed to achieve a saving of Rs. 50.82 Crores compared to the lowest single bidder option. Accordingly, the contracts were awarded as follows:

i. All works other than Airport Systems: Awarded to M/s Larsen & Toubro Limited (L&T)

ii. Airport Systems: Awarded to M/s Megawide Construction Corporation (MCSP) and M/s Beumer Group

iii. Airside works: Independent package awarded to M/s MVR

iv. Road and ramp infrastructure: Independent package awarded to M/s VNC

Comparison of Project Cost

5.4.44. The Authority noted that the total expansion capex submitted by GHIAL in the MYTP for the Fourth Control Period amounts to Rs. 5,671.34 Crores (before IDC), as against the cost of Rs. 5,596.23 Crores submitted by GHIAL during the Third Control Period tariff determination and Rs. 4088.79 Crores (before IDC) as approved by the Authority in Order No. 12/2021-22.

The comparison of the project cost for the 34 MPPA expansion is presented below:

Table 27: Comparison of Project Cost for 34 MPPA Expansion

(Rs. In crores)

Particulars	Submitted by GHIAL during 3rd CP Tariff Determination	Approved by Authority in Order No. 12/2021-22	Submitted by GHIAL in MYTP for 4th CP for True-up
Hard Cost			
Expansion of Terminal Building	2517.23	2227.10	2916.03
Airport Systems	1070.00	960.67	1141.80

Particulars	Submitted by GHIAL during 3rd CP Tariff Determination	Approved by Authority in Order No. 12/2021-22	Submitted by GHIAL in MYTP for 4th CP for True-up
Expansion of Apron & Taxiways, GSE Tunnel	946.40	275.10	1007.44
Expansion Kerb & Approach ramp	156.40	34.76	147.74
Road Infrastructure	167.00	104.28	167.42
ICT Cost	69.43	62.34	
Misc direct capex and Election items	57.00	51.18	
Enabling works	46.73	41.96	
Capitalized pre ops		331.40	
Total Hard Costs	**5030.19**	**4088.79**	**5380.43**
Soft Costs			
Preliminaries	47.20		18.33
Insurance & Permits	72.90		19.18
Design Development and PMC	202.94		253.40
Contingencies	243.01		
Soft Costs excluding IDC	**566.05**		**290.91**
Cost before IDC	**5596.24**	**4088.79**	**5671.34**

Cost Variations and Escalation in Capital Expenditure related to Expansion to 34 MPPA

5.4.45. The Authority through its Independent Consultant (PwC) had examined the reasons for the escalation in cost over the amount approved in Order No. 12/2021-22. The contract-wise examination is as follows:

L&T Contract (All works other than Airport Systems)

5.4.46. The Authority noted that the original L&T contract value including changes submitted to the Authority during the Third Control Period tariff determination was Rs. 3,063.98 Crores. The final cost of the L&T contract as submitted by GHIAL is Rs. 3,500.70 Crores, representing an increase of Rs. 436.72 Crores. The Authority through its Independent Consultant had examined the reasons for this increase as follows:

Table 28: Break-up of cost variations in L&T Contract

(Rs. In crores)

Particulars	Ref	Terminal Building	Apron & Taxiways incl. GSE Tunnel	Total
EPC Contract awarded through tender including changes submitted during the 3rd CP	A	2,343.44	720.54	3,063.98
Utilisation of provisional sums — Airport Weather Proofing	B	10.38	-	10.38
Increase in scope — Weather Proofing	C	8.69	-	8.69
Decrease in scope of works	D	(91.88)	(10.19)	(102.07)
New works from contingency — Airside Works	E	-	36.54	36.54
New works from contingency — Electrical Works	F	119.40	-	119.40
New works from contingency — Grid Change	G	83.52	-	83.52
New works from contingency — Other items	H	82.04	-	82.04
Additional design manhours	I	9.42	-	9.42
Extended stay cost	J	112.10	-	112.10
Price escalation (WPI-based)	K	76.70	-	76.70
Final L&T Contract Cost	**L**	**2753.81***	**746.89**	**3,500.70**

5.4.47. The Authority noted that GHIAL utilized the contingency budget amounting to Rs. 228.11 Crores against the contingency budget of Rs. 243.01 Crores allowed during the Third Control Period submission. The key works undertaken from the contingency budget include:

Airside Works

i. Revised layout of south-east remote apron along with taxilane works

ii. Four RETs in compliance to CAT-II requirements (as against CAT-I compliant)

iii. Construct additional length of pavement beyond 6M (as per consideration) on either side of GSE Tunnel eastern ramp at North East remote ramp

iv. Aviation fuel hydrant system works at west pier

v. Additional filling at north-west apron and increase in retaining wall height

vi. North West Apron: Due to level increase around 15,000 Sqm of existing rigid apron and flexible pavement was dismantled and reconstructed as per revised levels.

vii. South east taxiway and associated AGL works around 18,000 Sqm area (B2, H1)

Electrical Works

i. Instead of 5 no.s of 2,000 KVA, GHIAL procured 5 no.s of 2,500 KVA

ii. Instead of 2 No. of 3 MVA, GHIAL procured 4 no.s of 2 MVA

iii. 3 no.s of Transformers with capacity of 2.5 MVA

iv. 3 no.s of 11 KV DG Sets with capacity of 2 MVA

v. Electrical load enhancement

vi. UPS for IT Equipment

vii. Electrical Loads for Advertisement

viii. IT Loads

ix. Tenant Loads

Based on the above changes, the following additional changes were required:

i. Bus Ducts: - 3200A bus duct needs to be upgraded to 4000A

ii. Main LT Panels: - Incomer breaker & bus bar needs to be upgraded from 3200A to 4000A current rating

iii. APFC Panels: - APFC Panel KVAR rating changed from 2000KVA to 2500KVA

5.4.48. This also considers all required and associated works like Bus Duct, HT cable, LT cable, HT panel, LT panel, Sub LT panel, Cable Tray, and earthing works. Further, the overall connected load increased from 14.8 MW to 37.6 MW.

Grid Change

i. The existing Passenger Terminal Building was designed on a 9m x 9m structural grid, and the original tender drawings were also based on these dimensions. During execution, the structural grid was revised to 18m x 18m and 18m x 36m configurations. This change in grid dimensions had consequential impacts across multiple work packages including concrete works, shuttering, rebar, structural steel, façade systems, electrical works, HVAC ducting, and necessitated the provision of additional cable trenches in the apron area in lieu of routing through the bottom of the First Level Beam (FLB).Grid changes in the terminal building from 9m x 9m to 18m x 18m and 18m x 36m grids.

Other Items

i. Enhancement of Front-of-House (FOH) toilet specifications and FOH false ceiling works in the arrival areas at E-level and C-level of the East and West Piers and D-level of the East and West Processor buildings, along with all counters (excluding gate portals), as per the revised Woods Baggot concept design;

ii. Increase in the overall toilet areas across the terminal;

iii. Increase in the areas allocated for warehouse, office, SPS and STP office facilities;

iv. Increase in the First Level Beam (FLB) area and enhancement of FLB glass thickness; and

v. Enhancements in lighting specifications across the terminal in comparison to the original design specifications.

5.4.49. With respect to utilisation of the contingency budget amounting to Rs. 228.11 Crores, the Authority noted that the works undertaken from the contingency budget included, inter alia, the following:

- Revised layout of the south-east remote apron;
- Four Rapid Exit Taxiways ("RETs") in compliance with CAT-II requirements;
- Aviation fuel hydrant system works;
- Electrical load enhancement from 14.8 MW to 37.6 MW;
- Structural grid changes in the terminal building;
- Façade modifications;
- Enhancement in toilet specifications; and
- Changes in lighting and other design requirements.

5.4.50. The Authority noted that these works were necessitated by operational requirements, regulatory compliance and design optimisation during execution of the brownfield expansion project. The Authority was of the view that such modifications are not uncommon in projects of this scale and complexity. Further, the utilisation of the contingency budget had remained within the originally provisioned amount of Rs. 243.01 Crores.

5.4.51. The Authority noted that the L&T contract cost had increased primarily on account of extended stay cost, price escalation, additional design manhours and utilisation of contingency budget. The key reasons for such increase, as submitted by GHIAL, are as follows:

- Extended stay cost of Rs. 112.10 Crores;
- Price escalation of Rs. 76.70 Crores based on WPI evaluation;
- Additional design manhours of Rs. 9.42 Crores; and
- Utilisation of contingency budget amounting to Rs. 228.11 Crores against the provision of Rs. 243.01 Crores.

5.4.52. The Authority noted that the extended stay cost of Rs. 112.10 Crores was attributable to the extension of the project timeline for the terminal building from the original planned completion, i.e., FY2021, to FY2024. The extension was on account of multiple unforeseen events, including COVID-19 lockdowns and restrictions, logistics disruptions and manpower exodus. The Authority was of the view that these events

were largely beyond the control of GHIAL and were force majeure in nature. Accordingly, the resultant cost impact on the project appears to be unavoidable.

5.4.53. The Authority further noted that the price escalation of Rs. 76.70 Crores was assessed and settled based on Wholesale Price Index ("WPI") evaluation. The Authority considered WPI-based escalation to be a transparent and generally accepted methodology for computation of escalation in construction contracts. Therefore, the Authority was of the view that the price escalation had been computed on a reasonable basis and reflects the inflationary impact during the extended project duration.

5.4.54. The Authority also noted that GHIAL had submitted additional design manhours of Rs. 9.42 Crores on account of changes in architectural, structural and MEP drawings. These changes were consequent to the design modifications and scope changes undertaken during execution. The Authority was of the view that such costs are directly attributable to the approved scope changes and appear to be reasonable.

5.4.55. Further, the Authority noted that GHIAL had also accounted for a reduction in cost of Rs. 102.07 Crores on account of decrease in scope of works. The reduction is attributable to revision in material specifications, changes in dimensions of certain civil works and reconfiguration of Rapid Exit Taxiways. The Authority noted that the said reduction had partially offset the overall cost escalations in the L&T contract.

5.4.56. Based on the above examination, the Authority was of the view that the cost escalations towards the L&T contract are attributable to factors that were largely beyond the control of GHIAL, including the impact of COVID-19, force majeure events, regulatory compliance requirements and design optimisation necessitated during execution of the brownfield expansion project. The Authority had also compared the actual cost incurred by GHIAL with the normative cost benchmarks and noted that the actual cost falls within the parameters of the normative cost. Accordingly, the Authority was of the view that the final L&T contract cost of Rs. 3,500.70 Crores as submitted by GHIAL is reasonable and efficient, and proposed to consider the same for the purpose of true-up of the Third Control Period.

(ii) Megawide Contract (Airport Systems)

Table 29: Break-up of cost variations in Megawide Contract

(Rs. In crores)

Particulars	Ref	Amount
EPC Contract awarded through tender including changes submitted during the 3rd CP	A	875.04
Descoping of Self-Baggage Drop and revision to scope of other works	B	(32.71)
Claims from Megawide (COVID-19, Russia-Ukraine conflict, supply chain disruption, price escalation, project extension from FY21 to FY24)	C	64.21
Total cost of Airport Systems to Megawide (D = A + B + C)	**D**	**906.54**

5.4.57. The Authority noted that during the execution of the Airport Systems contract, GHIAL had undertaken a descoping exercise amounting to Rs. (32.71) Crores which included descoping of Self-Baggage Drops, revision in scope of PBB Tunnels, Ground Power Unit Converters and Hatch Pits, Pre-Conditioned Air Units, Screening Machines and VDGS. Simultaneously, the scope of works was increased in respect of CTX Screening Machines and Automated Tray Retrieval Systems, BHS Equipment and Pre-Conditioned Air Units and Ground Power Units proposed to be attached to the Passenger Boarding Bridges. The Authority was of the view that the descoping and scope enhancements were undertaken based on evolving design requirements and operational considerations during the course of execution.

5.4.58. The Authority further noted that multiple unforeseen events - including delays in approvals from various authorities, multiple lockdowns due to COVID-19 and associated bans, the Russia-Ukraine conflict and its impact on global supply chains and logistics - resulted in price escalations and extension of the project timeline from the originally planned completion in FY2021 to FY2024. These events, which were beyond

the control of GHIAL, resulted in multiple claims from Megawide amounting to Rs. 64.21 Crores. The Authority noted that these claims were settled after careful evaluation and multiple rounds of negotiations by March 2025.

5.4.59. The Authority was of the view that the events leading to the claims were force majeure in nature and the resultant cost impact was unavoidable. The Authority was of the view that GHIAL had exercised due diligence in evaluating and negotiating the claims and the settlement amount of Rs. 64.21 Crores is reasonable. Accordingly, the Authority proposed to consider the final Megawide contract cost of Rs. 906.54 Crores as submitted by GHIAL for the purpose of true-up of the Third Control Period.

(iii) Beumer Contract (Airport Systems)

5.4.60. The Authority noted that the original Beumer contract value was Rs. 138.32 Crores. The final cost was Rs. 152.48 Crores, an increase of Rs. 14.16 Crores on account of prolongation cost due to extended project timelines.

Table 30: Break-up of cost variations in Beumer Contract

(Rs. In crores)

Particulars	Ref	Amount
EPC Contract awarded through tender	A	138.32
Prolongation Cost	B	14.16
Total cost for Airport Systems to Beumer (C = A + B)	**C**	**152.48**

5.4.61. The Authority noted that the prolongation cost was attributable to the extension of the project timelines which was consequential to the overall delay in the 34 MPPA expansion project caused by COVID-19 lockdowns, supply chain disruptions and other force majeure events. The Authority was of the view that since the Beumer contract for Airport Systems was interlinked with the overall expansion project timeline, the prolongation cost arising from the extended project duration was unavoidable and beyond the control of GHIAL. Accordingly, the Authority was of the view that the prolongation cost of Rs. 14.16 Crores is reasonable and proposed to consider the final Beumer contract cost of Rs. 152.48 Crores as submitted by GHIAL for the purpose of true-up of the Third Control Period.

(iv) MVR and VNC Contracts

5.4.62. The Authority noted that the MVR contract for airside works was at Rs. 142.70 Crores, which was the same as the original contract value submitted during the Third Control Period. The VNC contract for road and ramp infrastructure was at Rs. 228.67 Crores as against Rs. 229.99 Crores submitted during the Third Control Period, representing a decrease of Rs. 1.32 Crores. Accordingly, the summary of vendor wise Cost submitted by GHIAL is as follows:

Table 31: Summary of Contract Awarded for 34 MPPA Expansion as submitted by GHIAL

(Rs. In crores)

Particulars	L&T	MCSP	MVR	VNC	Beumer	Others	Total
Expansion of the Terminal Building including Piers	2,753.80	-	-	-	-	162.23	2,916.03
Airport Systems	-	906.54	-	-	152.48	82.77	1,141.80
Expansion of Apron & Taxiways, GSE Tunnel	746.90	-	142.70	58.52	-	59.31	1,007.44
Expansion of the Kerb & Approach Ramp	-	-	-	146.77	-	0.97	147.74
Road Infrastructure	-	-	-	23.38	-	144.04	167.42
Total Hard Cost (A)	**3,500.70**	**906.54**	**142.70**	**228.67**	**152.48**	**449.32**	**5,380.43**

5.4.63. Further, the Authority had sought confirmation from GHIAL regarding the amount capitalized during FY 2026 against the proposed CWIP of ₹43.95 crore and amount of ₹234.10 crore carry forwarded from FY 25 to FY 26, which were earlier proposed to be capitalized in FY 2026.

5.4.64. In its revised submission, GHIAL had informed that an amount of **Rs. 107.07 crore** had been capitalized during FY 2026 and further, GHIAL had submitted that, as on 31 March 2026, the balance uncapitalized amount comprises:

Table 32: Uncapitalized Balance by GHIAL

Particulars	Amount (₹ crore)
CWIP as on 31.03.2026	92.53
Carry-forward as on 31.03.2026	75.97
Total balance not capitalized in FY 2026	**168.50**

5.4.65. GHIAL had further submitted that the above balance amount of **₹168.50 crore** is expected to be capitalized in **FY 2027**.

5.4.66. Based on the submission made by GHIAL, the Authority had considered and allowed capitalization of only **₹107.07** crore during FY 2026, being the amount actually capitalized during the year. The remaining amount of **₹168.50 crore**, comprising CWIP of ₹92.53 crore and carry-forward amount of ₹75.97 crore as on 31 March 2026, had not been considered for capitalization in FY 2026, since the same had not been capitalized/put to use during the year.

5.4.67. Accordingly, the Authority had deferred/shifted the remaining amount of Rs. 168.50 Crores to FY 2027 (i.e. 1st tariff year of the 4th Control Period) which includes Rs. 152.59 Crores towards hard cost, and Rs. 15.92 Crores pertaining to soft cost.

5.4.68. Accordingly, hard cost proposed to be considered by the Authority is as follows:

Table 33: Hard Cost proposed to be considered by the Authority for True-up of the Third Control Period

(Rs. In Crores)

Particulars	Amount
Hard Cost regarding expansion to 34 MPPA project submitted by GHIAL (A)	5,380.43
Hard Cost deferred from Third Control Period to Fourth Control Period (B)	152.59
Hard Costs proposed to be considered by the Authority (C=A-B)	**5,227.84**

Soft Costs (PMC, Insurance, Preliminaries)

5.4.69. The Authority noted that at the time of tariff determination for the Third Control Period, M/s RITES Limited (Independent Capex Consultant) had recommended the following soft costs:

i. Preliminaries, Insurance & Permits: Rs. 98.35 Crores (against GHIAL's submission of Rs. 120.20 Crores)

ii. Design Development and PMC: Rs. 132.67 Crores (against GHIAL's submission of Rs. 202.94 Crores). M/S RITES LIMITED had noted that the PMC of Rs. 154.92 Crores had been awarded by GHIAL to its own group company GADL without any competition and had recommended reducing the PMC & Design fee to 3% of the hard cost.

iii. Contingencies: Rs. 132.67 Crores at 3% of hard cost (against GHIAL's submission of Rs. 243.01 Crores at 4.83% of hard cost)

5.4.70. The Authority noted that GHIAL had submitted the following actual soft costs in the MYTP for the Fourth Control Period:

i. Preliminaries: Rs. 18.33 Crores

ii. Insurance & Permits: Rs. 19.18 Crores

iii. Design Development and PMC: Rs. 253.40 Crores

iv. Contingencies: Rs. 0.00 Crores (fully utilised towards new works as described above)

5.4.71. The Authority noted that while the Preliminaries and Insurance & Permits at Rs. 37.51 Crores are significantly lower than the RITES-approved cost of Rs. 98.35 Crores, the Design Development and PMC cost at Rs. 253.40 Crores is significantly higher than the M/s RITES Limited-approved cost of Rs. 132.67 Crores. The contingency budget had been fully utilised towards new works awarded during execution.

5.4.72. With respect to Preliminaries and Insurance & Permits, the Authority noted that the actual cost submitted by GHIAL is Rs. 37.51 Crores, comprising Preliminaries of Rs. 18.33 Crores and Insurance & Permits of Rs. 19.18 Crores. The Authority noted that the said cost is significantly lower than the M/s RITES Limited-approved cost of Rs. 98.35 Crores considered in Order No. 12/2021-22. The Authority was of the view that GHIAL had demonstrated efficiency in managing the preliminary and insurance costs. However, the Authority also noted that out of the Preliminaries cost, an amount of Rs. 0.08 Crores remains under CWIP and Rs. 1.48 Crores had been carried forward as on 31.03.2026. Accordingly, these amounts aggregating to Rs. 1.56 Crores are not considered for capitalization during FY 2026 / Third Control Period and are proposed to be deferred for consideration in FY 2027, as per the submission of the airport operator. Consequently, the Authority proposed to consider Rs. 35.95 Crores for Preliminaries and Insurance & Permits.

5.4.73. With respect to Design Development and PMC, the Authority noted that M/s RITES Limited had recommended a cost of Rs. 132.67 Crores in the Tariff Order for the Third Control Period. The Authority noted that at the time of the tariff determination for the Third Control Period, M/s RITES Limited had recommended restricting the soft cost, including PMC and Design fee, to 3% of the hard cost on the grounds that the PMC had been awarded by GHIAL to its group company, GADL, without competitive bidding.

5.4.74. The Authority noted that the actual hard cost of the expansion project proposed to be considered by the Authority is Rs. 5,227.84 Crores. In line with the approach adopted by RITES during the Third Control Period tariff determination, the Authority proposed to restrict the soft cost, including Design Development and PMC, to 3% of the actual hard cost. Accordingly, the allowable Design Development and PMC cost works out to Rs. 156.84 Crores as against the Design Development and PMC cost of Rs. 253.40 Crores submitted by GHIAL. The Authority therefore proposed not to deviate from the stand taken during the tariff determination for the Third Control Period and restrict the Design Development and PMC cost to Rs. 156.84 Crores for the purpose of true-up of the Third Control Period. Further, the amount remaining under CWIP amounting to Rs. 14.36 Crores as on 31.03.2026 shall not be considered for capitalization during Third Control Period and may be considered in FY2027, subject to actual capitalization and prudence check.

5.4.75. With respect to Contingencies, the Authority noted that the contingency budget of Rs. 243.01 Crores had been fully utilised towards new works awarded during execution as detailed in the preceding paragraphs, and no separate contingency amount had been claimed by GHIAL under soft cost. Further, no amount under Contingencies had been reported as CWIP or carry-forward as on 31.03.2026. The Authority was of the view that the contingency budget had been utilized towards works that were necessitated by operational requirements and design optimization during the course of the brownfield expansion.

5.4.76. The Authority noted that, as per the status submitted by GHIAL as on 31.03.2026, the following soft cost amounts remain either under CWIP or have been carried forward and are proposed to be capitalized in FY

2027:

Table 34: Summary of works pertaining to Soft Cost considered as CWIP/ Carry Forwarded to the Fourth Control Period

(Rs. In Crores)

Particulars	CWIP as on 31.03.2026	Carry-forward as on 31.03.2026	Total (not considered in FY 2026)
Preliminaries	0.08	1.48	1.56
Insurance & Permits	0.00	0.00	0.00
Design Development and PMC	14.36	0.00	14.36
Contingencies	0.00	0.00	0.00
Total Soft Cost	**14.44**	**1.48**	**15.92**

5.4.77. Accordingly, against the total soft cost of Rs. 290.91 Crores submitted by GHIAL, the Authority proposed to consider Rs. 178.43 Crores for the purpose of true-up of the Third Control Period. The variation in the soft cost is due to the following:

- Disallowance of Rs. 96.56 Crores in Design Development and PMC as mentioned in para 5.4.74 above
- Carry Forward of soft cost amounting to Rs. 15.92 Crores as per Table 34.

Hence, the Authority had considered Rs. 178.43 Crores as soft costs for True-up of the Third Control Period, as given in the table below:

Table 35: Soft Cost proposed to be considered by the Authority for True-up of the Third Control Period

(Rs. Crores)

Particulars	Total Soft Cost as submitted by GHIAL	Total Soft Cost proposed to be considered by the Authority
Soft Costs	290.91	178.43

Interest During Construction (IDC)

5.4.78. The Authority noted that GHIAL had submitted IDC of Rs. 1,285.40 Crores as capitalized till March 2025 in the MYTP for the Fourth Control Period. This is significantly higher than the IDC of Rs. 436.76 Crores approved by the Authority in Order No. 12/2021-22. Further, pursuant to clarifications sought by the Authority, GHIAL clarified that the IDC amount considered for the purpose of calculation of tariff determination is Rs. 1,506.17 Crores. The details pertaining to IDC have been dealt with in the subsequent paragraphs.

5.4.79. The Authority noted that the means of finance for the expansion project as submitted by GHIAL was 70% Debt and 30% Internal Accruals.

5.4.80. The Authority noted that GHIAL funded the expansion project through a combination of Senior Secured Notes (SSN) denominated in USD and Non-Convertible Debentures (NCD) denominated in INR. The summary of debt instruments utilised by GHIAL for the expansion project is as follows:

Table 36: Summary of Debt Instruments used by GHIAL for the Expansion Project

Sr. No.	Instrument	Amount	Date of Drawdown	Coupon Rate (USD)	All-in Cost (INR Equivalent)	Nature of Hedging	Tenure
1	SSN USD 350 Mn @ 4.25%	USD 350 Mn	27.10.2017	4.25%	8.65%	Cross Currency Swap	10 years
2	SSN USD 300 Mn @ 5.375%	USD 300 Mn	10.04.2019	5.375%	9.958%	Call Spread Option + Coupon Only Swap	5 years
3	SSN USD 300 Mn @ 4.75%	USD 300 Mn	02.02.2021	4.75%	9.391%	Call Spread Option + Coupon Only Swap	5 years
4	NCD INR 2032	Rs. 1,150 Cr	13.12.2022	N/A	8.805%	Not applicable	10 years
5	NCD INR 2033	Rs. 840 Cr	13.03.2023	N/A	8.71%	Not applicable	10 years

Source: Annexure 5 — IDC, GHIAL MYTP for the Fourth Control Period

5.4.81. The Authority noted that the all-in cost of borrowing (inclusive of coupon interest, hedge premium and withholding taxes) ranged from 8.65% to 9.958% (INR equivalent) for the USD borrowings. The Authority further noted that GHIAL undertook a refinancing exercise in December 2022 and March 2023, whereby portions of the USD 300 Mn @ 5.375% and USD 300 Mn @ 4.75% borrowings were refinanced through domestic INR NCDs at coupon rates of 8.805% and 8.71% respectively. The Authority was of the view that this refinancing was a prudent measure undertaken by GHIAL to reduce the overall cost of borrowing. The Authority noted that all USD borrowings were hedged through recognised market instruments - Cross Currency Swaps and Call Spread Options with Coupon Only Swaps - to mitigate foreign exchange risk. The Authority was of the view that the hedging strategy adopted by GHIAL is in line with prudent treasury management practices.

5.4.82. Further, the Authority noted that GHIAL had adopted the following methodology for computing IDC:

Table 37: IDC Computation Methodology adopted by GHIAL for true-up of the Third Control Period

(Rs. In crores)

Step	Particulars	Amount
A	Interest cost on total borrowings drawn	3,018.35
B	Less: Interest cost pertaining to borrowings not utilised for the project purpose	(1,085.36)
C	Less: Interest cost subsequent to capitalisation of assets	(475.47)
D	**Net Interest Cost Capitalised (A – B – C)**	**1,457.53**
E	Add: Financing costs capitalised (arrangement fees, processing charges)	48.64
F	**Total IDC (D + E)**	**1,506.17**

5.4.83. The Authority was of the view that the methodology adopted by GHIAL for computing IDC is transparent and consistent with the applicable accounting standards. GHIAL had correctly excluded:

i. Interest cost pertaining to borrowings not utilised for the project purpose (Rs. 1,085.36 Crores), thereby ensuring that only the interest cost attributable to project borrowings had been capitalised; and

ii. Interest cost subsequent to capitalisation of assets (Rs. 475.47 Crores), ensuring that IDC is not charged post-commissioning of the respective assets.

5.4.84. Furthermore, the year-wise IDC computation as submitted by GHIAL is presented below:

Table 38: Year-wise IDC Computation as submitted by GHIAL for the Third Control Period

(Rs. In crores)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Interest Cost on total borrowings drawn (A)	85.04	199.07	407.15	445.89	624.04	627.01	630.14	3,018.35
Less: Interest on borrowings not utilised for expansion to 34 MPPA project (B)	(65.29)	(153.81)	(176.61)	(177.37)	(177.40)	(174.62)	(160.26)	(1,085.36)
Less: Interest subsequent to capitalisation (C)	(0.70)	(7.34)	(7.28)	(21.74)	(28.83)	(92.43)	(317.15)	(475.47)
Net Interest Cost Capitalised (D = A – B – C)	**19.06**	**37.92**	**223.26**	**246.78**	**417.82**	**359.96**	**152.73**	**1,457.53**
Add: Financing costs capitalised (E)	2.09	0.62	6.36	7.28	13.50	9.05	9.75	48.64
Total IDC (F = D + E)	**21.15**	**38.53**	**229.62**	**254.06**	**431.32**	**369.01**	**162.48**	**1,506.17**

5.4.85. The Authority noted that for the purpose of the Third Control Period true-up, only the IDC capitalised during the Third Control Period is relevant. The IDC capitalisation schedule as submitted by GHIAL is as follows:

Table 39: IDC Capitalisation Schedule as submitted by GHIAL

(Rs. In crores)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total
IDC Capitalised	0.00	10.68	35.94	0.00	35.14	454.90	969.51	0.00	0.00	1,506.17
Of which: 2nd CP (FY 17-18 to FY 20-21)	0.00	10.68	35.94	0.00						46.62
Of which: 3rd CP (FY 21-22 to FY 25-26)					35.14	454.90	969.51	0.00	0.00	1,459.55

5.4.86. The Authority noted that the total IDC of Rs. 1,506.17 Crores pertains to the entire project period spanning FY 2017-18 to FY 2023-24. Of this:

i. IDC of Rs. 46.62 Crores was capitalised during the Second Control Period (Rs. 10.68 Crores in FY 18-19 and Rs. 35.94 Crores in FY 19-20); and

ii. IDC of Rs. 1,459.55 Crores was capitalised during the Third Control Period (Rs. 35.14 Crores in FY 21-22, Rs. 454.90 Crores in FY 22-23 and Rs. 969.51 Crores in FY 23-24).

5.4.87. The Authority noted that the IDC capitalised during the Second Control Period (Rs. 46.62 Crores) pertains to the assets that were capitalised during FY 18-19 and FY 19-20 (i.e., the Kerb & Approach Ramp and parking stands that were completed ahead of the main expansion works). The IDC attributable to these assets was duly capitalised in the Second Control Period and would have been considered as part of the Second Control Period true-up. Accordingly, for the purpose of the Third Control Period true-up, the Authority proposed to consider only the IDC capitalized during FY 2021-22 to FY 2025-26 amounting to Rs. 1,459.55 Crores, which corresponds to the expansion assets capitalised during the Third Control Period.

5.4.88. The Authority noted that the IDC of Rs. 436.76 Crores approved in Order No. 12/2021-22 was computed based on the approved project cost and the assumption that the project would be completed within the originally envisaged timeline. The actual IDC capitalised in the Third Control Period at Rs. 1,459.55 Crores is significantly higher. The Authority noted the following reasons for the increase:

Table 40: Reasons for increase in IDC over the approved amount for the Third Control Period

Sr. No.	Factor	Impact
1	Extension of project timeline from FY2021 to FY2024 due to COVID-19 lockdowns, supply chain disruptions and force majeure events	Approximately 3 additional years of interest costs during construction
2	Increase in overall project cost from approved Rs. 4,820.05 Crores (before IDC) to actual Rs. 5,671.34 Crores (before IDC)	Higher debt quantum required to fund the increased project cost
3	All-in hedged cost of USD borrowings (8.65% to 9.958%) inclusive of coupon, hedge premium and withholding taxes	Higher than the base coupon rate assumed in the original IDC computation
4	Financing costs (arrangement fees, processing charges) of Rs. 48.64 Crores	Standard costs associated with capital market borrowings capitalised as part of IDC

5.4.89. Further, the Authority noted that, based on the prudence check of the capital expenditure proposed for the Expansion to 34 MPPA project, the allowable capital cost, excluding IDC, had been assessed at Rs. 5,406.27 Crores as against Rs. 5,671.34 Crores submitted by GHIAL, as detailed in Table 42. Accordingly, the reduction in capital expenditure works out to Rs. 265.07 Crores, representing 4.67% of the capital expenditure, excluding IDC, submitted by GHIAL. The Authority further noted that GHIAL had submitted IDC of Rs. 1,459.55 Crores in respect of the said project, as detailed in Table 39. Since IDC is incidental to, and arises from, the underlying capital expenditure, the Authority was of the view that IDC should be allowed only to the extent it is attributable to the capital cost found reasonable and efficient after prudence check. Accordingly, the Authority had proportionately disallowed IDC to the extent of 4.67%, in line with the disallowance made in the underlying capital expenditure. The proportionate IDC disallowance works out to Rs. 68.22 Crores.

5.4.90. Based on the above examination, the Authority was of the view that:

i. The debt instruments used by GHIAL for funding the expansion project are from recognized capital market sources and the borrowing rates are reflective of the prevailing market conditions at the time of issuance;

ii. GHIAL's refinancing of a portion of higher-cost USD borrowings through domestic INR NCDs at lower rates demonstrates prudent treasury management;

iii. The IDC computation methodology adopted by GHIAL is transparent, with proper netting-off of interest on borrowings not utilised for the project and interest subsequent to capitalisation of assets;

iv. The increase in IDC over the approved amount is a direct consequence of the extension of the project timeline and increase in project cost, both of which have been examined and accepted by the Authority in the preceding paragraphs; and

v. The financing costs of Rs. 48.64 Crores are in the nature of arrangement fees and processing charges which are standard costs associated with capital market borrowings.

5.4.91. Accordingly, the Authority proposed to consider IDC of Rs. 1,459.55 Crores for the Third Control Period, being the IDC capitalised during FY 2021-22 to FY 2023-24 as per the capitalisation schedule submitted by GHIAL. The IDC of Rs. 46.62 Crores capitalised during the Second Control Period had been considered

as part of the Second Control Period true-up and is not being double-counted. Further, IDC amounting to Rs. 68.22 Crores had been deducted from the IDC on proportionate basis.

Table 41: Summary of IDC proposed to be considered by the Authority for the Third Control Period

(Rs. In crores)

Particulars	Amount
IDC approved in Order No. 12/2021-22 for the Third Control Period	436.76
Total IDC as per GHIAL (entire project period FY 17-18 to FY 23-24)	1,506.17
Less: IDC capitalised in the Second Control Period (FY 18-19 and FY 19-20)	(46.62)
Less: IDC reduced on proportionate basis	(68.22)
IDC proposed to be considered for the Third Control Period	**1,391.33**

GST Input Tax Credit

5.4.92. The Authority noted that GHIAL had submitted GST Input Tax Credit of Rs. 323.79 Crores on Plant & Machinery as part of the expansion capex capitalization.

5.4.93. The Authority noted that the GST ITC had been duly verified by the Statutory Auditors of GHIAL as part of the Statutory Auditor's report on retrospective capitalisation of GST on Civil Portions from 01.04.2017 to 31.03.2024 submitted along with the MYTP.

5.4.94. The Authority proposed to consider the GST ITC of Rs. 323.79 Crores as submitted by GHIAL for the purpose of determining the net capitalisation towards the expansion project.

5.4.95. The retrospective capitalisation relating to GST input amounting to Rs. 129.85 Crores, for the period prior to the Third Control Period had been considered as part of the opening RAB for the Third Control Period, since the claim for the same had been submitted as part of the true-up for the Third Control Period.

Capital Work in Progress (CWIP) and Carry Forwards

5.4.96. The Authority noted that as per GHIAL's submission, Rs. 43.95 Crores remains as Capital Work in Progress as on March 31, 2025 and a total carry forward of Rs. 234.10 Crores is yet to be incurred/capitalised. Accordingly, the total amount pending for capitalisation/incurrence works out to Rs. 278.05 Crores as on March 31, 2025.

5.4.97. The Authority further noted that the pending works primarily pertain to Road Infrastructure (Rs. 135.37 Crores carry forward), Airport Systems (Rs. 28.92 Crores carry forward) and Apron & Taxiways (Rs. 40.35 Crores carry forward) and the same had not been considered for aeronautical asset allocation for the Third Control period.

Final Cost of 34 MPPA Expansion Capex Proposed to be Considered by the Authority

5.4.98. Based on the above examination, due diligence and prudence check, the project cost for the 34 MPPA expansion proposed to be considered by the Authority is given in the table below:

Table 42: Project cost for 34 MPPA Expansion proposed to be considered by the Authority for the Third Control Period

(Rs. In crores)

Particulars	Approved by Authority (Order No. 12/2021-22)	Submitted by GHIAL for True-up	Proposed to be considered by the Authority
Total Hard Cost(A)	4,422.18	5,380.43	5,227.84*
Total Soft Cost (B)	363.69	290.91	178.43#
Cost before IDC C = (A+B)	4,785.86	5,671.34	5,406.27
IDC (D)	436.76	1,506.17	1,391.33**

Particulars	Approved by Authority (Order No. 12/2021-22)	Submitted by GHIAL for True-up	Proposed to be considered by the Authority
Total Project Cost E= (C+D)	5,222.62	7177.51	6,797.60

**Refer Table 33; # Refer Table 35; ** Refer Table 41*

(B) Examination of General Maintenance Capital Expenditure for the Third Control Period

General Capex approved vs Actual

5.4.99. The Authority in Order No. 12/2021-22 for the Third Control Period had approved the following general maintenance capital expenditure:

i. Airfield pavement enhancement and airfield ground lighting upgrade: Capitalisation of Rs. 308.56 Crores

ii. General and allied capital works: Rs. 1,256.67 Crores

5.4.100. The Authority had examined the general capex incurred and capitalised by GHIAL during the Third Control Period vis-à-vis the capital expenditure approved in Order No. 12/2021-22. The Authority noted that against the approved general maintenance capital expenditure of Rs. 1,565.23 Crores, GHIAL had submitted actual capitalisation of Rs. 1,483.89 Crores for the Third Control Period. The Authority further noted that the general capex submitted by GHIAL is lower than the overall amount approved by the Authority for the Third Control Period and had been incurred towards airfield pavement enhancement, airfield ground lighting upgrade, general and allied capital works, maintenance, replacement and upgradation of airport facilities.

5.4.101. The Authority, based on its examination, was of the view that the general capex incurred by GHIAL during the Third Control Period is in line with the operational requirements of RGIA and is necessary for maintaining service quality, safety, reliability and operational efficiency of the airport. Accordingly, the Authority proposed to consider the general capex of Rs. 1,483.89 Crores as submitted by GHIAL for the purpose of True-up of the Third Control Period.

5.4.102. The year-wise comparison of the approved general capex, the general capex submitted by GHIAL, and the general capex proposed to be considered by the Authority is provided in the table below:

Table 43: General Capex approved by the Authority vs actual incurred by GHIAL in the Third Control Period

(Rs. In crores)

FY ending March	2022	2023	2024	2025	2026	Total
Approved by the Authority in Order No. 12/2021-22	816.40	359.13	119.71	214.55	55.43	1,565.23
Submitted by GHIAL in MYTP	283.89	169.87	218.20	237.44	574.49	1,483.89

5.4.103. The Authority noted that the general capex submitted by GHIAL for the Third Control Period forms part of the overall capitalisation considered for True-up of the Third Control Period. The Authority further noted that, for the purpose of determination of additions to RAB, the general capex had been considered together with the expansion capex and other capital additions after carrying out the necessary asset classification and allocation between aeronautical, non-aeronautical and common assets in Fixed Asset Register. Accordingly, the general capex is subsumed within the overall capex proposed to be considered by the Authority, and the total capex allowed for the Third Control Period shall be as per Table 42: Project cost for 34 MPPA Expansion proposed to be considered by the Authority for the Third Control Period.

5.4.104. Based on the above, the total expansion capex proposed to be considered by the Authority works out to Rs. 6,797.60 Crores, as shown in the table below:

Table 44: Project cost for 34 MPPA Expansion proposed to be considered by the Authority for the Third Control Period

(Rs. In crores)

Particulars	Actual Cost as per GHIAL	Proposed by Authority
Expansion of Terminal Building	2,916.03	2,878.82
Airport Systems	1,141.80	1,141.80
Expansion of Apron & Taxiways, GSE Tunnel	1,007.44	967.08
Expansion Kerb & Approach Ramp	147.74	147.74
Road Infrastructure	167.42	92.39
Total Hard Costs	**5,380.43**	**5,227.83**
Preliminaries	18.33	16.77
Insurance & Permits	19.18	19.18
Design Development and PMC	253.40	142.48
Soft Costs excluding IDC	**5,671.34**	**5,406.27**
Interest During Construction	1,506.17	1,391.33
Total Cost	**7,177.51**	**6,797.60**

Asset Allocation for True-up of the Third Control Period

5.4.105. The Authority through its Independent Consultant (PwC) segregated the asset additions proposed to be considered in the Third Control Period into aeronautical and non-aeronautical based on the methodology decided by the Authority in Order No. 12/2021-22. The principles adopted for segregation of assets are as follows:

i. Aeronautical Assets: Assets which are necessary or required for providing the aeronautical services at the airport and all such assets that GHIAL may procure in accordance with directions of GoI for or in relation to provision of any of the reserved activities. Assets directly related to the aeronautical services include runways, taxiways, aprons, airfield ground lighting, navigational aids, airside roads and related infrastructure.

ii. Non-Aeronautical Assets: Assets which are necessary for the performance of non-aeronautical services at the airport, including commercial concessions, advertising spaces, car parking infrastructure, and other revenue-generating assets not directly linked to aeronautical services.

iii. Common Assets: Assets which are not identifiable/ categorized into either aeronautical or non-aeronautical assets. These include the passenger terminal building (allocated using Terminal Area Ratio), site offices, new office building, common hardware, software and communication systems.

Table 45: Comparison of Regulatory Asset Base treatment for the Third Control Period GHIAL in MYTP is a vis treatment of assets proposed to be considered by the Authority

Allocation	Treatment by GHIAL as per the Fourth Control Period MYTP	Treatment of assets proposed to be considered by the Authority
CGF, ICT, GPU	Non Aeronautical (in line with TDSAT Judgement)	Aeronautical
New Office Building (NOB)	100% Common	60% Non-Aero, 40% Common
Site Office Building	100% Common	Common (78% Aero, 22% Non-Aero)
Township	100% Aero	75% Aero (based on critical/non critical staff occupancy)
CSB	Non- Airport (outside Regulatory)	Aeronautical

5.4.106. The methodology for allocation ratios adopted by the Authority in the Tariff Order of the Third Control Period had been considered for the purpose of True-up of the Third Control period by taking into consideration the following:

i. Each asset had been identified and verified from the Fixed Asset Register and classified into Aeronautical, Non Aeronautical and Common categories based on its nature and utility. Further, certain capital assets which are common in nature have subsequently been allocated between Aeronautical and Non Aeronautical activities on the basis of Aeronautical Gross Block for individual years.

ii. Assets related to the passenger terminal building have been apportioned between aeronautical and non-aeronautical assets using the Terminal Area Ratio of 84.6% (Aero) and 15.4% (Non-Aero) as adopted in the Third Control Period Tariff Order.

iii. Re-computation of Gross Fixed Asset Ratio for apportionment of common assets pertaining to assets other than the terminal building. The variation between the ratio submitted by GHIAL and the ratio proposed by the Authority is primarily on account of reclassification of certain assets based on AERA principles, including treatment of Cargo, Ground Handling and Fuel Farm ("CGF") assets. While GHIAL had treated CGF assets as non-aeronautical, the Authority had continued to treat the same as aeronautical in line with the treatment adopted in the previous Tariff Orders. Accordingly, the Gross Fixed Asset Ratio proposed by the Authority is as follows:

Table 46: GFA proposed to be considered by the Authority for True-up of the Third Control Period

FY ending March	FY22	FY23	FY24	FY25	FY26
GFA Ratio as submitted by GHIAL	88.16%	89.06%	88.29%	88.21%	87.03%
GFA Ratio proposed by authority	91.24%	90.02%	88.92%	88.85%	88.77%

5.4.107. Accordingly, year-wise asset capitalization proposed to be considered by the authority after applying the relevant aeronautical ratios is as follows:

Table 47: Aeronautical Capital Expenditure proposed to be considered by the Authority for the True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Capex as submitted by GHIAL	478.78	1729.91	3171.26	349.00	476.43	**6205.39**
Aeronautical Capex as considered by the Authority in the Tariff Order for the Third Control Period	1,649.43	2,346.12	1,259.96	208.13	54.36	**5,518.00**
Aeronautical Capex proposed to be considered by the Authority	449.53	1620.76	3078.69	346.21	431.81	**5927.00**

5.4.108. Based on the above, the Authority had considered Rs. **5,927.00 Crores** as Aeronautical Capital Expenditure for the true-up of the Third Control Period after application of allocation ratios as elaborated in para 5.4.106, to be included as part of the Regulatory Asset Base.

Depreciation for True-up of the Third Control Period

GHIAL's Submission regarding Depreciation for True-up of the Third Control Period

5.4.109. GHIAL computed depreciation of assets based on useful life of assets as per the Companies Act or the concession period, whichever is lower. GHIAL submitted that the same is consistent with Order No. 35/2017-18 in the matter of Determination of Useful Life of Airport Assets.

5.4.110. The depreciation submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period is as follows:

Table 48: Aeronautical Depreciation submitted by GHIAL in its MYTP for True-up of the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Depreciation on Aero RAB	189	237	359	447	466	1,699
ADFG Adjustment	(5)	(4)	(5)	(5)	(5)	(25)
Depreciation on Aero RAB including ADFG adjustment	184	233	354	442	461	1,674

5.4.111. GHIAL submitted the Fixed Asset Register for FY 2025-26 separately as an additional submission to the MYTP, containing the actual figures for FY 2025-26. Accordingly, the same had been considered for the purpose of depreciation analysis.

Recap of decisions taken by Authority for Depreciation as per Tariff Order for the Third Control Period

5.4.112. The Authority decided to compute depreciation as per the rates fixed in Order No. 35/2017-18 for both existing and new assets. The depreciation rates as decided by the Authority for the Third Control Period are given in the table below:

Table 49: Depreciation rates considered by the Authority for the Third Control Period

Asset Classification	Depreciation Rate
Buildings	3.33%
Electrical Installations	10.00%
Furniture & Fixtures	14.29%
Freehold Land	0.00%
Buildings on Freehold Land	3.33%
Improvements to Leasehold Land	3.34%
IT Systems	33.33%
Office Equipment	20.00%
Other Roads	10.00%
Plant & Machinery	6.67%
Runways	3.33%
Software	16.67%
Vehicles	12.50%

5.4.113. The aeronautical depreciation as decided by the Authority in the Tariff Order for the Third Control Period is given in the table below:

Table 50: Aeronautical Depreciation decided by the Authority in the Tariff Order for the Third Control Period

(Rs. In crores)

FY ending March	2022	2023	2024	2025	2026	Total
Depreciation (including ADFG adjustment)	222.09	344.12	434.67	475.30	484.11	1,960.29

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

5.4.114. GHIAL had computed depreciation for the assets based on the useful life of assets as per the Companies Act or the concession period, whichever is lower, consistent with Order No. 35/2017-18. The major asset category-wise useful life considered by GHIAL and proposed to be considered by the Authority is as follows:

Table 51: Major Asset Category-wise Useful Life considered by GHIAL and proposed to be considered by the Authority

Asset Category	Depreciation Rate as per Order No. 12/2021-22	Useful Life considered by GHIAL	Useful Life proposed by the Authority
Buildings	3.33% (30 years)	30	30
Electrical Installations	10.00% (10 years)	10	10
Furniture & Fixtures	14.29% (7 years)	7	7
IT Systems	33.33% (3 years)	3	3
Office Equipment	20.00% (5 years)	5	5
Plant & Machinery	6.67% (15 years)	15	15
Runways	3.33% (30 years)	30	30
Software	16.67% (6 years)	6	6
Vehicles	12.50% (8 years)	8	8
Other Roads	10.00% (10 years)	10	10

5.4.115. The Authority through its Independent Consultant (PwC) had examined the depreciation submitted by GHIAL for the Third Control Period based on the Fixed Asset Register. The Authority noted that the depreciation had been recomputed after carrying out a detailed review of the assets capitalised during the Third Control Period and after reclassifying the assets into aeronautical, non-aeronautical and common categories in accordance with the principles adopted by the Authority in the previous Tariff Orders. For assets directly identifiable with aeronautical services, the depreciation had been considered fully under aeronautical depreciation. In respect of common assets, the depreciation had been apportioned based on the applicable allocation ratios, including the Terminal Area Ratio for terminal-related common assets and the Gross Fixed Asset Ratio for other common assets. Accordingly, the aeronautical portion of depreciation had been computed for the purpose of True-up of RAB and ARR for the Third Control Period, subject to reasonableness and consistency with the applicable depreciation rates and asset classification principles.

5.4.116. The Authority noted that there were certain line items in the Fixed Asset Register where GHIAL had depreciated the entire remaining depreciable value of the asset, despite the useful life of such assets not being fully exhausted. The asset classes in which such accelerated depreciation was claimed by GHIAL included Buildings, Other Roads, and Plant & Machinery. Further, in respect of assets capitalised during the middle of the year, GHIAL had considered depreciation for the full year. The Authority had recomputed depreciation on a pro-rata basis from the date of capitalisation of the respective assets, in line with the principle that depreciation should be allowed only from the date on which the asset is capitalised and put to use.

5.4.117. The Authority noted that Advance Development Fund Grant ("ADFG") had been considered as a grant for the purpose of regulatory tariff determination. Since assets funded through grant are not funded by the Airport Operator, the cost of such assets is not required to be recovered from airport users through aeronautical tariffs.

5.4.118. Accordingly, the Authority had reduced the amount of ADFG from the aeronautical RAB. Consequent to such reduction, depreciation attributable to the ADFG-funded portion of assets is also required to be excluded from the depreciation considered for tariff determination. Therefore, the depreciation corresponding to the ADFG-funded assets had been reduced from the total aeronautical depreciation.

5.4.119. The Authority was of the view that allowing depreciation on assets funded through ADFG would result in recovery of cost not incurred by the Airport Operator and would therefore not be appropriate from a regulatory perspective. Accordingly, the ADFG adjustment had been considered as a reduction from depreciation for the purpose of computation of ARR for the relevant Control Period.

5.4.120. The Authority, based on the adjustments and disallowances in the aeronautical asset additions to RAB in the Third Control Period proposed to consider proportionate adjustment in depreciation as follows:

Table 52: Depreciation proposed to be considered by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Depreciation on Aero RAB	179.92	223.69	320.27	420.77	406.49	**1551.14**
ADFG Adjustment	5.17	4.42	4.69	5.16	5.23	**24.67**
Depreciation (after ADFG adjustment)	174.76	219.26	315.57	415.61	401.26	**1526.47**

Regulatory Asset Base (RAB) for the Third Control Period

GHIAL's submission regarding Regulatory Asset Base towards True-up of the Third Control Period

5.4.121. Considering the above, the Regulatory Asset Base for True-up of the Third Control Period as submitted by GHIAL is given in the table below:

Table 53: Aeronautical RAB submitted by GHIAL for True-up of the Third Control Period

(Rs. In crores)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	A	2,009	2,287	3,783	6,564	6,465	
Capital Additions	B	479	1,730	3,171	349	476	**6205**
Deletions / Disposals	C	17	1	36	6	-	60
Depreciation including ADFG adjustment	D	184	233	354	442	461	**1674**
Closing RAB	E = A + B - C - D	2,287	3,783	6,564	6,465	6,480	
Average RAB	F = (A + E) / 2	2,148	3,035	5,173	6,514	6,473	

5.4.122. As per the above table, GHIAL submitted total additions to RAB of Rs. 6,205 Crores and total deletions of Rs. 60 Crores during the Third Control Period. The aeronautical depreciation for the Third Control Period amounts to Rs. 1,674 Crores.

Recap of decisions taken by the Authority for Regulatory Asset Base for the Third Control Period

5.4.123. The Regulatory Asset Base as decided by the Authority for the Third Control Period in the table below:

Table 54: Regulatory Asset Base decided by the Authority in the Tariff Order of the Third Control Period

(Rs. In crores)

Particulars	2022	2023	2024	2025	2026	Total
Opening RAB (a)	1,836.56	3,263.90	5,265.90	6,091.19	5,824.03	
Addition of Assets (b)	1,649.43	2,346.12	1,259.96	208.13	54.36	5,518.00
Less: Deletion of Assets (c)	0.00	0.00	0.00	0.00	0.00	0.00
Less: Depreciation including ADFG adjustment (d)	222.09	344.12	434.67	475.30	484.11	1,960.29
Closing RAB (e) = (a) + (b) - (c) - (d)	3,263.90	5,265.90	6,091.19	5,824.03	5,394.27	
Average RAB for Tariff Determination {(a) + (e) / 2}	2,550.23	4,264.90	5,678.55	5,957.61	5,609.15	

Authority's examination regarding Regulatory Asset Base for True-up of the Third Control Period at the Consultation Stage

Aeronautical Capital Deletions/ Disposals

5.4.124. The Authority through its Independent Consultant (PwC) examined the asset deletions for the Third Control Period based on the analysis of the Fixed Asset Register. The Authority noted that the deletions proposed to be considered have been arrived after examination of the Fixed Asset Register and reclassification of

assets as per AERA principles. The variation between the deletions submitted by GHIAL and the deletions proposed by the Authority is mainly on account of reclassification of assets between aeronautical, non-aeronautical and common categories based on the principles adopted by the Authority in previous Tariff Orders. The adjustments proposed are as follows:

Table 55: Adjustments in Deletions proposed to be considered by the Authority for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Deletions as submitted by GHIAL	17.23	0.69	36.15	5.70	0.00	59.77
Aeronautical Deletions proposed by the Authority	16.01	0.68	59.15	4.90	2.06	82.79

5.4.125. Considering the adjustments/disallowances in the 34 MPPA Expansion Capex and General Capex for the Third Control Period as well as the reclassification of assets, the revised Regulatory Asset Base for the Third Control Period proposed to be considered by the Authority is given in the table below:

Table 56: RAB proposed to be considered by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB (A)	1966.41	2225.18	3626.00	6329.96	6255.67	
Capital Additions (B) (Refer Table 47)	449.53	1620.76	3078.69	346.21	431.81	5927.00
Depreciation (incl. ADFG adjustment) (D) (Refer Table 52)	174.76	219.26	315.57	415.61	401.26	1526.47
Deletions / Disposal (C) (Refer Table 55)	16.01	0.68	59.15	4.90	2.06	82.79
Closing RAB (E) = (A) + (B) – (C) – (D)	2225.18	3626.00	6329.96	6255.67	6284.15	
Average RAB {(A) + (E)}/2	**2095.80**	**2925.59**	**4977.98**	**6292.81**	**6269.91**	

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

5.4.126. During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL and IATA in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding True-up of Capex, Depreciation and RAB for the Third Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up of Capex, Depreciation and RAB for the Third Control Period

5.4.127. GHIAL's comment with regards to the of Capex, Depreciation and RAB for the Third Control Period for RGIA, Hyderabad is as follows:

"2.1. Regulatory Asset Base

(i) Project Capex

a) Authority's proposal for Soft Costs (PMC):

5.4.73. With respect to Design Development and PMC, the Authority notes that M/s RITES Limited had recommended a cost of Rs. 132.67 Crores in the Tariff Order for the Third Control Period. The Authority notes that at the time of the tariff determination for the Third Control Period, M/s RITES Limited had recommended restricting the soft cost, including PMC and Design fee, to 3% of the hard cost on the grounds that the PMC had been awarded by GHIAL to its group company, GADL, without competitive bidding.

5.4.74. The Authority notes that the actual hard cost of the expansion project proposed to be considered by the Authority is Rs. 5,227.84 Crores. In line with the approach adopted by RITES during the Third Control

Period tariff determination, the Authority proposes to restrict the soft cost, including Design Development and PMC, to 3% of the actual hard cost. Accordingly, the allowable Design Development and PMC cost works out to Rs. 156.84 Crores as against the Design Development and PMC cost of Rs. 253.40 Crores submitted by GHIAL. The Authority therefore proposes not to deviate from the stand taken during the tariff determination for the Third Control Period and restrict the Design Development and PMC cost to Rs. 156.84 Crores for the purpose of true-up of the Third Control Period. Further, the amount remaining under CWIP amounting to Rs. 14.36 Crores as on 31.03.2026 shall not be considered for capitalization during Third Control Period and may be considered in FY2027, subject to actual capitalization and prudence check.

GHIAL's Response:

In the recent TDSAT judgement dated 29th May 2026 TDSAT has allowed actual soft cost as incurred by MIAL and has invalidated artificial cap on soft cost which is against the applicable law. Excerpts from the judgement have been presented below:

"229. The Soft Cost claimed by the Appellant deserves to be allowed, as the issue is no longer res integra in view of judgment dated 11-09-2025 delivered by this tribunal in AA no. 1 of 2023 and in connected appeals, wherein it has been expressly held that AERA shall allow the actual Soft Cost incurred by the Airport Operator and that introducing an artificial cap on Soft Cost is not contemplated under the applicable law. Once this Tribunal has already laid down that actual Soft Cost is to be allowed and necessary true-up is to be granted accordingly, AERA could not have mechanically imposed a uniform cap of 8% of the total capital expenditure in derogation of the binding findings of this Tribunal.

230. The decision of AERA to restrict the Soft Cost to 8% is arbitrary and unsupported by any cogent material, particularly when the material placed on record by the Appellant demonstrates that the Soft Cost claimed is based on recognised norms, industry practice and rational estimation.

240. We hereby quash and set aside the decision of AERA in so far as it relates to Soft Cost, and we hereby direct AERA to allow Soft Cost incurred by the appellant. Putting artificial cap upon Soft Cost is not contemplated under the applicable laws and therefore, AERA shall allow actual Soft Cost incurred by the appellant."

In case of Noida International Airport, Authority has approved more than 3% of PMC cost which has been approved in the pretext of Airport being a greenfield project. However, PMC services do not have any bearing on projects being a greenfield or an operational one. Challenges at an operational airport is more complex since works are required to be undertaken along with normal day-to-day operations which makes it more challenging. Extract from the Noida Airport order dated 12th May 2026 is presented for reference.

Pre Authority's examination of Design Consultancy and PMC expenses:

5.3.191 The Authority had reviewed the contract award process for design and PMC expenses and examined the costs in relation to the scope of work. Also, as referred to in Para 5.3.216 of this consultation paper, costs aggregating to Rs. 5.25 crores are reclassified from Pre-operative expenses to Design and PMC expenses and as detailed in Para 5.3.178 of this consultation paper, costs aggregating to Rs. 16.43 crores are reclassified from Common expenses to Design and PMC expenses. The net impact, after considering the GST @ 13.07% as detailed in Para 5.3.179 above, is an addition to Design and PMC expenses of Rs. 24.95 crores. The total cost arrived at is Rs. 345.23 crores after minor round-off adjustments based on comparison of contract cost with those submitted by YIAPL.

5.3.192 The Authority had reviewed the percentage of Design and PMC as a % of hard costs. It is noted that the PMC and design cost as a percentage of hard costs is 6.62%, which appears reasonable given the nature of the project.

Table 77: Computation of Design and PMC Cost as a percentage of Hard Cost during Consultation Stage

(Rs. in crore)

Particulars	Amount
Total Hard Cost (refer Table 96)	5,213.94
Design and PMC Cost (refer Table 96)	345.23
Design and PMC Cost as a % of Hard Cost	6.62%

5.3.193 As a Greenfield airport, the services under this involves master advisory services, overall airport planning, the first comprehensive master plan, which includes traffic projections for all future years. Given these unique requirements, the costs appear justified within the broader context of long-term infrastructure planning and strategic airport development.

It is pertinent to note that the restriction of Design Development and PMC cost to 3% of hard cost has been carried forward from the approach adopted during the Third Control Period solely on the grounds that the PMC services were awarded to GADL without competitive bidding. However, GHIAL had submitted that the PMC engagement was undertaken on an arm's length basis and was supported by an independent consultant's benchmarking study for the charge out rates for the manpower deployed. Further, the Authority has not identified any specific inefficiency, imprudence or excess cost in the actual expenditure incurred. Given that Design Development and PMC costs are directly linked to the scale and complexity of the project, application of a blanket cap of 3% of hard cost may not appropriately reflect the actual project requirements. Accordingly, GHIAL requests the Authority to consider the Design Development and PMC costs as submitted by GHIAL, subject to prudence review."

*"**b) Authority's Proposal for Uncapitalized Balance by GHIAL***

5.4.65. GHIAL has further submitted that the above balance amount of ₹168.50 crore is expected to be capitalized in FY 2027.

5.4.66. Based on the submission made by GHIAL, the Authority has considered and allowed capitalization of only ₹107.07 crore during FY 2026, being the amount actually capitalized during the year. The remaining amount of ₹168.50 crore, comprising CWIP of ₹92.53 crore and carry-forward amount of ₹75.97 crore as on 31 March 2026, has not been considered for capitalization in FY 2026, since the same has not been capitalized/put to use during the year.

5.4.67. Accordingly, the Authority has deferred/shifted the remaining amount of Rs. 168.50 Crores to FY 2027 (i.e. 1st tariff year of the 4th Control Period) which includes Rs. 152.59 Crores towards hard cost, and Rs. 15.92 Crores pertaining to soft cost.

GHIAL Response:

GHIAL respectfully submits that the proposed adjustment of ₹168.50 Crores requires reconsideration as the said amount has already been excluded from the capitalization considered by GHIAL in its revised submission.

As noted by the Authority in Paras 5.4.63 to 5.4.65, GHIAL, in its revised submission, confirmed that only ₹107.07 Crores was capitalized towards 34 MPPA expansion project during FY 2026 and further submitted that the balance amount of ₹168.50 Crores comprising CWIP of ₹92.53 Crores and carry-forward amount of ₹75.97 Crores remained uncapitalized as on 31st March 2026 and is expected to be capitalized in FY 2027. The revised FY 2026 capitalization submitted by GHIAL was supported by the Fixed Asset Register (FAR) containing only assets capitalized during FY 2026. Accordingly, the CWIP balance of ₹92.53 Crores and carry-forward amount of ₹75.97 Crores were not included in the capitalization claimed by GHIAL. Accordingly, GHIAL requests the Authority to reconsider the proposed adjustment and ensure that no deduction is made on account of CWIP and carry-forward balances which were not included in the capitalization submitted by GHIAL."

*"**c) Authority's Proposal for Retrospective Capitalisation of GST ITC***

5.4.94. The Authority proposes to consider the GST ITC of Rs. 323.79 Crores as submitted by GHIAL for the purpose of determining the net capitalisation towards the expansion project

5.4.95. The retrospective capitalisation relating to GST input amounting to Rs. 129.85 Crores, for the period prior to the Third Control Period has been considered as part of the opening RAB for the Third Control Period, since the claim for the same has been submitted as part of the true-up for the Third Control Period.

GHIAL Response:

GHIAL respectfully submits that the Authority has proposed to consider the retrospective capitalisation of GST Input Tax Credit ("GST ITC") amounting to ₹129.85 Crores as part of the opening RAB for the Third Control Period. While GHIAL appreciates the Authority's consideration of the underlying capitalisation, it is observed that the corresponding regulatory benefits in the form of depreciation and return on RAB associated with such capitalisation have not been considered.

As detailed in Annexure 9 of the MYTP Application, the retrospective capitalisation pertains to GST on civil works incurred during FY18 to FY21. The underlying expenditure had already been incurred and the related assets had already been created, commissioned and put to use in the airport operations during the respective years. Therefore, the retrospective capitalisation does not represent a new investment made during the Third Control Period but rather the recognition of an asset cost that was always an integral part of the project cost. Accordingly, the Airport Operator is entitled not only to recognition of the capitalised amount in the RAB but also to the associated depreciation and return that would have accrued had the amount been capitalised in the respective years.

The retrospective adjustment arose due to the evolving legal position regarding the eligibility of GST Input Tax Credit on civil works. Following the favourable judgment of the Hon'ble Orissa High Court in Safari Retreats Pvt. Ltd. vs. Chief Commissioner of CGST, GHIAL had treated GST on civil works as eligible input credit. Subsequently, the Revenue Department challenged the said ruling before the Hon'ble Supreme Court. Given the uncertainty surrounding the final legal position and the pending adjudication before the Hon'ble Supreme Court, GHIAL continuously reassessed its accounting treatment. Based on the subsequent developments and a prudent evaluation of the matter, GHIAL decided to retrospectively capitalise the GST on civil works in its books as of 31 March 2023.

GHIAL submits that the timing of the claim was therefore driven by the legal uncertainty and the delayed finality of the judicial proceedings, and not by any delay in incurring the expenditure or creating the underlying assets. Since the cost had already been incurred in earlier years and has now been accepted by the Authority as forming part of the capital cost through retrospective capitalisation, the associated depreciation and return should also be recognized to ensure that the Airport Operator is restored to the same regulatory position that would have prevailed had the amount been capitalised originally.

Accordingly, GHIAL has undertaken a detailed computation of the depreciation and return attributable to the retrospective GST capitalisation for FY18 to FY21. Based on the calculations submitted, an amount representing the present value of the associated return and depreciation on the retrospectively capitalised GST should be considered as part of the Third Control Period true-up and included while determining tariffs for the Fourth Control Period.

GHIAL therefore requests the Authority to consider, in addition to the retrospective capitalisation of ₹129.85 Crores, the corresponding depreciation and return on RAB arising from such capitalisation, as detailed in Annexure 9 and the accompanying calculations submitted by GHIAL.

Table 1: Return & Depreciation on Retrospective Capitalisation on GST on Civil Portion (Rs Crores)

GST on Civil Portion		FY18	FY19	FY20	FY21
Opening	(A)	-	0.45	59.33	115.61
Additions	(B)	0.46	59.88	60.51	20.51
Depreciation	(C)	0.01	1.00	4.24	6.27
Closing	(D) = (A)+(B)-(C)	0.45	59.33	115.61	**129.85**
Average RAB	(E) = {(A) + (D)}/2	0.23	29.89	87.47	122.73
FRoR	(F)	10.73%	10.73%	10.73%	10.73%
Return on RAB	(G)= (E)*(F)	0.02	3.21	9.39	13.17
ARR	(H) = (C) + (G)	0.03	4.21	13.63	19.44
PV factor as on 01-04-2027	(I)	9.00	8.00	7.00	6.00
FRoR CPIV	(J)	12.56%	12.56%	12.56%	12.56%
PV Value Factor	(K) = (I)*(J)	2.90	2.58	2.29	2.03
To be included in the true up	**(H) * (K)**	**0.09**	**10.84**	**31.19**	**39.53**

*"**Authority's proposal for Interest during Construction (IDC):***

5.4.89. Further, the Authority notes that, based on the prudence check of the capital expenditure proposed for the Expansion to 34 MPPA project, the allowable capital cost, excluding IDC, has been assessed at Rs. 5,406.27 Crores as against Rs. 5,671.34 Crores submitted by GHIAL, as detailed in Table 40. Accordingly, the reduction in capital expenditure works out to Rs. 265.07 Crores, representing 4.67% of the capital expenditure, excluding IDC, submitted by GHIAL. The Authority further notes that GHIAL has submitted IDC of Rs. 1,459.55 Crores in respect of the said project, as detailed in Table 37. Since IDC is incidental to, and arises from, the underlying capital expenditure, the Authority is of the view that IDC should be allowed only to the extent it is attributable to the capital cost found reasonable and efficient after prudence check. Accordingly, the Authority has proportionately disallowed IDC to the extent of 4.67%, in line with the disallowance made in the underlying capital expenditure. The proportionate IDC disallowance works out to Rs. 68.22 Crores.

5.4.91. Accordingly, the Authority proposes to consider IDC of Rs. 1,459.55 Crores for the Third Control Period, being the IDC capitalised during FY 2021-22 to FY 2023-24 as per the capitalisation schedule submitted by GHIAL. The IDC of Rs. 46.62 Crores capitalised during the Second Control Period has been considered as part of the Second Control Period true-up and is not being double-counted. Further, IDC amounting to Rs. 68.22 Crores has been deducted from the IDC on proportionate basis.

GHIAL's Response:

Disallowance of IDC Capitalised in the Second Control Period (₹46.62 Crores)

GHIAL respectfully submits that there is no instance of double counting of IDC in the additions proposed for the Third Control Period. While the total IDC of ₹1,506.17 Crores submitted by GHIAL represents the cumulative IDC pertaining to the overall expansion project period from FY 2017-18 to FY 2023-24, the additions capitalised and submitted for consideration under the Third Control Period are based on the Fixed Asset Register (FAR) maintained by the Company and include only those assets capitalised during the Third Control Period.

It is pertinent to note that the IDC amounting to ₹46.62 Crores, which was capitalised during the Second Control Period, does not form part of the capital additions submitted by GHIAL for the Third Control Period. Therefore, the same has not been claimed again for regulatory consideration and is inherently excluded from the asset additions considered for the Third Control Period.

The Authority's proposed deduction of ₹46.62 Crores appears to arise from the reconciliation of the total project IDC submitted by GHIAL; however, such deduction effectively results in an unwarranted reduction from RAB because the amount has already been excluded from the actual capital additions recognised in

the FAR for the Third Control Period.

Accordingly, GHIAL submits that the proposed deduction of ₹46.62 Crores may kindly be reconsidered, as the capital additions submitted for the Third Control Period do not include any IDC capitalised in prior control periods and therefore do not result in any double counting.

Reduction of IDC on Proportionate Basis Due to Carry forward capex of ₹ 168.50 Cr (₹43.37 Crores)

GHIAL respectfully submits that the proposed reduction of IDC by ₹43.37 Crores on account of the deferred/carry-forward capex of ₹168.50 Crores is not correct. As evident from Table 36 of the Consultation paper (Year-wise IDC Computation), the IDC claimed by GHIAL has been incurred and fully capitalized by FY 2024, with the total IDC amounting to ₹1,506.17 Crores. No IDC has been claimed or capitalized beyond FY 2024.

Therefore, the carry-forward capex of ₹168.50 Crores, which remains uncapitalized as of 31 March 2026 and is proposed to be considered in FY 2027, is incurred out of board approved means of finance other than debt. Since the IDC has already been computed up to FY 2024 and no IDC has been considered for the period subsequent to FY 2024, the proportionate reduction of IDC by ₹43.37 Crores on account of the deferred capex is not correct.

Accordingly, GHIAL requests the Authority to restore the disallowed IDC of ₹43.37 Crores."

*"**Authority's proposal for Depreciation***

"5.4.116. The Authority notes that there were certain line items in the Fixed Asset Register where GHIAL had depreciated the entire remaining depreciable value of the asset, despite the useful life of such assets not being fully exhausted. The asset classes in which such accelerated depreciation was claimed by GHIAL included Buildings, Other Roads, and Plant & Machinery. Further, in respect of assets capitalised during the middle of the year, GHIAL had considered depreciation for the full year. The Authority has recomputed depreciation on a pro-rata basis from the date of capitalisation of the respective assets, in line with the principle that depreciation should be allowed only from the date on which the asset is capitalised and put to use."

5.4.120. The Authority, based on the adjustments and disallowances in the aeronautical asset additions to RAB in the Third Control Period proposes to consider proportionate adjustment in depreciation as follows:

GHIAL Response:

GHIAL would like to appraise following points to the Authority for its consideration with respect to depreciation:

GHIAL special purpose financial statements for the year ended March 31, 2023 had specifically highlighted that certain portions of Goods & Services Tax which were under contest before the Hon'ble Supreme Court was not capitalised till March 31, 2023, however, based on the justification provided by the Management in the Note No. 56 of the financial statements it had specifically informed that the GST had been retrospectively capitalised.

a. *This resulted into manual calculation of the GST for retrospective capitalisation and entire impact of such depreciation is given impact in the FY 23-24 in the financial statements. Further, GHIAL in its financial model, specifically identified the depreciation pertaining to the past periods in the model itself. However, the Authority did not consider the retrospective depreciation on GST capitalisation part even though there treatment of the assets capitalisation is accepted by the Authority. We humbly request the authority to consider the same.*

b. *With respect to pro-rata calculation, GHIAL statutorily obligated under Schedule II of the Companies Act, 2013 to adopt the pro-rata depreciation i.e., from the date of capitalisation of the assets. GHIAL had applied this policy consistently across all the classes of depreciation. These are thoroughly verified by the management of the Company, Internal Auditors and Statutory Auditors.*

c. *We note the Authority's proposal to consider proportionate adjustment in depreciation based on the adjustments and disallowances in aeronautical asset additions to the RAB during the Third Control Period.*

However, we are unable to trace the detailed adjustments/disallowances referred to by the Authority and, therefore, are presently not in a position to reconcile or verify the basis of the proposed depreciation adjustment.

Without prejudice to the above, it is pertinent to note that any adjustment to depreciation arising from the disallowance of asset additions should be effected only from the respective date of capitalization of the concerned asset(s). Depreciation is chargeable only from the date an asset is capitalized and ready to use in accordance with the applicable accounting and regulatory principles. Consequently, any reduction in depreciation on account of disallowed capitalization should be calculated proportionately from the date of capitalization of such asset(s) and should not be applied retrospectively for the entire Control Period.

We therefore request the Authority to provide the detailed asset-wise adjustments/disallowances considered for this purpose and ensure that the corresponding depreciation adjustment is restricted to the period commencing from the date of capitalization of the relevant asset(s). We would like to request an opportunity to the Authority, to provide the desired clarifications for various category of issues found by the Authority in the calculation of depreciation."

Other Stakeholder's comments regarding True-up of Capex, Depreciation and RAB for the Third Control Period

5.4.128. IATA's comment with regards to the of Capex, Depreciation and RAB for the Third Control Period for RGIA, Hyderabad is as follows:

"IATA supports AERA's prudent review of the airport's capital expenditure and agrees that airport users should only bear the costs of investments that are efficient, necessary, and appropriately scoped. While airlines recognize the importance of the capacity enhancements delivered during the Third Control Period, cost overruns arising from scope changes, project delays, procurement decisions, or other commercial factors should not automatically be transferred to airlines and passengers.

In assessing these cost increases, the key issue is the allocation of risk. AERA should clearly determine which cost escalations are attributable to factors that should be borne by the airport operator, which may justifiably be recovered from users, and whether any costs should be shared. For example, in relation to the claims raised by Megawide and Beumer, it would be important to understand what contractual protections and risk-allocation mechanisms were established to safeguard airport users from the impacts of price escalation, contractor claims, and project delays. Absent such protections, airport users should not be expected to bear the full financial consequences of risks that are fundamentally within the airport's sphere of control.

IATA requests AERA to assess each material cost variance against the original approved scope; evidence of user consultation; procurement method and contractual risk allocation; whether the claimed escalation was unavoidable; whether the relevant asset has been commissioned and is available for aeronautical use;

and whether any portion of the cost should properly be allocated to non-aeronautical or wider airport ecosystem users.

It should also be recognized that cost escalations do not only affect current-period expenditure but can permanently inflate the Regulatory Asset Base over the life of the assets. This results in higher depreciation and return-on-capital allowances, thereby increasing airport charges over many years beyond the level originally envisaged.

IATA supports the statement by AERA, "The metro stations cater only to the airport. To clarify, metro stations for city side, aero city or any non-aeronautical services will not be considered as part of RAB". Further, we request AERA to apply greater scrutiny of the associated enablement costs of the facility that should rightfully be funded by the party that will receive the revenues generated from the Metro services, and not to be recovered from the airport users through the ARR determination.

Overall, it is disconcerting that GHIAL is claiming a higher capex spend vs the approved amount (₹7,177 crore vs ₹6,090 crore, approximately 18% higher), despite some planned and approved capex items not being pursued. While we acknowledge AERA's high-level validation of the additional expenditure, airport users were not adequately consulted on the scope changes and cost increases that have been subsequently accepted. AERA's acceptance appears to rely largely on explanations relating to unforeseen circumstances, including force majeure events and the pandemic, together with assurances that expenditures remain within normative cost benchmarks. However, this approach risks shifting a significant portion of airport business risk to users, even though such risks would ordinarily be expected to be borne, at least in part, by the airport operator.

This issue is particularly relevant in the determination of the Weighted Average Cost of Capital (WACC). The current regulatory framework provides considerable protection to airport operators through mechanisms such as ex-post cost true-ups and the recovery of approved investments through the RAB. These arrangements substantially reduce the residual risks faced by the airport. Accordingly, AERA should consider whether the allowed rate of return appropriately reflects the actual risk exposure of the operator and should assess whether a lower WACC is justified to reflect the significant risk mitigation embedded within the regulatory regime.

IATA recognizes the need for investors to earn a reasonable return on efficiently incurred investments. However, as the Regulatory Asset Base continues to increase significantly, financing costs are becoming an increasingly important driver of airport charges. It is therefore essential that AERA continues to apply rigorous scrutiny to capital investment decisions and financing arrangements, ensuring that only efficiently incurred and efficiently financed investments are included in the regulatory framework and recovered from airport users."

GHIAL's response to Stakeholder's Comments regarding True-up of Capex, Depreciation and RAB for the Third Control Period

5.4.129. GHIAL has not provided any response to IATA's comments regarding True-up of Capex, Depreciation and RAB for the Third Control Period.

Authority's analysis on Stakeholder's Comments regarding True-up of Capex, Depreciation and RAB for the Third Control Period

Design, Development and Project Management Consultancy Costs:

5.4.130. The Authority notes GHIAL's submission seeking consideration of the actual Design Development and Project Management Consultancy Cost ("PMC") incurred for the expansion project. The Authority also

notes GHIAL's reliance on the Hon'ble TDSAT judgment dated 29.05.2026, the treatment adopted in the case of Noida International Airport and its submission that the engagement of GADL was undertaken on an arm's-length basis and supported by an independent benchmarking study.

5.4.131. In this regard, he Authority notes that the issue of Design Development and Project Management Cost was considered during the tariff determination of the Third Control Period. At that stage, M/s RITES Limited (Capex evaluation consultant) had recommended that the soft cost, including Design Development and Project Management Consultancy Cost, be restricted to 3% of the hard cost. This recommendation was made specifically on the basis that the contract for Project Management Consultancy Cost had been awarded by GHIAL to its related/group entity, GADL, without following a competitive bidding process.

5.4.132. The Authority reiterates the fact that the contract was awarded to a related party without competitive bidding is a material consideration in determining the prudence and reasonableness of the expenditure claimed for inclusion in the Regulatory Asset Base. In the absence of a competitive procurement process, the Authority is unable to establish that the contractual terms and costs represented the most efficient and reasonable costs available in the market.

5.4.133. A competitive bidding process would have enabled the Authority to assess the reasonableness of the scope of services, pricing, manpower deployment, overheads, profit margins and other commercial terms associated with the Project Management Consultancy Cost. Since the contract was awarded to GADL, a related party, without such competitive discovery of price, the Authority considers it appropriate to apply a regulatory benchmark for determining the amount eligible for recovery through tariffs.

5.4.134. The Authority further notes that the issue is not limited to whether the expenditure was actually incurred by GHIAL. Actual incurrence of expenditure, by itself, does not establish that the entire amount is prudent, efficient, reasonable and reflective of prevalent market rates for the purposes of its due considerations in the tariff determination. Where expenditure arises from a contract awarded to a related party without competitive bidding, the Authority is required to undertake additional scrutiny to ensure that airport users are not required to bear costs that have not been adequately tested through an independent and transparent procurement process.

5.4.135. The Authority also notes that an arm's-length assertion or an independent benchmarking exercise relating to manpower charge-out rates does not, by itself, address the concern arising from the absence of competitive bidding for the overall Project Management Cost contract. Such benchmarking may provide information regarding particular cost components, but it does not establish that the total contractual cost, including the scope of work, deployment assumptions, overheads, margins and other contractual elements, was the most reasonable cost that could have been obtained by GHIAL. Moreover, GHIAL has not furnished documentary evidence sufficient to establish that the transaction was undertaken on an arm's-length basis.

5.4.136. Accordingly, the Authority considers that the recommendation made by M/s RITES Limited during the Third Control Period continues to be relevant. The 3% benchmark was not adopted as a general or arbitrary cap applicable irrespective of circumstances. It was adopted in the specific context of the Project Management Cost contract having been awarded to a related party without competitive bidding. The same consideration continues to apply to the present true-up exercise.

5.4.137. The Authority has also considered GHIAL's reliance on the Hon'ble TDSAT judgment dated 29.05.2026. The Authority notes that the observations relied upon by GHIAL are relating to the facts and circumstances of that case. The treatment of Design Development and Project Management Cost in the present case is based on the specific procurement circumstances applicable to GHIAL, namely, the award of the contract

to GADL, a related party, without competitive bidding. Therefore, the Authority does not consider that the said judgment can be automatically applied in this matter of GHIAL too as the facts and circumstances in this matter are different as illustrated above. Thus, acceptance of the entire actual cost claimed by GHIAL without examining the prudence and procurement basis of such expenditure does not seem to be appropriate.

5.4.138. The Authority further notes GHIAL's reference to the treatment of Project Management Cost in the case of Noida International Airport. The Authority reiterates that the PMC Cost decided in respect of another airport cannot, by itself, determine the treatment to be adopted in GHIAL's case. The admissibility of Project Management Cost is required to be examined with reference to the facts and circumstances of the relevant project, including the nature of the airport, the procurement process followed, the contractual arrangements, the scope of services and the supporting documentation submitted by the airport operator.

5.4.139. The Authority also notes GHIAL's submission that execution of works at an operational airport may involve additional complexity and coordination requirements. However, such circumstances do not alter the fact that the Project Management Cost contract in the present case was awarded to a related party without competitive bidding. Any additional cost arising from the operational complexity of the airport would have to be demonstrated through project-specific evidence and cannot, in the absence of competitive price discovery, justify the automatic allowance of the entire amount claimed.

5.4.140. The Authority is of the view that the 3% benchmark provides a reasonable and prudent basis for determining the amount eligible for inclusion in the Regulatory Asset Base, particularly in view of the absence of competitive bidding for the related-party contract. The benchmark also maintains consistency with the approach adopted during the tariff determination of the Third Control Period and avoids passing on unverified or insufficiently tested costs to airport users.

5.4.141. Accordingly, the Authority retains its proposal to restrict the combined Design Development and Project Management Cost to 3% of the actual hard cost of Rs. 5,227.84 Crores (refer Table 33 of this Tariff Order). The allowable Design Development and Project Management Cost is therefore determined at Rs. 156.84 Crores for the purpose of true-up of the Third Control Period, as against the Rs. 253.40 Crores claimed by GHIAL.

5.4.142. The Authority further retains its proposal that the balance amount of Rs. 14.36 Crores remaining under CWIP as on 31.03.2026 shall not be considered for capitalization during the Third Control Period. The said amount has been considered in the Fourth Control Period, subject to actual capitalization and submission of the requisite supporting details and prudence review in accordance with the applicable regulatory framework.

Table 57: PMC Costs pertaining to Total Capital Expenditure decided by the Authority for the Third Control Period

(Rs. In Crores)

Particulars	Amount
PMC Costs claimed by GHIAL	253.40
Disallowance pertaining to restriction of PMC to 3% of the allowed costs	(96.56)
Total PMC Costs considered by the Authority	**156.84**
Carry forward/ CWIP	(14.36)
PMC Costs decided by the Authority for the Third Control Period	**142.48**

Uncapitalised Balances (WIP):

5.4.143. The Authority notes GHIAL's submission regarding the treatment of the uncapitalised balance of ₹168.50 Crores, comprising CWIP of ₹92.53 Crores and a carry-forward amount of ₹75.97 Crores as on 31.03.2026.

5.4.144. The Authority has examined the capitalization details submitted by GHIAL along with the Fixed Asset Register. The Authority notes that GHIAL had considered capitalization of only ₹107.07 Crores for FY 2026, representing the assets actually capitalized during the year. Further, the amount of ₹168.50 Crores was not included in the capitalization amount claimed by GHIAL for FY 2026 and was separately identified as to be capitalized in FY 2027.

5.4.145. It is to be noted that the Authority, based on the facts and details provided by GHIAL, had inadvertently reduced Rs. 168.50 Crore from the assets additions in Third Control Period at the Consultation stage. Now, on the basis of documentary information provided by GHIAL, the Authority decides not to reduce Rs. 168.50 Cr. from assets additions in Third Control Period. Accordingly, the Authority's proposal contained in paragraph 5.4.67 of the Consultation Paper is modified.

Interest during Construction:

5.4.146. The Authority has examined GHIAL's submissions regarding the proposed disallowance of IDC of ₹46.62 crore pertaining to the Second Control Period and the proportionate reduction of IDC of ₹43.37 crore relating to the uncapitalised/carry-forward capital expenditure of ₹168.50 crore.

5.4.147. At the Consultation Paper stage, the Authority proposed the exclusion of IDC of ₹46.62 crore considering the said amount pertained to the Second Control Period and had already been capitalised during that period. The proposed exclusion was made to avoid the possibility of the same IDC being considered again in the capital additions for the Third Control Period.

5.4.148. With regard to the IDC of ₹46.62 crore, GHIAL has clarified that the said amount was capitalised during the Second Control Period and was not claimed as part of RAB during the Third Control Period. The Authority has examined the clarification furnished by GHIAL along with the relevant capitalisation details and the Fixed Asset Register. Based on the same, the Authority notes that the IDC of ₹46.62 crore capitalised during the Second Control Period did not form part of the capital additions submitted for the Third Control Period. Accordingly, its exclusion again from the capital additions for the Third Control Period would result in a reduction of the RAB in respect of an amount that had not been included in the additions claimed by GHIAL for the said period. Accordingly, the proposal of deduction of the IDC of ₹46.62 crore from IDC stands modified. The aeronautical portion of the said IDC has been added back to the RAB additions for the Third Control Period.

5.4.149. The adjustment proposed in the Consultation Paper related to the proportionate reduction of IDC of ₹43.37 crore was attributable to the uncapitalised/carry-forward capital expenditure of ₹168.50 crore. The proposed reduction was based on the Authority's view that IDC corresponding to capital expenditure not capitalised during the Third Control Period could not be considered as part of the IDC eligible for the said period.

5.4.150. With regard to the proportionate reduction of IDC of ₹43.37 crore, GHIAL has clarified that the IDC claimed by it was computed and fully capitalised up to FY 2024. GHIAL has further confirmed that no IDC was claimed or capitalised in respect of the period subsequent to FY 2024 or in respect of the amount of ₹168.50 crore proposed to be carried forward for consideration in FY 2027.

5.4.151. The Authority has also noted GHIAL's submission that the amount of ₹168.50 crore does not include any IDC. Accordingly, the IDC claimed up to FY 2024 does not include any IDC attributable to the uncapitalised/carry-forward amount of ₹168.50 crore.

5.4.152. In view of the above clarification and confirmation furnished by GHIAL, the Authority has decided to modify its proposal of carry forward of IDC of ₹43.37 crore to the Fourth Control Period. The said amount has been added back to the IDC considered for the Third Control Period, since the underlying carry-forward

capital expenditure of ₹168.50 crore does not include any IDC and no IDC has been claimed or capitalised in respect thereof.

5.4.153. Accordingly, the proposals contained in paragraphs 5.4.89 and 5.4.91 of the Consultation Paper have been modified. The proposed deduction relating to the IDC of ₹46.62 crore pertaining to the Second Control Period has not been retained, and the aeronautical portion thereof has been added back to the RAB additions for the Third Control Period. Further, the proportionate IDC reduction of ₹43.37 crore relating to the uncapitalised/carry-forward capital expenditure of ₹168.50 crore has also been added back.

5.4.154. The Authority had allowed IDC of ₹1,391.33 crore at the Consultation Paper stage. Upon allowing the total IDC amounts pertaining to the uncapitalised/carry-forward balances and the IDC incurred during the Second Control Period, the total IDC allowed by the Authority has revised to ₹1,481.32 crore. Accordingly, for the calculation of total capital expenditure, the revised IDC has been considered.

5.4.155. The aeronautical additions proposed during the consultation stage amounted to ₹5,927.00 crore. After accounting for adjustments pertaining to the uncapitalized balance carried forward to the Fourth Control Period, IDC adjustment and restriction of landscaping expenditure, the final aeronautical additions determined by the Authority amounted to ₹6,147.40 crore.

Table 58: Aeronautical additions/ capitalisation decided by the Authority for the Third Control Period

(Rs. In Crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Amount
Aeronautical Additions	465.90	1679.76	3190.75	360.32	450.68	**6147.40**

5.4.156. The difference between the aeronautical additions proposed in the consultation stage and aeronautical additions decided by the Authority are as follows:

Table 59: Aeronautical additions/ capitalisation decided by the Authority for the Third Control Period vis-à-vis proposed during the consultation stage

(Rs. In Crores)

Particulars	Amount
Aeronautical Additions proposed during the consultation stage (Ref Table 47)	**5,927.00**
Add: Aeronautical portion of CWIP/ carry forward disallowed added back	146.93
Add: IDC added back pertaining to 2nd Control period and proportionate disallowance of IDC pertaining to CWIP/ carry forward	73.47
Aero Additions decided by the Authority for the Third Control period	**6,147.40**

True-up of Depreciation for the Third Control Period:

5.4.157. The Authority notes GHIAL's submissions during stakeholder's comments regarding the treatment of retrospective depreciation on GST capitalization, the pro-rata basis of depreciation and the proportionate adjustment arising from disallowances in aeronautical asset additions.

5.4.158. The Authority had sought detailed clarifications from GHIAL regarding the depreciation computation, including the asset-wise basis of depreciation, the treatment of retrospective GST capitalization, the date of capitalization and putting to use of the relevant assets, the application of pro-rata depreciation and the adjustments arising from the review of aeronautical asset additions.

5.4.159. GHIAL has furnished its responses and supporting details in this regard. The submissions have been examined along with the relevant Fixed Asset Register, depreciation workings and other supporting information provided by the operator.

5.4.160. Based on the clarifications and additional information furnished by GHIAL, the Authority has revisited the

depreciation computation. The revised computation takes into account the eligible depreciation relating to the retrospective capitalization of GST, depreciation calculated from the relevant date of capitalization and putting to use of the assets, and the corresponding impact of adjustments made to the eligible aeronautical asset additions.

5.4.161. The Authority has also considered the requirement that any adjustment to depreciation arising from disallowance or modification of asset additions should correspond to the period for which the relevant asset was eligible for capitalization and depreciation. Accordingly, the depreciation has been recomputed with reference to the relevant asset-level capitalization details and applicable period.

5.4.162. In view of the above, the depreciation figures proposed in the Consultation Paper have been revised after considering GHIAL's clarifications and supporting submissions.

5.4.163. Accordingly, the depreciation computation is modified as per the table below, based on the revised workings prepared after examination of GHIAL's submissions and the additional clarifications furnished by the operator.

Table 60: Depreciation decided by the Authority for the Third Control Period

(Rs. In Crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Depreciation decided by the Authority	194.74	242.91	344.29	437.08	434.81	1653.84

GST Input Tax Credit:

5.4.164. The Authority notes GHIAL's submission regarding the retrospective capitalization of GST ITC of ₹129.85 Crores pertaining to the period prior to the Third Control Period and its request for consequential depreciation and return on RAB.

5.4.165. The GST ITC of ₹129.85 Crores pertaining to the period prior to the Third Control Period has been considered as part of the opening RAB of the Third Control Period by the Authority in the Consultation Paper.

5.4.166. The Authority notes that the underlying GST expenditure relates to civil works incurred during FY 2017–18 to FY 2020–21 and that the corresponding assets had already been created, commissioned and put to use during the relevant years. The retrospective capitalization therefore represents recognition of an eligible component of the cost of assets that had already been deployed for providing airport services, and does not constitute a fresh investment made during the Third Control Period.

5.4.167. In these circumstances, it is appropriate that the regulatory treatment of the retrospective capitalization should also recognise the associated depreciation and return on RAB for the period during which the underlying assets were available for use. Allowing the capitalized amount without the corresponding depreciation and return would not fully give effect to the economic and regulatory consequences of recognising the GST component as part of the eligible project cost.

5.4.168. The Authority is therefore of the view that GHIAL's request for consequential depreciation and return on RAB is justified. The eligible depreciation and return attributable to the GST ITC of ₹129.85 Crores has been considered for the relevant period and included as part of the true-up for the Third Control Period, for determination of the tariff requirement for the Fourth Control Period.

5.4.169. The amount has been determined after verification of GHIAL's calculations, including the year-wise capitalization and putting-to-use details, applicable depreciation rates, asset life, regulatory rate of return, wherever applicable, and the treatment of the amount already considered in the opening RAB.

5.4.170. Accordingly, the proposal contained in paragraphs 5.4.94 and 5.4.95 of the Consultation Paper is modified. In addition to considering ₹129.85 Crores as part of the opening RAB of the Third Control Period, the associated depreciation and return on RAB has also been considered, which are as follows:

Table 61: Depreciation and Return of RAB associated with the GST Input Tax Credit Adjustment

(Rs. In Crores)

GST on Civil Portion	Ref	FY18	FY19	FY20	FY21	Total
Opening	(A)	-	0.45	59.33	115.61	
Additions	(B)	0.46	59.88	60.51	20.51	**141.36**
Depreciation	(C)	0.01	1.00	4.24	6.27	**11.52**
Closing	(D) = (A)+(B)-(C)	0.45	59.33	115.61	129.85	
Average RAB	(E) = {(A) + (D)}/2	0.23	29.89	87.47	122.73	
FRoR	(F)	10.73%	10.73%	10.73%	10.73%	
Return on RAB	(G) = (E)*(F)	0.02	3.21	9.39	13.17	**25.79**
ARR	(H) = (C) + (G)	0.03	4.21	13.63	19.44	**37.31**
PV as on 31.03.2022		**0.05**	**5.79**	**16.92**	**21.80**	**44.55**

5.4.171. Accordingly, Rs. 44.55 Crores has been added to the under recovery carried forward from Second Control Period to Third Control Period.

5.4.172. The Authority has examined IATA's submissions regarding the prudence review of GHIAL's capital expenditure, allocation of project risks, treatment of cost overruns, inclusion of non-aeronautical expenditure and the consequential impact on the RAB and airport charges.

5.4.173. The Authority agrees with IATA that only capital expenditure that is necessary, efficiently incurred, appropriately scoped, prudently financed and attributable to aeronautical services is eligible for inclusion in the RAB. The fact that the capital expenditure has been incurred, recorded in the books of account or claimed by GHIAL does not, by itself, establish its admissibility for regulatory recovery. The expenditure has been included in the RAB only after examination of its necessity, efficiency, aeronautical nature, capitalisation, commissioning, putting to use and supporting documentation.

5.4.174. The Authority observes IATA's observation regarding the total capital expenditure of ₹7,177.51 crore relating to the 34 MPPA Expansion Project. The said amount represents the overall expenditure associated with the Expansion Project across different periods and does not represent the aeronautical capital expenditure capitalised during the Third Control Period alone. The expenditure relating to the project was capitalised in a phased manner during the Second and Third Control Periods, with certain expenditure carried forward for consideration during the Fourth Control Period as well. Accordingly, the total amount of ₹7,177.51 crore cannot be directly compared with the capital additions capitalised during the Third Control Period or with the aeronautical capital expenditure determined for that period.

5.4.175. The Authority, through its independent tariff consultant, has examined the GHIAL's claim with reference to the Fixed Asset Register, project-wise and year-wise capitalisation details, approved and revised project scope, supporting documents, procurement arrangements, contractual provisions, cost variations, project delays and the status of commissioning and putting to use of the relevant assets. The Authority has also considered the submissions regarding increases in project cost arising from scope additions, design changes, extended project timelines, prolongation cost due to Covid-19 impact, price escalation and additional works undertaken during execution.

5.4.176. The Authority, through its independent tariff consultant, has also examined the claims of GHIAL regarding the contractor and vendor claims, including those relating to Megawide and Beumer, with reference to the relevant contractual arrangements, reasons for the variations, supporting records and the specific circumstances of each claim. The existence of a contractor claim, payment of an amount by GHIAL or

occurrence of a force majeure event, pandemic-related disruption, supply-chain issue or project delay has not, by itself, been treated as sufficient justification for allowing the resulting expenditure through tariffs. Such expenditure has been admitted only to the extent supported by adequate evidence, relevant contractual provisions, project-specific justification and applicable cost benchmarks.

5.4.177. The Authority, through its independent tariff consultant, has further examined whether the relevant assets had been commissioned and put to use for aeronautical purposes. Expenditure relating to assets that were not available for aeronautical use during the Third Control Period, or that did not satisfy the applicable requirements for inclusion in the RAB, has not been admitted for the Third Control Period. The Authority has also applied the relevant aeronautical ratio and excluded expenditure attributable to non-aeronautical assets and activities.

5.4.178. With regard to metro-related assets, the Authority notes that GHIAL has not claimed any expenditure relating to metro stations serving the city side, Aerocity or other non-aeronautical services for inclusion in the aeronautical RAB. Accordingly, the expenditure relating to such metro-related assets has not been included in the aeronautical RAB or passed on to airport users through the ARR.

5.4.179. The Authority, through its independent tariff consultant, has compared the aeronautical capital expenditure claimed by GHIAL in its MYTP with the amount determined in the previous tariff determination and the amount determined in the present Tariff Order. GHIAL had claimed aeronautical capital additions of ₹6,205.39 crore for the Third Control Period. In the Third Control Period Tariff Order, the Authority had determined aeronautical capital expenditure of ₹5,518.00 crore. In the present determination, the Authority has considered aeronautical additions of ₹6,147.50 crore.

5.4.180. The Authority notes that the increase in the aeronautical capital expenditure from ₹5,518.00 crore determined in the Third Control Period Tariff Order to ₹6,205.39 crore claimed by GHIAL in its MYTP Application is attributable to the revised capitalisation schedule and the finalisation of project costs during execution. The increase primarily relates to additional and modified works undertaken as part of the 34 MPPA Expansion Project, including changes in the layout and configuration of apron and taxiway works, enhancements to airside systems and terminal infrastructure, electrical load augmentation, modifications to building and façade design, and revisions to certain specifications and facilities.

5.4.181. The Authority further notes that the project costs were affected by the extension of the project timelines. GHIAL submitted that the delays arose from factors including COVID-19-related lockdowns and restrictions, disruption in logistics and supply chains, manpower-related constraints and delays in approvals. The extended execution period resulted in additional prolongation and extended-stay costs, as well as additional design and engineering effort. Price escalation claims under the relevant contracts were also raised and assessed with reference to the extended project period and applicable cost indices.

5.4.182. The increase also relates to variations in the contracts for airport systems and other project components. These variations included changes in scope, descoping of certain works, revisions to the configuration and specifications of the systems, contractor claims and additional costs associated with the extended project duration. The Authority has examined these variations with reference to the contractual arrangements, the reasons furnished by GHIAL, the supporting documentation and the status and use of the relevant assets.

5.4.183. The Authority clarifies that the factors contributing to the increase in project cost have not resulted in automatic acceptance of the entire amount claimed by GHIAL. The Authority has examined GHIAL's claim for aeronautical additions for the Third Control Period. GHIAL had claimed aeronautical additions of ₹6,205.39 crore in its MYTP. Based on the actual capitalisation during FY 2025–26, GHIAL subsequently revised the aeronautical additions to ₹6,012.57 crore. The aforesaid amounts did not include the CGF assets,

which had been classified by GHIAL as non-aeronautical. The Authority, upon examination of the nature and use of the CGF assets particularly relating to fuel farm services (being provided by GHIAL directly), has considered the same as aeronautical assets. Accordingly, upon including the CGF assets, the aeronautical additions work out to ₹6,636.43 crore based on the MYTP claim and ₹6,447.17 crore based on the actual capitalisation up to FY 2025–26. After applying the applicable and revised allocation ratio and accounting for the disallowances relating to IDC and PMC costs, the Authority has determined net aeronautical additions of ₹6,147.40 crore for inclusion in the RAB for the Third Control Period.

5.4.184. With regard to IATA's submission on the WACC, the Authority notes that the WACC is determined separately with reference to the overall risk profile of the regulated airport business and the applicable regulatory framework. The existence of prudence review, RAB-based recovery and true-up mechanisms does not, by itself, warrant a revision of the approved WACC. The WACC has been determined in accordance with the methodology and financial parameters applicable to the airport.

5.4.185. The Authority further notes that financing costs have also been examined separately and have been allowed only to the extent that they relate to eligible and prudently incurred capital expenditure and satisfy the applicable regulatory requirements. The specific financing, refinancing, hedging or treasury decisions of GHIAL have not been treated as automatically recoverable through tariffs. Such costs have been considered with reference to their necessity, efficiency, direct linkage to the regulated business and impact on the RAB and tariff requirement.

5.4.186. In view of the above, the Authority has considered IATA's concerns regarding cost overruns, project risk allocation, user consultation, non-aeronautical expenditure, the long-term impact of RAB additions and financing costs. The Authority retains its approach of considering only eligible, prudently incurred and aeronautical capital expenditure in the RAB. Accordingly, aeronautical additions of ₹6,147.40 crore have been considered as part of RAB for the Third Control Period. The resulting depreciation and return have been determined only on the basis of the approved RAB.

5.4.187. Thus, based on the above facts and rationale thereon, the RAB and Depreciation decided by the Authority for the True-up of the Third Control Period is given in the table below:

Table 62: RAB decided by the Authority for the Third Control Period

(Rs. In Crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB (A)	1966.41	2221.56	3657.73	6445.04	6363.38	
Capital Additions (B) (Refer Table 58)	465.90	1679.76	3190.75	360.32	450.68	6147.40
Depreciation (after ADFG adjustment) (C) (Refer Table 60)	194.74	242.91	344.29	437.08	434.81	1653.84
Deletions / Disposal (D) (Refer Table 55)	16.01	0.68	59.15	4.90	2.06	82.79
Closing RAB (E) = (A) + (B) – (C) – (D)	2221.56	3657.73	6445.04	6363.38	6377.18	
Average RAB {(A) + (E)}/2	2093.99	2939.65	5051.38	6404.21	6370.28	

5.5. True-up of Weighted Average Cost of Capital (WACC) for the Third Control Period

GHIAL's Submission regarding WACC for the Third Control Period

5.5.1 GHIAL made the following submissions with regard to the Weighted Average Cost of Capital for the Third Control Period.

Cost of Equity

5.5.2 GHIAL considered cost of equity as approved by the Authority in the Tariff Order for the Third Control Period i.e. 15.17%.

Cost of Debt

5.5.3 GHIAL considered effective cost of debt i.e. 9.04% for the Third Control Period computed based on the debt outstanding in each of the years of the Control Period. The basis for the cost of debt towards True-up for the Third Control Period is as shown in the table below:

Table 63: Basis for Cost of Debt submitted by GHIAL

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26
Opening Debt	6,717.72	6,717.72	7,055.41	7,532.41	6,962.24
Addition	-	1,990.00	540.00	-	2,095.71
Repayment	-	1,652.32	-	507.17	2,095.71
IFL Repayment	-	-	63.00	63.00	63.00
Closing Debt	6,717.72	7,055.41	7,532.41	6,962.24	6,899.24
Interest Cost	616.50	619.92	623.49	618.59	690.69
Average Principal	6,717.72	6,886.57	7,293.91	7,247.32	6,930.74
Effective Cost of Debt	**9.18%**	**9.00%**	**8.55%**	**8.54%**	**9.97%**

5.5.4 GHIAL initially submitted the Cost of Debt for FY 2025-26 on a projections basis as part of its MYTP for the Fourth Control Period. Subsequently, pursuant to the clarifications sought and finalisation of accounts for FY 2025-26, GHIAL submitted the actual debt movement and interest cost for FY 2025-26. The details of the actual debt movement and effective cost of debt submitted by GHIAL for FY 2025-26 are shown in the table below:

Table 64: Actual Debt Movement and Effective Cost of Debt submitted by GHIAL for FY 2025-26

(Rs. In crores)

Particulars	FY26
Opening Debt	6,962.24
Addition	2,100.00
Repayment	2,095.80
IFL Repayment	63.00
Closing Debt	6,903.43
Interest Cost	615.35
Average Principal	6,932.83
Effective Cost of Debt	8.88%

5.5.5 The Authority noted that the actual effective cost of debt for FY 2025-26 submitted by GHIAL works out to 8.88%, as against the projected effective cost of debt of 9.97% submitted earlier in the MYTP.

5.5.6 Accordingly, after taking into account the revised submission for cost of debt submitted by GHIAL, the weighted average cost of debt works out as 8.82%.

5.5.7 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.

Gearing Ratio

5.5.8 GHIAL 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 Third Control Period.

Calculation of WACC:

5.5.9 GHIAL 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 GHIAL stands at 12.12% with normative debt and equity at 48% and 52% respectively. The calculation of WACC is shown in the table below:

Table 65: WACC submitted by GHIAL for the Third Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.17%	52.00%	7.89%
Debt	8.82%	48.00%	4.23%
WACC			12.12%

Recap of decisions taken by the Authority regarding WACC for the Third Control Period

5.5.10 Decision 9.6.1 *"The Authority decides to consider cost of equity as 15.17% as per the outcome of the independent study. (refer para 9.5.14)"*

5.5.11 Decision 9.6.2 *"The Authority decides to consider cost of debt as 8.99% based on its assessment of the cost of refinancing bond and the effective cost of the bonds already raised by HIAL. (refer para 9.5.22)"*

5.5.12 Decision 9.6.3 *"The Authority decides to consider a notional debt equity ratio of 48%:52% as suggested by the independent study.(refer para 9.5.23)"*

5.5.13 Decision 9.6.4 *"The Authority decides to consider the Fair Rate of Return/Weighted Average Cost of Capital as 12.20% for the Third Control Period .(refer para 9.5.23)"*

5.5.14 Decision 9.6.5 *"The Authority decides to True-up actual value of cost of debt subject to a cap of 10.15%. (refer para 9.5 .18)"*

5.5.15 The year-wise effective cost of debt as assessed during the Third Control Period is presented below:

Table 66: Year-wise Effective Cost of Debt as per the Tariff Order for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26
Average Principal	6,210.93	6,210.93	6,179.43	5082.92	4120.79
Effective Cost of Debt	9.11%	9.11%	9.16%	8.88%	8.49%
Weighted Average Cost of Debt for the Third Control Period	**8.99%**				

5.5.16 Based on the above, the Authority vide decision no. 9.5.23 in the Tariff Order for the Third Control Period decided to consider the WACC / Fair Rate of Return (FRoR) of 12.20% for the Third Control Period, computed as follows:

Table 67: WACC decided by the Authority as per the Tariff Order for the Third Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.17%	52.00%	7.89%
Debt	8.99%	48.00%	4.31%
WACC / FRoR			**12.20%**

Authority's Examination regarding True-up of WACC for the third Control Period at the Consultation Stage

5.5.17 The Authority examined the submission made by GHIAL and noted that GHIAL had adopted Cost of Equity at 15.17% which is consistent with the decision taken by the Authority during the tariff determination for the Third Control Period based on the Independent Study conducted by IIM Bangalore. Hence, the Authority proposed to consider the Cost of Equity at 15.17% towards True-up for the Third Control Period.

5.5.18 The Authority noted GHIAL's submission of Cost of Debt at 8.82% towards True-up for the Third Control Period. The Authority noted that the calculation is based on the weighted average of the year-wise effective

cost of debt computed on the average principal outstanding during the Third Control Period. Accordingly, the year-wise effective cost of debt as submitted by GHIAL is 9.18% (FY22), 9.00% (FY23), 8.55% (FY24), 8.54% (FY25) and 8.88% (FY26), resulting in a weighted average cost of debt of 8.82% for the Third Control Period. It is to be noted that the Cost of Debt of 8.82% as submitted by GHIAL was lower than the effective cost of the individual debt instruments, primarily on account of the Interest Free Loan from the State Government and the refinancing of higher-cost USD borrowings through lower-cost domestic INR NCDs. The Authority therefore found the submission of GHIAL towards the Weighted Cost of Debt of 8.82% reasonable. The Authority consistent with the decision taken at the time of tariff determination for the Third Control Period proposed to consider the normative debt-equity proportion of 48:52 as decided in Order No. 12/2021-22 for the Third Control Period.

Table 68: Cost of Debt proposed to be considered by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26
Average Principal	6,717.72	6,886.57	7,293.91	7,247.32	6,932.84
Interest Cost	616.50	619.92	623.49	618.59	615.35
Effective Cost of Debt	9.18%	9.00%	8.55%	8.54%	8.88%
Weighted Average Cost of Debt for the Third Control Period	**8.82%**				

Gearing Ratio

5.5.19 The Authority noted that GHIAL had 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 Third Control Period and the same had been considered for the purpose of computation of WACC.

WACC

5.5.20 Based on the above, the resulting WACC proposed to be considered by the Authority towards True-up for the Third Control Period works out to 12.12%, in line with GHIAL's submission, as shown in the table below:

Table 69: WACC proposed to be considered by the Authority towards True-up for the Third Control Period at the Consultation Stage

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.17%	52.00%	7.89%
Debt	8.82%	48.00%	4.23%
WACC			**12.12%**

Stakeholders' comments regarding True-up of WACC for the Third Control Period

5.5.21 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. 02/2026-27 dated 19th June 2026 regarding True-up of WACC for the Third Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up of WACC for the Third Control Period

5.5.22 No comments were received from GHIAL regarding True-up of WACC for the Third Control Period.

Other Stakeholder's comments regarding True-up of WACC for the Third Control Period

5.5.23 IATA's comments regarding True-up of WACC for the Third Control Period for RGIA, Hyderabad is as

follows:

"IATA believes there is a clear need for AERA to reassess the proposed WACC to ensure that the allowed rate of return accurately reflects the actual risks borne by the airport operator. There appears to be an upward bias in the current approach as a significant portion of project, regulatory and demand-related risks are effectively transferred from the airport operator to airport users through the prevailing regulatory framework.

As noted above, airport users are often required to bear the consequences of capital cost overruns, scope changes, delays, and other unforeseen expenditure through inclusion in the RAB and subsequent cost recovery mechanisms. In addition, the true-up process further reduces the airport operator's exposure to forecasting errors and other business risks by providing opportunities to recover costs that exceed original assumptions. These regulatory protections materially lower the risks faced by investors compared to those of a fully commercial enterprise."

GHIAL's response to Stakeholder's comments regarding True-up of WACC for the Third Control Period

5.5.24 GHIAL's response to IATA's comment on True-up of WACC for the Third Control is as follows:

"AERA has conducted a Study on Determination of Cost of Capital at Major airports through IIM Bangalore in December 2019, which is been used to calculate the cost of equity for major private airport operators under its regulatory jurisdiction in India. The study was concluded after consultation by all stakeholders including IATA and the matter has reached finality after considering necessary inputs from all stakeholder inputs.

Therefore, GHIAL respectfully disagrees with the stakeholder's contention that the proposed FroR is above efficient market levels. The FRoR is based on the cost of equity as suggested by IIM Bangalore study, and actual cost of debt. The purpose of FRoR is to provide a fair return on capital invested in long-gestation airport infrastructure assets and to ensure continued availability of capital for capacity expansion and service enhancement.

Accordingly, GHIAL submits that the FRoR proposed in the Consultation Paper is consistent with AERA's established methodology, reflects the long-term risks borne by airport investors, and remains necessary to support continued investment in airport infrastructure and capacity enhancement"

Authority's analysis on Stakeholder's comments regarding True-up of WACC for the Third Control Period

5.5.25 The Authority has examined IATA's submission and the counter submission made by GHIAL and is of the view that the proposed WACC appropriately reflects the risk profile of the regulated airport business and has been determined in accordance with a study conducted by AERA through IIM, Bangalore.

5.5.26 The Authority reiterates that the inclusion of expenditure in the Regulatory Asset Base is not automatic. Capital expenditure is admitted only after examining its necessity, scope, reasonableness, efficiency and prudence. Expenditure relating to cost overruns, scope changes, delays or other unforeseen circumstances is considered only upon assessment of the relevant facts, justification and supporting documentation. Amounts that are not found to be prudent or efficiently incurred are excluded from the RAB.

5.5.27 Similarly, the true-up mechanism is not an automatic pass-through mechanism. True-up is undertaken to reconcile the regulatory position with the actual eligible expenditure, revenue or other parameters, subject to verification and prudence review. The mechanism does not provide an unconditional entitlement to recover all variations from the approved projections.

5.5.28 The Authority further notes that the prudence review of capital expenditure and the determination of WACC are separate, though interrelated, regulatory exercises. While the former determines the expenditure eligible for inclusion in the RAB, the latter determines the appropriate return on the capital employed in the regulated business. The treatment of individual expenditure items or subsequent true-up adjustments cannot, by itself, requires a revision of the WACC methodology or the approved financial parameters.

5.5.29 Accordingly, the Authority does not find sufficient basis to revise the proposed WACC on the grounds stated. The Authority retains its proposal regarding WACC. The admissibility of capital expenditure and any consequential true-up shall continue to remain subject to prudence check and review, verification and the applicable regulatory framework.

5.5.30 Thus, based on the above changes, the WACC decided by the Authority for the True-up of the Third Control Period is as shown in the table below:

Table 70: WACC decided by the Authority for True-up of the Third Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.17%	52.00%	7.89%
Debt	8.82%	48.00%	4.23%
WACC			**12.12%**

5.6. True-up of Aeronautical Operation and Maintenance (O&M) Expenses

GHIAL's Submission regarding True-up of O&M Expenses for the Third Control Period

5.6.1 GHIAL submitted the Operation and Maintenance Expenses for True-up of the Third Control Period based on audited actuals incurred during the period till FY25 and estimation for FY26.

5.6.2 The component wise breakup of O&M Expenses submitted by GHIAL for the Third Control Period is as follows:

Table 71: O&M Expenses submitted by GHIAL for True-up of the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Staff cost	110.08	116.50	157.30	183.93	226.81	794.61
Administration & general expense	177.21	388.83	229.41	284.20	281.94	1,361.59
Electricity & Water charge	11.36	13.91	52.27	50.31	62.66	190.50
Operating expenses	159.62	202.05	252.51	303.51	357.21	1,274.90
Concession Fee	30.33	54.41	78.69	93.16	92.21	348.80
Total	**488.59**	**775.70**	**770.18**	**915.10**	**1020.83**	**3,970.40**

5.6.3 Subsequently, vide e-mail dated 02.05.2025, GHIAL submitted a revised O&M Expenses for FY26 based on unaudited provisional financials for FY26. Accordingly, the revised component wise breakup of O&M Expenses as submitted by GHIAL is as follows:

Table 72: Revised O&M Expenses submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26*	Total
Staff Cost	110.08	116.50	157.30	183.93	169.95	737.76
Administration & general expense	177.21	388.83	229.41	284.20	265.57	1345.22
Electricity & Water charge	11.36	13.91	52.27	50.31	47.86	175.71
Operating expenses	159.62	202.05	252.51	303.51	404.76	1322.45
Concession Fee	30.33	54.41	78.69	93.16	102.21	358.8
Total	**488.59**	**775.70**	**770.18**	**915.10**	**990.35**	**3939.94**

As per actuals submitted by the operator via email dated 2nd May 2026

Reason for increase in various heads of expenditure as per GHIAL

Rates & Taxes

5.6.4 GHIAL submitted that there had been a considerable increase in expenses in FY2023 which was on account of payment made to HMWSSB towards increasing the water supply capacity (Rs. 4.95 Cr) and on account of increase in property tax (Rs. 1.9 Cr) owing to phase wise commissioning of 34 MPPA.

Bank Charges & Forex Fluctuations

5.6.5 GHIAL submitted that the substantial variation in Bank Charges during the Third Control Period was primarily on account of interest on working capital facilities availed by GHIAL and delayed payment interest on Concession Fee payable to the Ministry of Civil Aviation (MoCA). In FY22 alone, Bank Charges included an amount of Rs. 17.75 Crore towards interest on working capital facility and Rs. 5.62 Crore towards delayed payment interest on Concession Fee.

5.6.6. GHIAL further submitted that a substantial rise in forex loss in FY23 was attributed to refinancing FCB 2024 and FCB 2026 by raising domestic NCDs to mitigate forex exposure. The amount of Rs.90.77 Cr was on account of breaking of the hedge contract.

Repair & Maintenance

5.6.7. GHIAL submitted that, the Authority had considered 0.5% of the new additions as repairs & maintenance expenses instead of GHIAL proposal of 1.5%. This resulted in the gap (of 112.48 Crores) between the Authority's projection vs actual incurrence by GHIAL for the 3rd Control Period.

Stores & Spares (Consumables)

5.6.8. GHIAL submitted that Stores and Spares were primarily utilised for the maintenance of the terminal building and airside infrastructure at RGIA and with the existing terminal building having been in continuous operation for a period in excess of fifteen (15) years, the consumption of Stores and Spares progressively increased, on account of the higher maintenance intensity associated with ageing infrastructure.

5.6.9. GHIAL further submitted that the Authority, in determining the Aeronautical Consumables expenses for the Third Control Period, had considered a COVID-19-impacted financial year as the base, with the corresponding expense being ₹ 3.84 Crore. GHIAL contended that, in the preceding normal financial year, the actual expenses incurred amounted to ₹ 7.16 Crore, and the said normal-year figure ought to have been considered as the appropriate base for projecting the Aeronautical Consumables expenses for the Third Control Period.

Insurance Cost

5.6.10. GHIAL submitted that the increase in insurance cost was primarily due to an increase in the sum insured, arising from incremental capitalisation of assets and an expanded coverage base.

Rent

5.6.11. GHIAL submitted that the increase in Rent expenses during the Third Control Period was attributable to the following factors:

(i) Hiring of additional office space to meet business requirements with effect from FY 2023–24, entailing an annual rental cost of approximately Rs. 3.70 Crore;

(ii) Hiring of additional office space with effect from FY 2024–25, entailing an annual rental cost of approximately Rs. 2.60 Crore; and

(iii) Year-on-year escalation provided for under the other rental contracts subsisting during the Third Control Period.

Manpower Hire Charges

5.6.12. GHIAL submitted that Manpower Hire Charges represented the cost incurred towards contractors engaged for the deployment of outsourced personnel at Rajiv Gandhi International Airport, Hyderabad ("RGIA") and the contracts were structured to incorporate an annual escalation typically ranging between 5% and 8% per annum, in line with periodic revisions in the applicable statutory minimum wages. GHIAL, accordingly, considered a realistic escalation rate of 7% per annum for the purposes of projecting Manpower Hire Charges. GHIAL further submitted that the Authority, in its determination for the Third Control Period, did not adequately account for the said macroeconomic escalation factor, which resulted in the approval of expense levels that were lower than the actual expenditure incurred by GHIAL during the said period.

5.6.13. GHIAL additionally submitted that, on account of the expansion in airport operations, including the increase in terminal capacity and passenger throughput during the Third Control Period, the operating cost incurred under this head correspondingly increased.

5.6.14. GHIAL further submitted that certain incremental costs, which were not envisaged at the time of the determination for the Third Control Period, were incurred during the said period, the particulars of which are as follows:

i. **Implementation of Digi Yatra Services:** Pursuant to the "Digi Yatra" initiative introduced by the Ministry of Civil Aviation, Government of India ("MoCA"), GHIAL incurred additional expenditure towards the implementation and ongoing operation of Digi Yatra services at RGIA. The said expenditure resulted in incremental Manpower Hire Charges of approximately ₹ 12 Crore per annum, with effect from FY 2024–25; and

ii. **Deployment of GADL Personnel for General Capex Monitoring:** GHIAL engaged GMR Airports Developers Limited ("GADL") to deploy a team of sixteen (16) personnel for the purposes of monitoring and execution support in respect of the new General Capital Expenditure ("Capex") initiatives and projects undertaken at RGIA. The said engagement resulted in incremental annual expenditure of ~5.40 Crore.

5.6.15. GHIAL further submitted that the Authority, in determining the Manpower Hire Charges for the Third Control Period, had considered a COVID-19-impacted financial year as the base year, with the corresponding expense being ₹ 37.53 Crore. GHIAL contended that, in the preceding normal (pre-COVID-19) financial year, the actual expenses incurred under this head amounted to ₹ 43.75 Crore, and the said normal-year figure ought to have been considered as the more appropriate and representative base for projecting Manpower Hire Charges for the Third Control Period.

CGF expense

5.6.16. GHIAL submitted that the Authority, in determining the Fuel Farm expenses for the Third Control Period, had projected the said expense solely on the basis of inflation, without factoring in certain critical growth drivers, including, inter alia, Air Traffic Movements ("ATMs") and fuel upliftment at Rajiv Gandhi International Airport, Hyderabad ("RGIA").

5.6.17. GHIAL submitted that the increase in actual Fuel Farm expenses observed during FY 2022–23 was principally attributable to a rise in fuel upliftment at RGIA of approximately 48% during the said financial year.

5.6.18. GHIAL further submitted that increased maintenance costs, arising from the ageing of vehicles and equipment deployed for Fuel Farm operations, additionally contributed to the higher operating expenses incurred under this head, particularly during FY 2025–26.

5.6.19. GHIAL additionally submitted that the Authority, in determining the Fuel Farm expenses for the Third Control Period, had considered a COVID-19-impacted financial year as the base year, with the corresponding expense being ₹ 12.62 Crore. GHIAL contended that, in the preceding normal financial year, the actual expenses incurred under this head amounted to ₹ 18.29 Crore, and the said normal-year figure ought to have been considered as the more appropriate and representative base for projecting Fuel Farm expenses for the Third Control Period.

General Admin Expense

5.6.20. GHIAL submitted that the base year considered for the projection of General Administration Expenses for the Third Control Period corresponded to a COVID-19-impacted financial year, during which several routine general administrative activities, such as travel and conveyance, business meetings and conferences, training and development, printing and stationery, and ancillary office expenses, stood temporarily moderated on account of the disruption in airport operations. With the post-pandemic normalisation of operations at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), the said expenses progressively reverted to, and progressed in line with, the steady-state operating profile of the Airport.

5.6.21. GHIAL further submitted that the Third Control Period witnessed a substantial expansion in the operational scale of RGIA on account of the increase in terminal capacity, passenger throughput, ATM volumes, manpower deployment, and operational complexity at the Airport. The said expansion objectively necessitated a commensurate scaling-up of general administrative activities required to support the larger operational footprint and correspondingly resulted in a structural increase in the said expense head.

Aeronautical allocation of Operating Expenses as submitted by GHIAL

5.6.22. GHIAL submitted that the allocation of total O&M expenses between aeronautical and non-aeronautical activities was carried out based on the following methodology:

i. All the expenditure attributable directly to Aeronautical services or Non-aeronautical services was allocated accordingly as Aero and Non-Aero costs. The classification of the expenditure was done based on the nature of the cost center and respective expenditure incurred in the cost center.

ii. For the common costs outside the Terminal, which cannot be directly allocated, the expenses were apportioned based on an appropriate driver such as the Gross Fixed Asset Ratio or the Aero-Non Aero Expense Ratio of Aeronautical and Non-Aeronautical for the relevant year.

5.6.23. The ratio of allocation for segregation of common expense considered by GHIAL for the Third Control Period is given below:

Table 73: Allocation Ratio for segregation of common expense adopted by GHIAL

Particulars	Basis of Allocation	FY22	FY23	FY24	FY25	FY26
Payroll Related Expenses	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Advertisement & Business Promotion	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Rent	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Rates and Taxes	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Security Charges	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%

Particulars	Basis of Allocation	FY22	FY23	FY24	FY25	FY26
Legal and Professional Charges	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Corporate Cost allocation	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Communication Costs	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Office Maintenance	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Printing and Stationery	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Recruitment Charges	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Travelling and Conveyance	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Directors Sitting Fees	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Forex fluctuation (gain)/loss / Hedge Break Cost	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Payment to Auditors	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Other Admin Expenses	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Bank Charges	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Insurance	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Repairs & Maintenance	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Stores and Spares	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Housekeeping Expenses	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%
Operating & Maintenance Expenses	Aero-Non Aero Expense Ratio	82.38%	81.16%	87.70%	87.25%	86.53%
Manpower Outsourcing	Gross Fixed Asset Ratio	88.16%	89.06%	88.29%	88.21%	86.89%

5.6.24. The Aeronautical portion of various O&M Expenses for the Third Control Period using above allocation principles is given below:

Table 74: Aeronautical O&M Expenses submitted by GHIAL for True-up of the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26*	Total
Staff Cost	94.55	100.7	135.23	158.41	143.90	632.79
Admin & general expense	150.04	329.24	200.27	246.32	229.02	1,154.89
Electricity & Water charge	11.36	13.91	52.27	50.31	47.86	175.71
Operating expense	132.77	163.67	218.89	263.67	347.42	1,126.42
Concession Fee	9.56	23.85	42.67	53.82	57.53	187.43
Total	**398.28**	**631.37**	**649.33**	**772.53**	**825.72**	**3,277.23**

As per actuals submitted by the operator via email dated 2nd May 2026

Recap of decisions taken by the Authority regarding Aeronautical O&M Expenses for the Third Control Period

5.6.25. Decision No. 7.6.3 "*The Authority decides to consider allocation ratio as set out in Para 7.5.26 for the Third Control Period and review it in the next control period..*"

5.6.26. Decision No. 7.6.5 "*To True-up the operating expenditure for the current control period based on actuals subject to reasonableness and efficiency, at the time of determination of tariff for the Fourth Control Period.*"

5.6.27. The Authority decided the following Total O&M Expenses at the time of tariff determination for the Third Control Period:

Table 75: Total O&M Expenses decided by the Authority in the Tariff Order of the Third Control Period

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Staff Cost	117.12	140.88	173.15	181.11	189.44	801.7
Rates & Taxes (incl. Property Tax)	5.71	5.97	7.18	8.64	9.04	36.54
Community development	1.22	0	0	0	0	1.22
Bad Debts Written Off/ Advances written off	0	0	0	0	0	0
Bank Charges, Exchange Fluctuations, etc.	11.41	10.03	9.7	6.57	7.24	44.95
Security Cost	28.81	42.46	49.79	52.08	54.48	227.62
Repairs and Maintenance	56.73	72.3	82.66	87.53	91.83	391.05
Stores & Spares	4.11	5.23	5.98	6.34	6.65	28.31
Insurance Cost	5.05	5.29	5.53	5.78	6.05	27.7
Land Lease Rent to GoT	4.16	4.37	4.59	4.81	5.06	22.99
Manpower Outsourcing (Technical Service) Expenses	31.41	32.86	37.2	45.33	51.33	198.13
Housekeeping Cost	24.22	43.88	53.99	56.47	59.07	237.63
Fuel Farm Cost	13.2	13.81	14.44	15.11	15.8	72.36
Other Operating Expenses	8.36	8.75	10.52	12.66	13.24	53.53
General Admin Cost	75.06	78.52	94.45	113.61	118.83	480.47
Utility Expense	25.91	46.93	57.74	60.4	63.18	254.16
Concession Fee	28.9	53.44	73.85	85.38	94.22	335.79
Total	**441.38**	**564.72**	**680.77**	**741.82**	**785.46**	**3214.15**

5.6.28. The Authority considered the following Aeronautical allocation ratio at the time of tariff determination for the Third Control Period:

Table 76: Allocation ratio decided by the Authority in the Tariff Order of the Third Control Period

Particulars	Basis of Allocation	FY22	FY23	FY24	FY25	FY26
Payroll Related Expenses	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Advertisement & Business Promotion	Aero-Non Aero Expense Ratio	82.98%	82.98%	82.98%	82.98%	82.98%
Rent	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Rates and Taxes	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Security Charges	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Legal and Professional Charges	Aero-Non Aero Expense Ratio	82.98%	82.98%	82.98%	82.98%	82.98%
Corporate Cost allocation	Aero-Non Aero Expense Ratio	82.98%	82.98%	82.98%	82.98%	82.98%
Communication Costs	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Office Maintenance	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Printing and Stationery	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Recruitment Charges	Aero-Non Aero Expense Ratio	82.98%	82.98%	82.98%	82.98%	82.98%
Travelling and Conveyance	Aero-Non Aero Expense Ratio	50%	50%	50%	50%	50%
Directors Sitting Fees	Aero-Non Aero Expense Ratio	82.98%	82.98%	82.98%	82.98%	82.98%
Forex fluctuation (gain)/loss / Hedge Break Cost	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Payment to Auditors	Aero-Non Aero Expense Ratio	82.98%	82.98%	82.98%	82.98%	82.98%

Particulars	Basis of Allocation	FY22	FY23	FY24	FY25	FY26
Other Admin Expenses	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Bank Charges	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Insurance	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Repairs & Maintenance	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Stores and Spares	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Housekeeping Expenses	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%
Operating & Maintenance Expenses	Aero-Non Aero Expense Ratio	82.98%	82.98%	82.98%	82.98%	82.98%
Manpower Outsourcing	Gross Fixed Asset Ratio	91.30%	91.30%	91.30%	91.30%	91.30%

5.6.29. Based on the above allocation ratio, the Authority considered the following Aeronautical O&M expenses at the time of tariff determination for the Third Control Period:

Table 77: Aeronautical O&M Expenses decided by the Authority in the Tariff Order of the Third Control Period

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Staff Cost	105.98	127.47	156.68	163.88	171.42	725.45
Rates & Taxes (incl. Property Tax)	5.21	5.45	6.55	7.89	8.26	33.36
Community development	1.22	0.00	0.00	0.00	0.00	1.22
Bad Debts Written Off/ Advances written off	0.00	0.00	0.00	0.00	0.00	0.00
Bank Charges, Exchange Fluctuations, etc.	10.42	9.16	8.86	6.00	6.61	41.04
Security Cost	25.85	38.09	44.66	46.72	48.87	204.19
Repairs and Maintenance	52.68	66.59	75.54	79.35	82.55	356.70
Stores & Spares	3.84	4.89	5.60	5.93	6.22	26.48
Insurance Cost	4.61	4.83	5.05	5.28	5.52	25.29
Land Lease Rent to GoT	3.02	3.17	3.33	3.50	3.67	16.69
Manpower Outsourcing (Technical Service) Expenses	29.34	30.69	34.76	42.35	47.96	185.10
Housekeeping Cost	20.83	37.73	46.43	48.57	50.80	204.36
Fuel Farm Cost	13.20	13.81	14.44	15.11	15.80	72.36
Other Operating Expenses	5.15	5.37	6.47	7.78	8.15	32.93
General Admin Cost	54.56	57.07	68.64	82.58	86.37	349.22
Utility Expense	25.91	46.93	57.74	60.40	63.18	254.16
Concession Fee	14.33	32.59	50.25	59.59	65.28	222.04
Total	**376.15**	**483.85**	**585.00**	**634.92**	**670.65**	**2750.57**

Authority's examination and proposals regarding True-up of O&M Expenses for the Third Control Period at the Consultation Stage

5.6.30. The Authority's analysis of aeronautical operating expenses for True-up for the Third Control Period was based on the revised submissions made by GHIAL vide e-mail dated 02.05.2026.

5.6.31. The Authority, through the Independent Consultant, examined the True-up of O&M Expenses for the Third Control Period based on a detailed review of the submissions and records furnished by GHIAL. In this regard, the following documents / information were considered by the Authority:

i. Ledgers and other internal records maintained by GHIAL in respect of O&M Expenses for the Third Control Period;

ii. Audited Financial Statements of GHIAL for FY22-FY25 and unaudited Financial Statement for FY26;

iii. Explanations and clarifications furnished by GHIAL regarding the reasons for variation in various sub-items of Operating Expenses during the Third Control Period; and

iv. Chartered Accountant certificates submitted by GHIAL, including those relating to the allocation of Operating Expenses between Aeronautical and Non-Aeronautical activities along with the basis / justifications thereof.

5.6.32. Based on the aforesaid examination, the Authority noted that GHIAL submitted Aeronautical O&M Expenses of Rs. 3,277.23 Crores for True-up of Third Control Period as against Rs. 2,750.57 Crores approved by the Authority in the Tariff Order for the Third Control Period with a resultant variation of 19.14%.

5.6.33. The Authority, based on its examination and considerations, re-evaluated the GFA (treating CGF assets as aeronautical) and Aero-Non Aero Expense Ratio (Aero Opex: Non-Aero Opex) to apportion the common expenses as per the table below:

Table 78: Allocation Ratio considered by the Authority for True-up of the Third Control Period

Particulars	Basis of Allocation	FY22	FY23	FY24	FY25	FY26
Payroll Related Expenses	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Rent	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Rates and Taxes	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Security Charges	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Legal and Professional Charges	Aero-Non Aero Expense Ratio	92.54%	89.57%	92.06%	90.77%	92.16%
Corporate Cost allocation	Aero-Non Aero Expense Ratio	92.54%	89.57%	92.06%	90.77%	92.16%
Communication Costs	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Office Maintenance	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Printing and Stationery	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Recruitment Charges	Aero-Non Aero Expense Ratio	92.54%	89.57%	92.06%	90.77%	92.16%
Travelling and Conveyance	50%	50%	50%	50%	50%	50%
Directors Sitting Fees	Aero-Non Aero Expense Ratio	92.54%	89.57%	92.06%	90.77%	92.16%
Forex fluctuation (gain)/loss / Hedge Break Cost	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Payment to Auditors	Aero-Non Aero Expense Ratio	92.54%	89.57%	92.06%	90.77%	92.16%
Other Admin Expenses	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Bank Charges	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Insurance	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Repairs & Maintenance	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Stores and Spares	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%
Housekeeping Expenses	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%

Particulars	Basis of Allocation	FY22	FY23	FY24	FY25	FY26
Operating & Maintenance Expenses	Aero-Non Aero Expense Ratio	92.54%	89.57%	92.06%	90.77%	92.16%
Manpower Outsourcing	Gross Fixed Asset Ratio	91.24%	90.02%	88.92%	88.85%	88.77%

5.6.34. The Authority found the allocation methodology generally reasonable, except for certain expense heads such as Advertisement & Business Promotion, legal expenses and travelling and conveyance expenses, where specific adjustments were considered necessary.

5.6.35. The Authority for the purpose of examination of various expense heads reclassified the expenses submitted by the operator in line with the approach undertaken in the previous tariff order (including Third Control Period). The Total O&M submitted by the operator after reclassifying is presented in the table below:

Table 79: Total O&M expenses submitted by GHIAL, recategorized as per Authority's grouping

Particulars (Rs Cr)	FY22	FY23	FY24	FY25	FY26	Total
Staff Cost	110.08	116.50	157.30	183.93	169.95	737.76
Rates & Taxes (incl. Property Tax)	4.46	11.65	7.52	8.00	8.10	39.73
Community development	28.20	8.20	8.50	16.00	12.80	73.70
Bad Debts Written Off/ Advances written off	-	63.00	5.06	1.17	0.15	69.38
Assets written off	0.05	0.68	1.34	-	-	2.07
Bank Charges, Exchange Fluctuations, etc.	30.56	134.88	15.44	27.17	15.31	223.37
Security Cost	14.20	20.70	22.64	22.83	20.16	100.53
Repairs and Maintenance	58.83	84.80	110.92	118.30	118.15	491.00
Consumables (Stores & Spares)	4.39	12.09	16.58	14.61	13.75	61.43
Insurance Cost	5.56	6.00	7.18	7.66	9.17	35.57
Land Lease Rent to GoT	8.25	13.04	12.63	17.46	18.31	69.69
Manpower Hire/Outsourcing (Technical Service) Expenses	49.51	43.94	55.45	89.04	90.81	328.75
Housekeeping Cost	16.95	21.20	32.27	40.83	59.99	171.24
Operating Expenses	22.41	30.50	24.20	28.32	30.27	135.70
Collection Charges	1.97	3.52	5.90	4.76	5.92	22.05
General Admin Cost						-
• Advertisement & Business Promotion	6.13	7.72	14.92	20.43	15.01	64.21
• Legal and Professional Charges	16.73	45.71	36.48	46.66	37.61	183.19
• Corporate Cost allocation	34.02	35.24	48.91	61.78	77.87	257.82
• Communication Costs	2.30	2.28	1.93	2.12	2.18	10.81
• Printing and Stationery	0.39	0.47	1.09	0.65	0.71	3.31
• Recruitment Charges	0.40	2.44	2.76	6.01	4.80	16.41
• Travelling and Conveyance	27.65	38.99	45.20	47.63	44.52	203.99
• Directors Sitting Fees	0.17	0.25	0.24	0.19	0.21	1.06
• Payment to Auditors	0.59	0.79	0.75	0.89	1.22	4.23
• Other Admin Expenses	3.09	2.81	3.99	5.21	6.60	21.70
Utility Expense	11.36	13.91	52.27	50.31	47.86	175.70
Concession Fee	30.33	54.41	78.69	93.16	102.21	358.79
Strategic, Management and Technical Service Fee*					76.70	76.70
Total	**488.59**	**775.70**	**770.18**	**915.10**	**990.35**	**3939.94**

5.6.36. The Authority for the purpose of examination of various expense heads reclassified the expenses submitted by the operator in line with the approach undertaken in the previous tariff order (including Third Control Period). The Aeronautical O&M submitted by the operator after reclassifying is presented in the table below:

Table 80: Aeronautical O&M expenses submitted by GHIAL, recategorized as per Authority's grouping

Particulars (Rs Cr)	FY22	FY23	FY24	FY25	FY26	Total
Staff Cost	94.55	100.70	135.23	158.41	143.90	632.80
Rates & Taxes (incl. Property Tax)	3.97	10.98	6.65	7.07	7.10	35.78
Community development	24.39	6.65	7.45	14.03	11.08	63.61
Bad Debts Written Off/ Advances written off	0.00	51.13	4.44	0.00	0.00	55.57
Assets written off	0.05	0.66	0.88	0.00	0.00	1.59
Bank Charges, Exchange Fluctuations, etc.	26.97	120.07	13.70	24.02	13.39	198.16
Security Cost	12.55	18.42	18.99	18.24	15.88	84.08
Repairs and Maintenance	56.00	81.16	105.41	113.75	112.86	469.18
Consumables (Stores & Spares)	4.11	11.64	15.64	14.03	13.12	58.54
Insurance Cost	4.91	5.34	6.36	6.75	7.97	31.34
Land Lease Rent to GoT	6.63	10.90	10.44	14.97	15.54	58.49
Manpower Hire/ Outsourcing (Technical Service) Expenses	45.78	41.25	53.39	85.07	86.62	312.10
Housekeeping Cost	14.02	16.63	26.53	34.83	51.71	143.73
Fuel Farm Cost	-	-	-	-	-	-
Operating Expenses	5.99	4.13	5.66	4.48	2.85	23.11
Collection Charges	1.97	3.52	5.90	4.76	5.92	22.05
General Admin Cost						
• Advertisement & Business Promotion	4.98	6.07	13.26	18.63	13.75	56.69
• Legal and Professional Charges	13.64	36.33	32.65	40.87	32.48	155.97
• Corporate Cost allocation	28.03	28.60	42.90	53.90	67.38	220.80
• Communication Costs	2.02	2.02	1.70	1.86	1.90	9.51
• Printing and Stationery	0.35	0.42	0.94	0.59	0.62	2.91
• Recruitment Charges	0.33	1.98	2.42	5.24	4.28	14.26
• Travelling and Conveyance	22.92	31.60	39.42	41.44	38.62	174.01
• Directors Sitting Fees	0.14	0.20	0.21	0.16	0.18	0.90
• Payment to Auditors	0.49	0.64	0.65	0.70	1.05	3.53
• Other Admin Expenses	2.57	2.55	3.56	4.58	5.77	19.03
Utility Expense	11.36	13.91	52.27	50.31	47.86	175.70
Concession Fee	9.56	23.85	42.67	53.82	57.53	187.43
Strategic, Management and Technical Service Fee*	-	-	-	-	66.37	66.37
Total	**398.27**	**631.37**	**649.33**	**772.54**	**825.72**	**3,277.23**

**The Airport Operator in its revised submission on 02.05.2026, included expense head "Strategic, Management and Technical Service" Fee*

5.6.37. The Authority further noted that the major variation was primarily under certain expense heads such as Repair & Maintenance, Rates & Taxes, Manpower Hire Charges, Bank Charges, Consumables, Rent and General Admin Expense. Accordingly, after undertaking a prudence check and examining the documentary evidence, supporting submissions and Chartered Accountant certificates furnished by GHIAL, the Authority analyzed the reasons for such variation under each expense head, as discussed in the ensuing paragraphs.

Manpower Cost

5.6.38. The aeronautical Manpower expenses approved by the Authority for the Third Control Period and aeronautical Manpower expenses as submitted by GHIAL for True-up is provided in the table below:

Table 81: Comparison of Manpower expenses as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Manpower Cost approved by the Authority as per TCP order (A)	105.98	127.47	156.68	163.88	171.42	725.45
Aeronautical Manpower Cost incurred by the Operator for True-up (B)	94.55	100.70	135.23	158.41	143.90	632.80
Variation (B-A)	-11.43	-26.77	-21.45	-5.47	-27.52	-92.65

5.6.39. The Authority noted that the Aeronautical Manpower expenses submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period (Rs. 632.80 Cr) is ~12.7% lower than the Aeronautical manpower expenses approved by the Authority in the Third Control Period (Rs. 725.45 Cr).

5.6.40. The Authority analysed the details pertaining to count of manpower deployed at the airport and the expense per employee as submitted by GHIAL. The same is provided below:

Table 82: Employee Count and Expense per Employee as submitted by GHIAL for True-up of the Third Control Period in its revised submission

Manpower Count at the closing of FY	FY22	FY23	FY24	FY25	FY26
Aero Manpower (A)	292	302	345	379	340
Common Manpower (B)	399	396	489	544	487
GFA Ratio (C)	88.16%	89.06%	88.29%	88.21%	87.03%
Total Aero Manpower (D=A+(B*C))	644	655	777	859	764
Total Aeronautical Manpower Cost (E) (in Crores)	94.55	100.70	135.23	158.41	144.06
Expense per Employee (E/D) (in Crores)	0.15	0.15	0.17	0.18	0.19

5.6.41. The Authority noted that the decrease in Manpower expenses witnessed during FY 2025–26 was attributable to certain manpower realignments undertaken across the GMR Group during the said financial year. GHIAL had, in this regard, furnished the following particulars in respect of the said manpower movements:

i. **Transfer of Specialised Staff to Bhogapuram Airport**: Certain specialised staff were transferred to Bhogapuram International Airport (operated by an associate entity within the GMR Group), in view of the impending Commercial Operations Date ("COD") of the said airport;

ii. **Transfer of Commercial Operations Team**: Certain personnel from the commercial operations function were transferred to GMR Airports Limited to meet the business requirements of the said entity;

iii. **Transfer of Personnel to Shared Services**: Certain personnel were transferred to GMR Airports Limited to operate under a shared services arrangement, whereby the said personnel continue to discharge functions in support of GHIAL's operations on a shared basis;

iv. **Continued Discharge of GHIAL Functions**: GHIAL further submitted that the aforesaid transfers had been undertaken to address resource requirements at the Group level, and that the transferred personnel continued to extend support to GHIAL on an additional-responsibility basis, to the extent feasible; and

v. **Transfer of CSR Personnel**: Certain personnel engaged in Corporate Social Responsibility ("CSR") initiatives were transferred to the GMR Varalakshmi Foundation, being the dedicated

entity for undertaking CSR activities at the Group level.

5.6.42. The Authority also noted that the reduction in Manpower expenses during the Third Control Period was on account of delay in operationalization of Terminal Expansion Plan, the said expansion having been commissioned in FY 2023-24 as against the originally envisaged timeline of FY 2020-21, and subsequent delay in the hiring of manpower related to Terminal Expansion.

5.6.43. The Authority, in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, proposed to allocate the Manpower expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.44. Based on the above, the Aeronautical Manpower expenses proposed to be considered by the Authority for True-up for the Third Control Period are provided in the table below:

Table 83: Manpower expenses proposed by the Authority for True-up of the Third Control Period at Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Manpower expenses	96.96	101.50	135.97	159.25	146.03	639.72

5.6.45. The Authority noted that GHIAL submitted total Manpower expense of Rs. 737.76 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Manpower expense as per GHIAL was Rs. 632.80 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Manpower expense attributable to aeronautical services was computed at Rs. 639.72 Crores (ref. Table 83). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Rates & Taxes

5.6.46. Rates & Taxes expense primarily comprised the property tax, and the yearly payment towards PUC.

5.6.47. The Aeronautical Rates and Taxes approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 84: Comparison of Rates & Taxes as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Rates & Taxes expenses approved by the Authority in TCP order (A)	5.21	5.45	6.55	7.89	8.26	33.36
Aeronautical Rates & Taxes expenses submitted by GHIAL for True-up (B)	3.97	10.98	6.65	7.07	7.10	35.78
Variation (B-A)	-1.24	5.53	0.1	-0.82	-1.16	2.42

5.6.48. The Authority noted that the Aeronautical Rates & Taxes submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period (Rs. 35.78 Cr) was marginally higher than the Aeronautical Rates & Taxes approved by the Authority in the Tariff Order for the Third Control Period and the same was verified though relevant documents including CA certificates.

5.6.49. The Authority also noted the considerable increase in expenses in FY 2023 was on account of payment made to HMWSSB towards increasing the water supply capacity (Rs. 4.95 Cr) and on account of increase in property tax (Rs. 1.9 Cr) owing to phase wise commissioning of 34 MPPA.

5.6.50. The Authority, in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, proposed to allocate the Rates & Taxes expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

Table 85: Rates & Taxes proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Rates & Taxes	4.10	11.04	6.70	7.12	7.24	36.20

5.6.51. The Authority noted that GHIAL submitted total Rates & Taxes of Rs. 39.73 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Rates & Taxes as per GHIAL was Rs. 35.78 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Rates & Taxes attributable to aeronautical services were computed at Rs. 36.20 Crores (ref. Table 85). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provides a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Bank Charges and Forex Fluctuations

5.6.52. The Aeronautical Bank charges, Forex Fluctuations approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 86: Comparison of Bank Charges and Forex Fluctuations as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Bank Charges, Forex fluctuations approved by the Authority in TCP order (A)	10.42	9.16	8.86	6.00	6.61	41.04
Aeronautical Bank Charges submitted by GHIAL for True-up (B)	26.90	38.43	13.41	23.73	12.76	115.22
Aeronautical Forex Fluctuations submitted by GHIAL for True-up (C)	0.07	81.65	0.29	0.29	0.63	82.94
Variation (C+B -A)	16.55	110.92	4.84	18.02	6.78	157.12

Bank Charges

5.6.53. The Authority examined the historical trajectory of Bank Charges incurred by GHIAL across the past Control Periods and observed that the year-on-year movement in the said expense head was highly variable and erratic, with the year-on-year growth rates oscillating across a wide range. The Authority was of the considered view that no discernible or consistent trend could be established on the basis of the said historical growth rates, the said variability being symptomatic of the event-driven and non-recurring nature of the constituents underlying this expense head.

5.6.54. The Authority further observed that the substantial variation in Bank Charges during the Third Control Period was primarily attributable to the following two non-routine constituents:

(a) Interest on Working Capital Facilities availed by GHIAL during the said period; and

(b) Delayed Payment Interest on Concession Fee payable to the Ministry of Civil Aviation ("MoCA").

5.6.55. The Authority examined the variance between the total Bank Charges approved in the Tariff Order for the Third Control Period and the actual Bank Charges incurred by GHIAL during FY 2021-22, the said variance of Rs. 19.10 Crores was primarily attributable to two distinct cost components, both of which were directly traceable to the financial measures undertaken by GHIAL in response to the COVID-19 pandemic:

(i) **Interest on Working Capital Facility – ₹17.75 Crores:** The Authority observed that, in view of the severe and unprecedented impact of the COVID-19 pandemic on the revenue streams of Rajiv Gandhi International Airport, Hyderabad ("RGIA"), GHIAL availed working capital facilities during FY 2021-22 to preserve adequate cash balances and to safeguard against further operational and financial uncertainties arising from the pandemic. The said facility entailed an interest cost of ₹17.75 Crores during the said financial year.

(ii) **Interest on Deferred Concession Fee – ₹5.63 Crores:** The Authority observed that, pursuant to the dispensation granted by the Ministry of Civil Aviation, Government of India ("MoCA"), GHIAL was permitted to defer the payment of the Concession Fee payable to the Ministry of Civil Aviation during the pandemic period, so as to conserve cash flows during the period of disruption. The said deferment carried a corresponding interest cost of ₹5.63 Crores, in terms of the MoCA communication on record.

5.6.56. The Authority observed that the Ministry of Civil Aviation, Government of India ("MoCA"), vide its communication dated 19.10.2022, had, in the matter of the deferment of Concession Fee payable by GHIAL during the COVID-19 pandemic period, recorded the following:

(i) **Deferment of Concession Fee:** Pursuant to the request of GHIAL, MoCA deferred the payment of the Concession Fee due on 30 June 2020 by a period of six (6) months, viz., until 31 December 2020, with a view to alleviating the cash flow stress occasioned by the pandemic-induced disruption in airport operations;

(ii) **No Waiver of Interest:** The said deferment, however, did not extend the original due date of payment, and no corresponding waiver of interest in respect of the deferred period was approved by MoCA; and

(iii) **Liability for Interest at SBI PLR + 2%:** GHIAL was, accordingly, required to discharge the Concession Fee payments for the deferred period together with interest computed at the State Bank of India Prime Lending Rate plus two per cent (SBI PLR + 2%), in terms of Clause 18.14 of the Concession Agreement subsisting between GHIAL and the Ministry of Civil Aviation.

5.6.57. The Authority observed that the interest cost incurred by GHIAL on the deferred Concession Fee payments during the Third Control Period was, accordingly, in the nature of a contractually binding cost, having been levied in accordance with the express terms of the Concession Agreement and pursuant to the directions issued by MoCA.

The said cost was, by its very nature, non-discretionary and exogenous to GHIAL, and was directly attributable to the exceptional pandemic-related circumstances that necessitated the deferment of Concession Fee payments to preserve operational liquidity during the said period.

5.6.58. The break-up of Interest on Working Capital Facility and Interest on Deferred Concession Fee incurred by GHIAL is as per the table below:

Table 87: Break up of Interest on Working Capital Facility and Interest on Deferred Concession Fee as submitted by GHIAL

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Interest on delayed payment of Concession Fee	5.63	10.18	-	-	-
Working Capital Interest	17.75	17.32	2.48	-	-
Total	**23.38**	**27.50**	**2.48**		

5.6.59. The Authority observed that the said variance was, in its entirety, attributable to exceptional pandemic-related circumstances and to the necessary financial measures undertaken by GHIAL to ensure (i) the maintenance of adequate liquidity, and (ii) the uninterrupted continuation of airport operations at RGIA during the pandemic. The said costs were, by their very nature, non-recurring, event-driven, and exogenous to the steady-state operating profile of the Airport, and were not reflective of the routine Bank Charges ordinarily incurred in the conduct of airport operations.

5.6.60. Based on the foregoing, Aeronautical Bank charges proposed to be considered by the Authority for the Third Control period is provided in the table below:

Table 88: Aeronautical Bank Charges proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Bank Charges	27.84	38.84	13.51	23.90	11.87	115.95

5.6.61. The Authority noted that GHIAL submitted total Bank Charges of Rs. 130.43 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Bank Charges as per GHIAL was Rs. 115.22 Crores (ref. Table 86). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Bank Charges attributable to aeronautical services was computed at Rs. 115.95 Crores (ref. Table 88). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provides a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Forex Fluctuations

5.6.62. The Authority noted a substantial rise in forex loss in FY23, which was attributed to refinancing FCB 2024 and FCB 2026 by raising domestic NCDs to mitigate forex exposure. The amount of Rs.90.77 Cr was on account of breaking of hedge contract.

5.6.63. The Authority, in this regard, sought a Cost-Benefit Analysis from GHIAL in respect of the Hedge Break Cost.

Upon examination of the "Note on Hedge Break Cost" submitted by GHIAL, the Authority observed that the FCBs which were due to mature in April 2024 and February 2026, were refinanced in Dec 2022 i.e., just 16 months and 26 months prior to their maturity date. Also, ECD 2024 was refinanced in March 2023. Further, the Authority observed that the cost benefit analysis as submitted by GHIAL considered a period of 5 years. Considering only the remaining period to maturity for these FCDs and ECD, the computation resulted in net loss on account of breaking of Hedge for the existing FCDs and ECD.

5.6.64. Therefore, the Authority observed that the decision to break the hedge contract resulted in net loss to the airport users. In the absence of such cost-benefit substantiation, the Authority was of the considered view that the Hedge Break Cost of ₹90.77 Crore was not to be allowed as pass through to airport users, and accordingly proposed to disallow the same. Further, the other marginal costs incurred on account of foreign exchange fluctuations related to travel and procurement, etc. during the Third Control Period amounting to Rs 1.78 Crores was also disallowed.

5.6.65. Based on the foregoing, the Authority proposed to consider the Aeronautical Bank Charges and Forex Fluctuations for the True-up of the Third Control Period at Rs. 115.95 Crores, as against Rs. 198.16 Crores submitted by GHIAL, as per the table below:

Table 89: Aeronautical Bank Charges and Forex Fluctuations proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Bank Charges	27.84	38.84	13.51	23.90	11.87	115.95
Aeronautical Forex Fluctuations	0.00	0.00	0.00	0.00	0.00	0.00
Aeronautical Bank Charges and Forex Fluctuations	27.84	38.84	13.51	23.90	11.87	115.95

Security Expenses

5.6.66. The security expenses were primarily driven by the security-related requirements, particularly towards engagement of outsourced security personnel.

5.6.67. The Aeronautical Security expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 90: Comparison of Security Expense as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Security Expenses approved by the Authority in TCP order (A)	25.85	38.09	44.66	46.72	48.87	204.19
Aeronautical Security Expense submitted by GHIAL for True-up (B)	12.55	18.42	18.99	18.24	15.88	84.08
Variation (B-A)	-13.3	-19.67	-25.67	-28.48	-32.99	-120.11

5.6.68. The Authority noted that the Aeronautical security expenses submitted by GHIAL was ~58% lower than the expenses approved in the Tariff Order for the Third Control Period. The same were verified with relevant documents, including CA certificates, and are found to be reasonable.

5.6.69. The Authority noted that these security personnel were deployed in terminal building as well as landside access, kerbside, common circulation areas, administrative offices, etc.

5.6.70. The Authority noted that the reduction in security expenses during the Third Control Period was on account of a delay in operationalization of Terminal Expansion plan and subsequent delay in hiring of security

personnel related to Terminal Expansion.

5.6.71. The Authority further noted that there was a minor reduction in security expenses amounting to ₹2.67 crore in FY26, attributable to the ongoing development of the airport. As new concessionaires were onboarded on the landside, the associated security expenses were borne by the respective concessionaires.

5.6.72. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Security expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.73. The Aeronautical Security Expense proposed to be considered by the Authority for the Third Control Period is provided below:

Table 91: Aeronautical Security Expense proposed by the Authority for True-up of the Third Control period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Security Expense	12.97	18.61	19.12	18.37	16.21	85.29

5.6.74. The Authority noted that GHIAL submitted total Security Expense of Rs. 100.53 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Security Expense as per GHIAL was Rs. 84.08 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Security Expense attributable to aeronautical services was computed at Rs. 85.29 Crores (ref. Table 91). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Repairs and Maintenance Expenses

5.6.75. Repairs and Maintenance expenses included civil, electrical and mechanical maintenance works relating to the airport, including terminal, runways, taxiways, parking bays, aprons, aerobridges, power substations, IT systems, plant and machinery.

5.6.76. The Aeronautical R&M expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 92: Comparison of R&M Expense as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical R&M Expenses approved by the Authority in TCP order (A)	52.68	66.59	75.54	79.35	82.55	356.70
Aeronautical R&M Expense incurred by the Operator for True-up (B)	56.00	81.16	105.41	113.75	112.86	469.18
Variation (B-A)	3.32	14.57	29.87	34.4	30.31	112.48

5.6.77. The Authority noted that the R&M expenses submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period (Rs. 469.18 Cr) were ~31.5% higher than the Aeronautical R&M expenses approved by the Authority in the Third Control Period (Rs. 356.70 Cr) and the expenses were verified with relevant documents, including CA certificates.

5.6.78. The Authority observed that, while the R&M expenses for the Third Control Period were projected on a conservative basis with reference to the new asset additions, the actual expenditure incurred by GHIAL during the said period fell within a range of approximately 0.5% to 1% of the asset additions. The Authority was of the considered view that the said actual range was linked to the operational and lifecycle-driven maintenance requirements of the asset base.

5.6.79. The Authority further undertook a benchmarking analysis based on actual data for the period FY23 to FY25, with reference to Repair and Maintenance (R&M) cost per passenger and R&M cost per terminal area across comparable airports. Based on such analysis, Authority noted that GHIAL's average R&M cost for the said three-year period works out to approximately Rs. 45 per passenger and Rs. 3,373 per square meter, which was observed to be lower than the corresponding levels of other comparable airports such as BIAL, MIAL and AIAL.

5.6.80. The Authority observed that the R&M expense as a percentage of Gross Block (Aero) had trended downward from 2.52% to 1.80% over the period, a reduction of approximately 72 basis points, the said decline being largely on account of the substantial expansion of the Gross Block consequent to the capitalisation of the Terminal Expansion and associated assets.

5.6.81. The Authority was, therefore, of the considered view that the actual incurrence reflected the true maintenance requirement of the asset base, particularly in the light of the phase-wise commissioning of the 34 MPPA terminal expansion during the Third Control Period.

5.6.82. Having regard to the audited actuals furnished by GHIAL, supported by Chartered Accountant certification, and the absence of any indication of imprudence on the part of the Airport Operator, the Authority proposed to consider the actual R&M expenditure incurred during the Third Control Period for the purpose of the True-Up.

5.6.83. Based on the above, Aeronautical Repair & Maintenance expense proposed to be considered by the Authority for the Third Control Period are shown in the table below:

Table 93: Aeronautical Repair & Maintenance expenses proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical R&M Expenses	56.67	81.34	105.58	113.96	113.37	470.92

5.6.84. The Authority noted that GHIAL submitted total Repair & Maintenance expenses of Rs. 491.00 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Repair & Maintenance expenses as per GHIAL was Rs. 469.18 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Repair & Maintenance expenses attributable to aeronautical services was computed at Rs. 470.92 Crores (ref. Table 93). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase

in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Consumables (Stores & Spares)

5.6.85. The Aeronautical Consumables expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 94: Comparison of Consumables expense as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Consumables expenses approved by the Authority in TCP order (A)	3.84	4.89	5.60	5.93	6.22	26.48
Aeronautical Consumables expenses incurred by the Operator for True-up (B)	4.11	11.64	15.64	14.03	13.12	58.54
Variation (B-A)	0.27	6.75	10.04	8.1	6.9	32.06

5.6.86. The Authority noted that the Aeronautical Consumables expenses submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period was ~121% higher than the Aeronautical Consumables expenses approved by the Authority in the Third Control Period. The same was verified through relevant documents including CA certificates.

5.6.87. The Authority observed that Stores and Spares Consumption, which formed part of the Aeronautical Consumables expenses, was incurred on the basis of planned maintenance activities undertaken at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), and represented the cost of spares consumed in the course of the said maintenance activities. The said expense head was, by its very nature, directly correlated with the age, scale, and operational intensity of the underlying infrastructure being maintained.

5.6.88. Having regard to the materiality of the variance between the projected and actual figures, the Authority, in the course of its detailed examination, sought further clarification from GHIAL in respect of the underlying drivers contributing to the said variance.

5.6.89. The Authority, upon detailed examination of the submissions made by GHIAL and the supporting documentation furnished in respect thereof, identified the following structural and operational factors as the drivers underlying the higher Aeronautical Consumables expenses incurred during the Third Control Period:

(i) **Nature and Purpose of Consumption:** The Authority observed that the Stores and Spares were primarily deployed for the maintenance of the terminal building and airside infrastructure at RGIA. The consumption thereof was, by its very nature, non-discretionary and was dictated by the operational and safety requirements of maintaining critical airport infrastructure to the requisite serviceability and safety standards.

(ii) **Lifecycle-Driven Increase in Maintenance Intensity:** The Authority observed that the existing terminal building at RGIA had been in continuous operation for a period in excess of fifteen (15) years. As consistent with the typical lifecycle cost profile of infrastructure assets, the maintenance intensity and the corresponding consumption of Stores and Spares progressively increased with the aging of the underlying assets. The said increase was bona fide, operationally inevitable, and reflective of the structural maintenance requirements of an ageing terminal and airside infrastructure.

(iii) **Post-Pandemic Normalisation of Maintenance Activities:** The Authority observed that the base year figure

of ₹3.84 Crores considered for projecting the Aeronautical Consumables expenses for the Third Control Period corresponded to a COVID-19-impacted financial year, during which the maintenance activities at the Airport stood temporarily moderated on account of the disruption in operations and the consequential deferral of certain non-critical maintenance interventions. The Authority observed that, in the immediately preceding pre-pandemic financial year, the actual expenses incurred under this head amounted to ₹7.16 Crores, the said figure being more reflective of the steady-state pre-pandemic maintenance profile of the Airport. Notably, the Authority observed that the actual Stores and Spares cost incurred during the Third Control Period was broadly comparable to the said pre-pandemic baseline, when adjusted for inflation and the lifecycle-driven uplift, indicating that the actual incurrence was representative of the true maintenance requirement of the Airport in normal operating conditions.

5.6.90. The Authority was, accordingly, of the considered view that the cumulative effect of the foregoing factors, viz., (i) the non-discretionary nature of the consumption; (ii) the lifecycle-driven increase in maintenance intensity associated with the aging terminal building; and (iii) the post-pandemic normalisation of maintenance activities, was reflective of the true maintenance requirement of the terminal building and airside infrastructure at RGIA, particularly having regard to the fact that the existing terminal building had been in continuous operation for a period in excess of fifteen (15) years.

5.6.91. The said expenses, duly substantiated by Chartered Accountant certificates and supporting documentation, were accordingly found to be prudent and justifiable for the purposes of the true-up exercise.

5.6.92. The Authority in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, proposed to allocate the common expense pertaining to Stores & Spares incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.93. Based on the foregoing, Aeronautical Consumables expenses proposed to be considered by the Authority for the Third Control Period are shown in the table below:

Table 95: Aeronautical Consumables expenses proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Consumables expenses	4.13	11.66	15.67	14.03	13.13	58.63

5.6.94. The Authority noted that GHIAL submitted total Consumables expenses of Rs. 61.43 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Consumables expenses as per GHIAL was Rs. 58.54 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Consumables expenses attributable to aeronautical services was computed at Rs. 58.63 Crores (ref. Table 95). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Insurance Cost

5.6.95. The Authority noted that the key insurance policies for the airport were as follows:

- Large Risk Policy (Property Damage & Business Interruption (BI))
- AOL/3rd Party Liability Policy
- Terrorism Policy
- Cyber
- Security Policy

5.6.96. The Aeronautical Insurance expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 96: Comparison of Insurance expense as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Insurance Expenses approved by the Authority in TCP order (A)	4.61	4.83	5.05	5.28	5.52	25.29
Aeronautical Insurance Expense incurred by the Operator for True-up (B)	4.91	5.34	6.36	6.75	7.97	31.34
Variation (B-A)	0.3	0.51	1.31	1.47	2.45	6.05

5.6.97. The Authority noted that the Aeronautical Insurance Expenses submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period was 23.92% higher than the Aeronautical Insurance Expenses approved by the Authority in the Third Control Period and the same were verified through relevant documents including CA certificates.

5.6.98. The Authority noted that the increase in insurance cost was primarily due to an increase in the sum insured, arising from incremental capitalisation of assets and an expanded coverage base as shown in table below:

Table 97: Expanded Insurance coverage details for FY26

(Rs. In crores)

Policy	FY25 Sum Insured	FY25 Premium (A)	FY26 Sum Insured	FY26 Premium (B)	Difference (B-A)	Remarks
Large Risk Policy	11,009	4.65	11,979	5.79	1.14	Increase on account of: a) Increase in sum insured in FY26 b) In FY25, Operator received 99% discount (paying Rs 746 only) on Machinery breakdown policy. However, in FY26 Rs 0.23 Cr was paid.
Airport Operator Liability (AOL)	6,263	1.45	6,450	1.65	0.2	Due to increase in Sum insured & rate increase
SAT (Terrorism Policy)	2,050	0.56	2,050	0.57	0.01	
Cyber Insurance		0.5		0.5	-	
Other Policies		0.5		0.66	0.16	Due to increase in sum insured & rate increase

Policy	FY25 Sum Insured	FY25 Premium (A)	FY26 Sum Insured	FY26 Premium (B)	Difference (B-A)	Remarks
Total		7.66		9.17	1.51	

5.6.99. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Insurance expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.100. Based on the above, Aeronautical Insurance expense proposed to be considered by the Authority for the Third Control Period is shown in the table below:

Table 98: Aeronautical Insurance expenses proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Insurance Expenses	5.08	5.40	6.41	6.80	8.14	31.83

5.6.101. The Authority noted that GHIAL submitted total Insurance expenses of Rs. 35.57 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Insurance expenses as per GHIAL was Rs. 31.34 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Insurance expenses attributable to aeronautical services was computed at Rs. 31.83 Crores (ref. Table 98). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Land Lease Rent

5.6.102. Rent expenses primarily comprised the lease rent paid to the Government of Telangana, along with other rental expenses.

5.6.103. The Aeronautical Rent expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 99: Comparison of Rent as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Rent Expenses approved by the Authority in TCP order (A)	3.02	3.17	3.33	3.50	3.67	16.71
Aeronautical Rent Expenses submitted by GHIAL for True-up (B)	6.63	10.90	10.44	14.97	15.54	58.49
Variation (B-A)	3.61	7.73	7.11	11.47	11.87	41.78

5.6.104. The Authority noted that the Aeronautical Rent expenses submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period, amounting to Rs. 58.49 Crore, were approximately 3.5 times higher than the Aeronautical Rent expenses approved by the Authority in the Tariff Order for the Third Control Period. The Authority further noted that the said expenses were verified with reference to relevant supporting documents, including Chartered Accountant certificates furnished by GHIAL.

5.6.105. The Authority noted that the increase in Rent expenses during the Third Control Period was attributable to the following factors:

(i) Hiring of additional office space in the new office building (NOB), with effect from FY 2023-24, to meet the expanding operational requirements of the Airport, entailing an annual rental cost of approximately ₹3.70 Crores;

(ii) Hiring of further additional office space in the new office building (NOB), with effect from FY 2024-25, in response to the continued growth in operational scale and manpower deployment, entailing an annual rental cost of approximately ₹2.60 Crores; and

(iii) Year-on-year contractual escalations provided for under the other rental contracts subsisting during the Third Control Period.

5.6.106. The Authority noted that an additional office space of 68,928 sq.ft area was leased starting from 12.04.2023 and 33,439 sq.ft starting from 03.01.2024.

5.6.107. The Authority observed that the office spaces in respect of which the aforesaid Rent expenses were incurred were taken on lease by GHIAL exclusively for the purposes of carrying out the operations of Rajiv Gandhi International Airport, Hyderabad ("RGIA").

5.6.108. The Authority further observed that the structural growth in the operational footprint of RGIA during the Third Control Period was on account of the substantial expansion in passenger throughput, ATM volumes, terminal area, and the consequential augmentation in operational, security, and administrative manpower which necessitated the commensurate augmentation of office and operational space at the Airport. The leasing of additional office space was linked to the evolving operational requirements emerging at the airport.

5.6.109. Having regard to (i) the verification of the said expenses with reference to supporting documentation including Chartered Accountant certificates; (ii) the operational connection of the leased office spaces with the conduct of airport operations at RGIA; and (iii) the structural drivers underlying the augmentation in space requirements, the Authority was of the considered view that the Aeronautical Rent expenses incurred by GHIAL during the Third Control Period were justifiable.

5.6.110. The Authority further observed that the rental expenses incurred by GHIAL pertained partly to facilities used in common for both Aeronautical and Non-Aeronautical operations. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Rent expenses incurred on common facilities by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.111. Based on the foregoing, the Aeronautical Rent Expenses proposed to be considered by the Authority for the Third Control Period are provided in the table below:

Table 100: Aeronautical Rent expenses proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Rent Expenses	6.76	10.99	10.49	15.04	15.74	59.01

5.6.112. The Authority noted that GHIAL submitted total Rent expenses of Rs. 69.69 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Rent expenses as per GHIAL was Rs. 58.49 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Rent expenses attributable to aeronautical services was computed at Rs. 59.01 Crores (ref. Table 100). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Manpower Hire/Manpower Outsourcing Charges

5.6.113. The Manpower Hire expense pertained to manpower deputation and outsourced manpower services deployed for operational and project-related requirements. The key components included manpower deputation for general Capex activities, E&M support services for landscaping works in landside and airside areas, manpower deployment for landside building operations, and manpower supply for baggage handling and other operational support functions.

5.6.114. The Aeronautical Manpower Hire expense approved by the Authority and submitted by GHIAL for True-up for the Third Control Period are provided in the table below:

Table 101: Comparison of Manpower Hire expense as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Manpower Hire expense approved by the Authority in TCP order (A)	29.34	30.69	34.76	42.35	47.96	185.10
Aeronautical Manpower Hire expense incurred by the Operator for True-up (B)	45.78	41.25	53.39	85.07	86.62	312.10
Variation (B-A)	16.44	10.56	18.63	42.72	38.66	127.00

5.6.115. The Authority noted that the Aeronautical Manpower Hire expenses submitted by GHIAL in respect of the Third Control Period, as part of the Multi-Year Tariff Proposal ("MYTP") for the Fourth Control Period, were approximately 68.60% higher than the Aeronautical Manpower Hire expenses approved by the Authority in the Tariff Order for the Third Control Period. The said variance was verified by the Authority with reference to the relevant documents furnished by GHIAL, including the certificates issued by the Statutory Auditors / Chartered Accountants ("CA Certificates").

5.6.116. Having regard to the materiality of the said variance, the Authority sought further clarification from GHIAL with respect to the deviation between the Aeronautical Manpower Hire expenses approved by the Authority in the Tariff Order for the Third Control Period and the actual expenses incurred by the Airport Operator during the said period, for the purposes of detailed examination.

5.6.117. The Authority, upon detailed examination of the submissions made by GHIAL and the supporting documentation furnished in respect thereof, identified the following structural and operational factors as the drivers underlying the higher Aeronautical Manpower Hire expenses incurred during the Third Control Period:

(i) **Contractual Escalations Linked to Statutory Minimum Wages:** The Authority noted that the underlying contracts pursuant to which outsourced personnel are deployed at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), incorporated annual escalation clauses ranging between 5% and 8% per annum, the said escalations being aligned with the periodic revisions in the applicable statutory minimum wages notified by the Central / State Governments from time to time. The said escalations were contractually binding, statutorily anchored, and exogenous to the control of GHIAL, and had, over the course of the Third Control Period, contributed materially to the cumulative increase in the said expense head.

(ii) **Expansion in Airport Operations:** The Authority noted that the Third Control Period had witnessed a substantial expansion in the operational scale of RGIA, on account of the increase in terminal capacity, passenger throughput, ATM volumes, and operational complexity at the Airport. The said expansion objectively necessitated the augmentation of outsourced manpower deployment across operational, security, and passenger-facing functions, and had consequently resulted in a structural and irreversible increase in the said expense head, commensurate with the enhanced operational footprint of the Airport.

(iii) **Implementation of Digi Yatra Services pursuant to MoCA Mandate**: The Authority noted that, pursuant to the "Digi Yatra" initiative introduced by the Ministry of Civil Aviation, Government of India ("MoCA") during the Third Control Period, GHIAL was required to implement and operationalise the Digi Yatra framework at RGIA, the said implementation entailing incremental Manpower Hire Charges of approximately ₹12 Crores per annum, with effect from FY 2024-25. The Authority was of the view that the costs incidental to the said initiative were bona fide operational expenses incurred by GHIAL in compliance with a Government of India mandate, and constituted a legitimate driver of the higher expense incurred during the Third Control Period.

(iv) **Deployment of General Capex Monitoring Personnel:** The Authority observed that, in view of the substantial scale and complexity of General Capital Expenditure undertaken at RGIA during the Third Control Period, GHIAL engaged GMR Airports Developers Limited ("GADL") for deployment of a dedicated team of sixteen (16) personnel for monitoring, technical oversight, coordination and execution support in respect of various capex projects. GHIAL submitted that the said deployment entailed an incremental annual expenditure of approximately ₹5.40 Crores. The Authority noted that the said expenditure was in addition to the Project Management Consultancy ("PMC") deployed for the Southern Precinct Expansion project. The Authority further observed that this expenditure was not directly attributable to any specific asset/project capitalized during the Third Control Period. Accordingly, GHIAL treated the same as part of Operating Expenditure instead of capitalizing it as part of project cost.

5.6.118. The Authority examined the submission of GHIAL and noted that, given the scale of capex undertaken at RGIA during the Third Control Period, deployment of dedicated personnel for general monitoring, technical oversight and execution coordination was in the nature of enhanced project governance and execution oversight. Since the expenditure was incurred for general monitoring and coordination of multiple capex projects and was not linked to any specific capital asset, the Authority considered the treatment of the same under Operating Expenditure to be appropriate for the purpose of true-up of the Third Control Period..

5.6.119. The Authority noted that the Manpower Hire Charges for the Third Control Period had been projected on the basis of a base year figure of ₹37.53 Crores, the said base year being FY 2020-21, viz., a financial year materially impacted by the COVID-19 pandemic, during which the operational footprint of the Airport, including the deployment of outsourced manpower, stood temporarily moderated on account of the disruption in airport operations. The Authority further observed that, in the immediately preceding pre-pandemic financial year, the actual expenses incurred under this head amounted to ₹43.75 Crores, the said figure was more reflective of the steady-state pre-pandemic operating profile of the Airport. The post-pandemic normalisation of airport operations

during the Third Control Period, accompanied by the resumption and subsequent expansion of operational scale at RGIA, resulted in the said expense reverting to, and progressively exceeding, the pre-pandemic baseline.

5.6.120. The Authority was, therefore, of the considered view that the actual incurrence of Aeronautical Manpower Hire expenses during the Third Control Period was reflective of the true operational manpower requirements at RGIA, particularly having regard to (i) the contractually mandated annual escalation in line with periodic revisions in the applicable statutory minimum wages; (ii) the expansion in airport operations, including the increase in terminal capacity and passenger throughput during the said period; and (iii) the incremental manpower requirements arising from regulatory mandates such as the implementation of Digi Yatra services and the monitoring of General Capex initiatives.

5.6.121. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Manpower Hire expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.122. Based on the foregoing, Aeronautical Manpower Hire expense proposed to be considered by the Authority for the Third Control Period are shown in the table below:

Table 102: Aeronautical Manpower Hire expense proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Manpower Hire expense	46.53	41.33	53.46	85.26	87.16	313.73

5.6.123. The Authority noted that GHIAL submitted total Manpower Hire expense of Rs. 328.75 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Manpower Hire expense as per GHIAL was Rs. 312.10 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Manpower Hire expense attributable to aeronautical services was computed at Rs. 313.73 Crores (ref. Table 102). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Housekeeping Expenses

5.6.124. The Aeronautical Housekeeping expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 103: Comparison of Housekeeping expense as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Housekeeping Expenses approved by the Authority in TCP order (A)	20.83	37.73	46.43	48.57	50.80	204.36
Aeronautical Housekeeping Expense incurred by the Operator (B)	14.02	16.63	26.53	34.83	51.71	143.73

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Variation (B-A)	-6.81	-21.1	-19.9	-13.74	0.91	-60.63

5.6.125. The Authority noted that the Aeronautical Housekeeping Expenses submitted by GHIAL for the Third Control Period were ~29.6% lower than the Aeronautical Operating Expenses approved by the Authority in the Third Control Period and the same was verified through relevant documents including CA certificates.

5.6.126. The Authority noted that the housekeeping expenses submitted by GHIAL for FY26 reflected an increase of ~48% as compared to FY25. On examination of the submissions made by the Airport Operator, the Authority observed that the said increase was primarily attributable to the factors set out hereunder.

- The Authority noted that, although the 34 MPPA terminal expansion at Rajiv Gandhi International Airport, Hyderabad ("RGIA") was commissioned during FY24, the housekeeping contracts in respect of the expanded terminal interiors were awarded only during FY25 and remained operative for a limited duration of approximately three months in the said fiscal year. Consequently, only a partial cost impact of the said contracts was reflected in the housekeeping expenses for FY25.
- The Authority further noted that the full annualised cost of the housekeeping contract for the expanded terminal amounting to approximately Rs. 9 Crore was reflected in the housekeeping expenses for FY26.
- In addition to the above, the Authority noted that GHIAL had incurred an amount of approximately Rs. 9 Crore during FY 2025–26 towards a one-time deep cleaning activity carried out across the existing (legacy) terminal areas, with a view to align the hygiene and service standards thereof with those of the newly commissioned expanded facility.

5.6.127. The Authority, in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, proposed to allocate the Housekeeping expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.128. Based on the foregoing, Aeronautical Housekeeping expense proposed to be considered by the Authority for the Third Control Period are shown in the table below:

Table 104: Aeronautical Housekeeping expenses proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Housekeeping Expenses	14.15	16.67	26.56	34.86	51.84	144.09

5.6.129. The Authority noted that GHIAL submitted total Housekeeping expense of Rs. 171.24 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Housekeeping expense as per GHIAL was Rs. 143.73 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Housekeeping expense attributable to aeronautical services was computed at Rs. 144.09 Crores (ref **Table 104**) In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency

in the treatment of costs and revenues.

CGF Expense

5.6.130. The CGF Expense approved by the Authority for the Third Control Period and incurred by GHIAL for True-up are provided in the table below:

Table 105: Comparison of CGF expense as incurred by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
CGF Expense incurred approved by the Authority in TCP order (A)	13.20	13.81	14.44	15.11	15.80	72.36
CGF Cost incurred by the Operator (B)	18.03	21.13	20.84	23.72	27.83	111.55
Variation (B-A)	4.83	7.25	6.4	8.52	11.97	38.96

5.6.131. The Authority noted that the Airport Operator, GHIAL, did not claim the operating expenses pertaining to Cargo, Ground Handling, and Fuel Farm (CGF) operations as part of the aeronautical operating expenditure in its Multi-Year Tariff Proposal (MYTP) for the Fourth Control Period. This stemmed from the Operator's treatment of the CGF assets as non-aeronautical in nature.

5.6.132. The Authority, however, examined the said treatment in the light of statutory definition and the established regulatory practice for services pertaining to Cargo, Ground Handling and Fuel Farm operations. Accordingly, the Authority proposed that both the revenues earned and the operating expenses incurred in respect of these services were required to be treated as aeronautical in nature for the purpose of tariff determination.

5.6.133. The Authority, at the outset, took note of the nature of the expense heads under examination:

(a) Fuel Farm (FF) Expenses: Represented the operations and maintenance (O&M) costs payable by GHIAL to the fuel farm operator engaged for the operation of the fuel farm facility at Rajiv Gandhi International Airport, Hyderabad ("RGIA").

(b) Cargo Expenses: Pertained to the managerial and supervisory team deployed by GHIAL in respect of the cargo operations at RGIA.

(c) Ground Handling (BME) Expenses: With effect from FY 2024-25, Ground Handling (BME) services including, Pre-Conditioned Air ("PCA") and Ground Power Unit ("GPU") operations, were awarded as a service contract by GHIAL to a third-party service provider, having been carried out in-house prior to the said financial year. The said outsourcing consequently resulted in the said costs being recognised as an external operating expense, in lieu of being absorbed within the manpower and utility cost heads as in the preceding period.

5.6.134. The Authority noted that the Aeronautical Fuel Farm Cost submitted by GHIAL for the Third Control Period in the Multi-Year Tariff Proposal for the Fourth Control Period was higher than the corresponding figure approved by the Authority in the Tariff Order for the Third Control Period. The said expenses were duly verified by the Authority with reference to the relevant supporting documents furnished by GHIAL, including the certificates issued by the Statutory Auditors / Chartered Accountants ("CA Certificates").

5.6.135. Having regard to the materiality of the variance between the projected and actual figures, the Authority, in the course of its detailed examination, sought further clarification from GHIAL in respect of the underlying drivers contributing to the said variance.

5.6.136. The Authority, upon detailed examination of the submissions made by GHIAL and the supporting documentation furnished in respect thereof, identified the following structural and operational factors as the drivers underlying the higher Aeronautical Fuel Farm expenses incurred during the Third Control Period:

(i) **Linkage with Operational Drivers -ATMs and Fuel Upliftment:** The Authority observed that Fuel Farm expenses, being O&M costs payable to the fuel farm operator, were inherently and directly correlated with the operational throughput at the fuel farm facility, viz., the volume of fuel upliftment at RGIA, which in turn was a function of the Air Traffic Movements ("ATMs") at the Airport. The Authority was of the considered view that the said expense head bore a direct cost-causation link with the operational scale of the Airport, and accordingly, was sensitive to growth in ATM volumes and fuel throughput.

(ii) **Increase in Fuel Upliftment:** The Authority observed that the actual Fuel Farm expenses witnessed a significant increase from FY 2022-23 onwards. The said increase was primarily attributable to the increase in fuel upliftment at RGIA by approximately 48% during FY 2022-23, driven by post-pandemic recovery in air traffic and the consequent increase in aircraft fueling activity at the Airport. The Authority noted that Fuel Farm expenses are closely linked to the volume of fuel handled/uplifted at the airport. Higher fuel upliftment resulted in increased operational requirements, including higher utilisation of fuel hydrant systems, pumps, filters, storage and dispensing infrastructure, increased manpower deployment, higher electricity consumption, enhanced maintenance of equipment, additional consumables, testing and quality control, safety inspections, statutory compliance and related O&M activities. Therefore, an increase in fuel throughput had a direct bearing on the operating and maintenance costs of the Fuel Farm. The Authority further observed that the increase in fuel upliftment reflected the recovery and growth in aircraft movements and airline operations at RGIA after the pandemic period. Accordingly, the corresponding increase in Fuel Farm O&M expenses was considered to be in line with the higher scale of operations and the increased throughput handled by the Fuel Farm facility during the Third Control Period.

(iii) **Ageing of Vehicles and Equipment:** The Authority observed that the vehicles and equipment deployed for Fuel Farm operations have, over the course of the Third Control Period, progressively aged, resulted in higher maintenance costs, particularly during FY 2025-26. The said increase in maintenance expenditure was operationally inevitable and was consistent with the typical lifecycle cost profile of fuel farm equipment.

(iv) **Post-Pandemic Normalisation and Expansion of Operations:** The Authority observed that the base year figure of ₹12.62 Crores considered for projecting the Fuel Farm expenses for the Third Control Period corresponded to a COVID-19-impacted financial year, during which the operational throughput at the fuel farm facility stood temporarily moderated on account of the disruption in airport operations. With the post-pandemic normalisation and subsequent operational expansion at RGIA, the said expense had progressively reverted to, and exceeded, the pre-pandemic baseline of ₹18.29 Crores, in line with the structural growth of the Airport's fueling activity.

5.6.137. The Authority observed that the cumulative effect of the foregoing factors ,viz., (i) the inherent linkage of the said expense head with operational throughput; (ii) the substantial increase in fuel upliftment in the post-pandemic period; (iii) the lifecycle-driven increase in maintenance costs of fuel farm vehicles and equipment; and (iv) the post-pandemic normalisation and expansion of operations, was reflective of a structural and operationally warranted, increase in the Aeronautical Fuel Farm expenses during the Third Control Period. The said expenses, were duly substantiated by Chartered Accountant certificates and supporting documentation, were accordingly found to be prudent and justifiable.

5.6.138. The Authority further noted that the expenses pertaining to Cargo, Ground Handling and Fuel Farm operations, as submitted by GHIAL in its MYTP, were aeronautical in nature. Based on the foregoing and rationalization of the expense heads and their CGF component, the Authority proposed to consider the said expenses on actuals as per table below:

Table 106: CGF Cost proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
CGF Cost	18.03	21.06	20.84	23.63	27.77	111.32

Operating Expenses

5.6.139. The Authority analyzed GHIAL's submissions regarding Other Operating cost for the Third Control Period. Operating expenses related to day-to-day operational support services provided by various operators, including the GA Terminal Operator and Car Park Operator.

5.6.140. The Aeronautical operating expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 107: Comparison of Operating expenses as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Operating Expenses approved by the Authority in TCP order (A)	5.15	5.37	6.47	7.78	8.15	32.93
Aeronautical Operating Expense incurred by the Operator (B)	5.99	4.13	5.66	4.48	2.85	23.11
Variation (B-A)	0.84	-1.24	-0.81	-3.3	-5.3	-9.82

5.6.141. The Authority noted that the Aeronautical Operating Expenses submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period was lower than the Aeronautical Operating Expenses approved by the Authority in the Third Control Period.

5.6.142. The said lower incurrence was reflective of the operational efficiencies achieved by GHIAL during the Third Control Period, and the same had been duly verified by the Authority with reference to the relevant supporting documents, including the Chartered Accountant Certificates furnished by GHIAL.

5.6.143. The Authority in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, proposed to allocate the Operating expenses incurred by GHIAL during the Third Control Period on the basis of the Aero-Non Aero Expense ratio.

5.6.144. Based on the above, Aeronautical Operating expense proposed to be considered by the Authority for the Third Control Period are shown in the table below:

Table 108: Aeronautical Operating expenses proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Operating Expenses proposed to be considered by the Authority	6.52	4.47	5.86	4.56	2.85	24.26

5.6.145. The Authority noted that GHIAL submitted total Operating Expenses of Rs. 135.70 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Operating Expenses as per GHIAL was Rs. 23.11 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense

allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Operating Expenses attributable to aeronautical services was computed at Rs. 24.26 Crores (ref. Table 108). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

Collection Charges

5.6.146. The Collection charges incurred by GHIAL in the Third Control Period submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 109: Collection Charge submitted by GHIAL for the Third Control Period in MYTP for the Fourth Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Collection charge incurred by the Operator	1.97	3.52	5.90	4.76	5.92	22.07

5.6.147. The Authority observed that the Collection Charges payable by GHIAL pertained to the commission paid to airlines towards the collection of User Development Fee ("UDF") from departing passengers, the said expense being directly linked to the embarking passenger traffic at Rajiv Gandhi International Airport, Hyderabad ("RGIA"). The said charges were, by their very nature, traffic-driven, and were incurred in the ordinary course of UDF collection on behalf of GHIAL.

5.6.148. The Authority considered collection charges (UDF) as entirely aeronautical and proposed to consider collection charges as per Operator's submission.

5.6.149. Based on the above, Collection Charges proposed to be considered by the Authority for the Third Control Period are shown in the table below:

Table 110: Aeronautical Collection Charge proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Collection charge	1.97	3.52	5.90	4.76	5.92	22.07

General Admin Expenses

5.6.150. The General Admin Expenses comprised Professional and Consultancy Expenses, Recruitment Charges, Printing and Stationery, Travelling and Conveyance, Communication Costs, Director's Sitting Fee, Advertising and Sales Promotion, Corporate Cost Allocation, Payment to Auditors and Other Admin Expenses.

5.6.151. The Aeronautical General Admin expenses approved by the Authority for the Third Control Period and submitted by GHIAL for True-up are provided in the table below:

Table 111: Comparison of General Admin expenses as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical General Admin expenses proposed by the Authority in TCP order (A)	54.56	57.07	68.64	82.58	86.37	349.22
Aeronautical General Admin expenses incurred by the Operator (B)	75.47	110.41	137.72	167.98	166.03	657.62
Variation (B-A)	20.91	53.34	69.08	85.4	79.66	308.4

5.6.152. The Authority noted that the Aeronautical General Administration Expenses submitted by GHIAL for the Third Control Period in the Multi-Year Tariff Proposal for the Fourth Control Period were higher (~88.3%) than the corresponding figure approved by the Authority in the Tariff Order for the Third Control Period. The said expenses were duly verified by the Authority with reference to the relevant supporting documents furnished by GHIAL, including the certificates issued by the Statutory Auditors / Chartered Accountants ("CA Certificates").

5.6.153. Having regard to the materiality of the variance between the projected and actual figures, the Authority examined the variance between the General Administration Expenses approved in the Tariff Order for the Third Control Period and the actual expenses incurred by GHIAL during the said period, and identified the following structural and operational factors as the principal drivers underlying the said variance:

(i) **Post-Pandemic Normalisation of General Administrative Activities**: The Authority observed that the base year considered for the projection of General Administration Expenses for the Third Control Period corresponded to a COVID-19-impacted financial year, during which several routine general administrative activities, travel and conveyance, business meetings and conferences, training and development, printing and stationery, and ancillary office expenses, stood temporarily moderated on account of the disruption in airport operations. With the post-pandemic normalisation of operations at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), the said expenses progressively reverted to, and progressed in line with, the steady-state operating profile of the Airport.

(ii) **Expansion in Operational Scale of the Airport:** The Authority observed that the Third Control Period witnessed a substantial expansion in the operational scale of RGIA on account of the increased terminal capacity, passenger throughput, ATM volumes, manpower deployment, and operational complexity at the Airport. The said expansion objectively necessitated a commensurate scaling-up of general administrative activities required to support the larger operational footprint, and correspondingly resulted in a structural increase in the said expense head.

(iii) **Difference in Cost Allocation Methodology:** The Authority observed that, in the Tariff Order for the Third Control Period, certain components of General Administration Expenses viz., travelling expenses and legal consultancy expenses, were classified as Aeronautical to the extent of 50%, on the basis of a direct identification approach. By contrast, the cost figures submitted by GHIAL in the Multi-Year Tariff Proposal for the Fourth Control Period had been classified as Aeronautical on the basis of the Gross Fixed Assets ("GFA") ratio applied to the said cost heads. The Authority observed that the said differential in classification methodology had, in part, contributed to the variance between the approved and submitted figures.

5.6.154. The Authority's examination of the various expense heads classified under General Admin Expenses is set out in the below paragraphs:

A. Professional and Consultancy Expenses:

5.6.155. The professional and consultancy services were towards the various services availed from the external parties and included the following expenses:

a. Technical Services from Consultants
b. Retainer Fee various expertise personnel
c. Placement Fee / Fee for recruitments
d. Audit Services such as Internal Audit, Secretarial Audit etc.,
e. Training Fee paid to various consultants
f. Legal Expenses
g. Outsourcing Expenses

5.6.156. The Aeronautical Professional and Consultancy expenses as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 112: Aeronautical Professional and Consultancy expenses submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Professional and Consultancy expenses submitted by GHIAL	13.64	36.33	32.65	40.87	32.48	155.97

5.6.157. The Authority also noted the considerable increase in expenses in FY 2023 was attributable to a series of strategic, operational, safety and technology-driven initiatives undertaken by GHIAL.

5.6.158. The Authority further noted that consultancy charges towards legal consultants constituted a significant portion of Professional and Consultancy expenses as mentioned below:

Table 113: Proportion of Legal Charges in Professional and Consultancy Expenses in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Total Professional and Consultancy expenses incurred by GHIAL (A)	16.73	45.71	36.48	46.66	37.61	183.19
Legal Consultancy charges forming part of Professional and Consultancy expenses as submitted by GHIAL (B)	4.33	17.35	4.24	2.71	2.38	31.01
% of Professional and Consultancy expenses (B/A)	*25.88%*	*37.95%*	*11.66%*	*5.80%*	*6.32%*	*16.92%*

5.6.159. The Authority also noted that the Legal expenses incurred by GHIAL during FY 2022–23 reflected a considerable increase, which had been attributed by the Airport Operator to advisory services rendered, and matters pertaining to Indirect Taxes, Direct Taxes, proceedings before the Authority, various pending writ petitions, matters relating to Passenger Service Fee ("PSF"), proceedings before the Competition Commission of India ("CCI"), and other related legal matters.

5.6.160. The Authority recalled that, in the Tariff Order for the Third Control Period, it had been specifically provided that Legal expenses, forming part of Professional and Consultancy expenses, shall be allowed only to the extent the same are incurred for purposes related to Aeronautical Services, and shall be subject to the tests of efficiency and necessity of incurrence.

5.6.161. Having regard to the Aeronautical Legal Expenses claimed by GHIAL, the Authority sought a detailed break-up of the legal expenses attributable to Aeronautical Services, along with the underlying basis of allocation as between Aeronautical and Non-Aeronautical Services, for the purposes of detailed examination.

5.6.162. GHIAL in its response submitted that:

(i) The legal expenses incurred during the Third Control Period pertained, inter alia, to AERA-related regulatory matters, Goods and Services Tax (GST), Service Tax, Income Tax matters, and other routine litigation and advisory engagements.

(ii) The fees payable to Senior Advocates were governed by established professional norms and confidentiality considerations, and accordingly, detailed disclosures in respect of such fees are not feasible.

(iii) The legal expenses incurred comprised a combination of case-specific fees and retainer arrangements covering multiple matters concurrently. Given the nature and scope of the said engagements, it was not practicable to segregate or apportion such expenses across Aeronautical and Non-Aeronautical Services with precision.

(iv) The said legal expenses had been incurred primarily in connection with safeguarding and enforcing GHIAL's rights and obligations under the Concession Agreement, the said rights being intrinsically linked to the provision and regulation of Aeronautical Services at Rajiv Gandhi International Airport, Hyderabad ("RGIA"). Accordingly, GHIAL submitted that the said expenses ought to be classified as Aeronautical in nature for regulatory purposes.

5.6.163. The Authority observed that the detailed break-up of the Legal expenses attributable to Aeronautical Services had not been furnished by GHIAL. In the absence of the requisite information, the Authority proposed to allocate the Legal expenses on the basis of the ratio of Aeronautical Revenue to the total income of GHIAL in the respective financial years, as set out in the table hereunder:

Table 114: Proportion of Aero Revenue to Total Income of GHIAL for the Third Control

Particular	FY22	FY23	FY24	FY25	FY26
Proportion of Aero Revenue to Total Income	49.71%	55.34%	62.93%	66.17%	72.15%

5.6.164. The legal expenses proposed to be considered by the Authority based on the above allocation methodology are as follows:

Table 115: Aero portion of Legal expenses proposed by the Authority for True-up of the Third Control Period

(Rs. In crores)

Particular	FY22	FY23	FY24	FY25	FY26	Total
Aero portion of Legal Expenses	2.15	9.60	2.67	1.79	1.71	**17.92**

5.6.165. Based on the analysis, the Aeronautical Professional and Consultancy charges proposed to be considered by the Authority for the Third Control Period are provided below:

Table 116: Aeronautical Professional & Consultancy charges proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aero Portion of Professional & consultancy expenses excluding Legal Charges proposed to be considered by the Authority (A)	11.18	24.33	29.98	39.87	31.94	137.3

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aero Portion of Legal Charges proposed to be considered by the Authority (B)	2.15	9.60	2.67	1.79	1.71	17.92
Aeronautical Professional and Consultancy expenses proposed to be considered by the Authority (A+B)	13.33	33.93	32.65	41.66	33.65	155.22

B. Recruitment Charges

5.6.166. The recruitment charges were payment towards the recruiting agency of the newly joined employees.

5.6.167. The Aeronautical recruitment charges as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 117: Aeronautical Recruitment Charges submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical recruitment charges submitted by GHIAL	0.33	1.98	2.42	5.24	4.28	14.26

5.6.168. The Authority observed that, under the prevailing recruitment service arrangements, GHIAL was liable to pay to the recruitment agency a fee ranging between a minimum of two (2) months' and a maximum of six (6) months' salary of the newly recruited employee, the precise quantum within the said range being determined with reference to the category and seniority of the recruited employee, computed on the basis of the agreed Cost-to-Company ("CTC") of the said employee.

5.6.169. The Authority further observed that the level of Recruitment Charges incurred during the Third Control Period was reflective of the substantial manpower augmentation that became operationally imperative during the said period, on account of phased commissioning of the 34 MPPA terminal expansion, capitalised in FY 2023-24, the cost of which was reflected in the higher Recruitment Charges incurred during the said period.

5.6.170. The Authority in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, proposed to allocate the common recruitment charges incurred by GHIAL during the Third Control Period on the basis of the Aero-Non Aero Expense ratio.

5.6.171. The Aeronautical recruitment charges proposed to be considered by the Authority for the Third Control Period are provided below:

Table 118: Aeronautical Recruitment Charges proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Recruitment Charges	0.37	2.19	2.54	5.45	4.50	15.04

5.6.172. The Authority noted that GHIAL submitted total Recruitment Charges of Rs. 16.41 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Recruitment Charges as per GHIAL was Rs. 14.26 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Recruitment Charges attributable to aeronautical services was computed at Rs. 15.04 Crores (ref. Table 118). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical

to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

C. Printing & Stationery

5.6.173. The Aeronautical Printing & Stationery expenses as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 119: Aeronautical Printing & Stationery Expense submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Printing & Stationery expenses submitted by GHIAL	0.35	0.42	0.94	0.59	0.62	2.91

5.6.174. The Authority observed that the increase in the said expense head during FY 2023-24 was principally attributable to a corresponding increase in the cost of Security & Vigilance stationery and other consumables at the Airport. The said increase was reflective of the scaling-up of security and vigilance operations consequent upon the phased commissioning of the 34 MPPA terminal expansion during FY 2023-24, which materially augmented the operational footprint and the security perimeter requiring active vigilance

5.6.175. The Authority in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Printing & Stationery expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.176. The Aeronautical Printing & Stationery expenses proposed to be considered by the Authority for the Third Control Period are provided below:

Table 120: Aeronautical Printing & Stationery Expense proposed by the Authority for True-up of the Third Control period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Printing & Stationery expenses	0.36	0.42	0.95	0.59	0.63	2.95

5.6.177. The Authority noted that GHIAL submitted total Printing & Stationery expense of Rs. 3.31 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Printing & Stationery expense as per GHIAL was Rs. 2.91 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Printing & Stationery expense attributable to aeronautical services was computed at Rs. 2.95 Crores (ref. Table 120). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

D. Travelling and Conveyance

5.6.178. The Authority analyzed GHIAL's submission regarding Travelling and Conveyance expenses for the Third Control Period. Travelling and Conveyance expenses comprised expenses pertaining to Local Conveyance, Travel Charges for the employees (Domestic / Foreign) and Chartering Costs for senior management of GHIAL.

5.6.179. The Aeronautical Travelling and Conveyance expenses as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 121: Aeronautical Travelling and Conveyance Expense submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Travelling and Conveyance expenses submitted by GHIAL	22.92	31.60	39.42	41.44	38.62	174.01

5.6.180. The Authority, upon detailed examination of the Travelling and Conveyance Expenses incurred by GHIAL during the Third Control Period, observed that the said expense head was predominantly attributable to business travel, the said component constituting approximately 78% of the total cost incurred. The balance of the said expense pertained to employee transportation and ancillary travel-related costs.

5.6.181. The Authority noted that the Aeronautical Travelling & Conveyance expenses of Rs. 174.01 Crores have been computed by GHIAL by considering aeronautical component of Rs. 12.83 Crores which was directly attributable to an aeronautical services and the balance common component of Rs. 188.90 Crores apportioned into aeronautical and non-aeronautical using the Gross Fixed Assets (GFA) ratio as per Table 73.

5.6.182. The Authority noted that the Travel Costs incurred by GHIAL could not be accurately segregated between Aeronautical and Non-Aeronautical Services on the basis of direct identification.

5.6.183. Accordingly, and consistent with the approach adopted in past tariff determinations, the Authority proposed to allocate the common Travelling & Conveyance Costs incurred by GHIAL during the Third Control Period between the Aeronautical and Non-Aeronautical in the ratio of 50:50.

5.6.184. Based on the foregoing, the Aeronautical Travelling and Conveyance expenses proposed to be considered by the Authority for the Third Control Period are provided below:

Table 122: Aeronautical Travelling and Conveyance Expense proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aero Cost (A)	1.13	1.77	2.92	3.29	3.73	12.83
Common Cost (B)	26.46	36.76	41.63	43.73	40.32	188.90
Total Aeronautical Travelling and Conveyance expenses (A+(B*50%))	**14.36**	**20.15**	**23.73**	**25.15**	**23.89**	**107.28**

E. Communication Cost

5.6.185. The Authority noted that Communication costs included the Leased Line Charges/VPN for GHIAL administration purposes across RGI airport and mobile expenses for operating staff. These costs were non-recoverable from any concessionaires.

5.6.186. The Aeronautical Communication Cost as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 123: Aeronautical Communication Expense submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Communication Cost submitted by GHIAL	2.02	2.02	1.7	1.86	1.91	9.51

5.6.187. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Communication expenses incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.188. The Aeronautical Communication Cost proposed to be considered by the Authority for the Third Control Period are provided below:

Table 124: Aeronautical Communication Cost proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Communication Cost	2.09	2.05	1.71	1.87	1.94	9.66

5.6.189. The Authority noted that GHIAL submitted total Communication cost of Rs. 10.81 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Communication cost as per GHIAL was Rs. 9.51 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Communication cost attributable to aeronautical services was computed at Rs. 9.66 Crores (ref. Table 124). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

F. Advertising and Sales Promotion

5.6.190. The Aeronautical Advertising and Sales Promotion expenses as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 125: Aeronautical Advertising and Sales Promotion expenses submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Advertising and Sales Promotion expenses submitted by GHIAL	4.98	6.07	13.26	18.63	13.75	56.69

5.6.191. The Authority examined the expenses incurred by GHIAL under the head "Advertisement and Business Promotion" during the Third Control Period and the projections proposed for the Fourth Control Period. Upon a detailed review of the nature, purpose, and beneficiary of each activity comprised within this head, the Authority classified the following sub-heads for the purpose of determining their appropriate treatment within the aeronautical tariff framework:

Table 126: Classification of Expenses by the Authority under Advertisement & Sales Promotion

S. No.	Expense Sub-Head	Nature	Aero Allocation %
1	Business Promotion	Common	50%
2	Event Management Expenses	Common	50%
3	Guest Protocol	Common	50%
4	Gifts & Compliments	Non-Aeronautical	0%
5	Advertisement – Others	Common	50%

Basis of Allocation:

Business Promotion

5.6.192. The Authority observed that the activities under this head - namely, website maintenance, corporate communication, social media presence, brand visibility of RGIA, stakeholder engagement, sponsorships (sports, tourism, trade), promotional events, and milestone events - served to enhance the overall brand and reputation of RGIA as a whole, encompassing both its aeronautical and non-aeronautical dimensions. The benefits of these activities flow to:

(i) Aeronautical users through enhanced airport visibility, route attractiveness, and passenger experience; and

(ii) Non-aeronautical users/concessionaires through increased footfall, brand value of the commercial estate, and visibility for retail/F&B/cargo/real estate activities.

5.6.193. Given that the said expenses were incurred for the joint benefit of aeronautical and non-aeronautical operations and contributed to the holistic brand-building of RGIA, the Authority accordingly determined the allocation as 50% Aeronautical / 50% Non-Aeronautical.

Event Management Expense

5.6.194. The Authority noted that this head comprised a heterogeneous mix of activities which simultaneously catered to aeronautical and non-aeronautical functions of the airport, including:

(i) Aviation industry events (APOC, National Energy Event)

(ii) Festival celebrations (Diwali, New Year), CEO townhalls, internal HR events

(iii) Public engagement initiatives (10K runs, FAB stall events)

5.6.195. Given that the said expenses were commonly incurred for the joint benefit of aeronautical and non-aeronautical operations, and in the absence of a verifiable activity-wise cost driver that would permit a more granular segregation, the Authority considered it just, fair, and reasonable to apportion the cost equally between the two functions. The Authority accordingly determined the allocation as 50% Aeronautical & 50% Non-Aeronautical.

Guest Protocol

5.6.196. The Authority observed that guest protocol expenses (manpower for guest handling, hospitality services, management fees for service providers catering to VIPs, dignitaries, and stakeholders) were extended to two broad categories of visitors:

(i) Aviation regulators, DGCA officials, airline executives, ICAO/IATA representatives

(ii) Commercial partners, concessionaires, retail/F&B partners, and corporate visitors

5.6.197. As the guest protocol services were availed by aeronautical and non-aeronautical stakeholders without any clear or measurable basis for segregation, the Authority adopted the equal apportionment principle as a transparent and equitable approach. Accordingly, the allocation was determined as 50% Aeronautical and 50% Non-Aeronautical.

Gifts & Compliments

5.6.198. The Authority noted that expenses under this head, comprised mementos, bouquets, books, sweets, and similar items presented to guests, dignitaries, business partners, and stakeholders, were in the nature of corporate goodwill, courtesy, and relationship-building expenditure which were largely discretionary and commercial in character

5.6.199. The Authority noted that such discretionary courtesy expenses did not arise from the discharge of any aeronautical function or obligation and was of the considered view that passengers and airlines should not be made to bear any portion of this cost through the aeronautical tariff. The Authority accordingly determined the allocation as 100% Non-Aeronautical.

Advertisement – Others

5.6.200. The Authority examined the activities grouped under this head, including sponsorships (CII, India Ideas Conclave), print and outdoor media advertisements, hoarding and branding initiatives, exhibition participation (Wings India), digital marketing (search engine marketing), and art café initiatives. The Authority observed that while certain elements of this expenditure (such as outdoor branding, exhibitions, and digital marketing) were aimed at attracting non-aeronautical patronage (concessionaires, retail tenants, cargo clients, advertisers), other elements (such as participation in aviation exhibitions like Wings India, sponsorships of aviation-linked forums, and digital outreach communicating airport connectivity, route information, and passenger services) also benefitted the aeronautical user base by enhancing visibility of RGIA in the aviation ecosystem, communicated route, schedule, and passenger service information to potential travellers and strengthened the airport's position as an aviation hub for airlines considering route deployment.

5.6.201. Considering that the activities under this head, taken as a whole, generated dual benefits accruing to both aeronautical and non-aeronautical functions of the airport, the Authority determined the allocation as 50% Aeronautical and 50% Non-Aeronautical.

5.6.202. The Authority further noted that on examination of the sub-components of the said expense, an amount of Rs. 5.04 crore in FY25 towards a "Key Partnership Program" was extended to airlines.

5.6.203. The Authority recalled that during the tariff determination for the Third Control Period, this very issue had come up for consideration. At that time, the Authority had accepted the Voluntary Tariff Proposal (VTP) submitted by GHIAL except for the Key Partnership Program for freighter airlines, on the considered view that the said program was discriminatory in nature, hence the Authority proposed not to consider Rs.5.04 crores for True-up.

5.6.204. Based on the foregoing, the Aeronautical Advertising and Sales Promotion expenses proposed to be considered by the Authority for the Third Control Period are provided below:

Table 127: Aeronautical Advertising and Sales Promotion expenses proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Advertising and Sales Promotion expenses	2.48	3.44	5.96	6.91	8.27	27.06

G. Corporate Cost

5.6.205. The Authority noted that the Corporate Cost arose from shared corporate functions performed by GAL (the holding company) through Centers of Excellence for the multi-airport group, with proportionate allocation to RGIA on a shared services basis.

5.6.206. The corporate cost was primarily driven by manpower costs allocated at the group level, as personnel-related expenses constituted the majority of corporate overhead.

5.6.207. The Aeronautical Corporate Cost as submitted by GHIAL in the MYTP for the Fourth Control Period based on the allocation ratio determined by GHIAL by treating CGF services as non-Aeronautical is provided in the table below:

Table 128: Aeronautical Corporate Cost as submitted by GHIAL for True-up of the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Corporate Cost expenses submitted by GHIAL	28.03	28.60	42.90	53.90	67.38	220.80

5.6.208. The Authority examined the Corporate Cost Allocation submitted by GHIAL for the Third Control Period, and observed that the said allocation reflected a substantial increase commencing FY 2023-24. The Authority, accordingly, sought clarification from GHIAL in respect of the underlying drivers contributing to the said increase, for the purposes of detailed examination.

5.6.209. The Authority, upon detailed examination of the submissions made by GHIAL and the supporting documentation furnished in respect thereof, identified the following structural and operational factors as the drivers underlying the increase in Corporate Cost Allocation from FY 2023-24 onwards:

(i) **Augmentation of Group-Level Manpower commensurate with Operational Expansion:** The Authority observed that the phased commissioning of the 34 MPPA terminal expansion at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), in FY 2023-24, resulted in a substantial augmentation of the operational footprint of the Airport, which in turn, necessitated a corresponding scaling-up of group-level manpower deployed for shared corporate functions. The said augmentation was bona fide and operationally warranted, having regard to the enhanced governance, oversight, and support requirements occasioned by the expanded operational base.

(ii) **Employee-Related Costs:** The increase in Corporate Cost Allocation was partly attributable to periodic increments granted to group-level employees in accordance with the prevailing Group Human Resource Policy and the management decisions taken from time to time, the said increments being consistent with prevailing industry compensation practices.

(iii) **Establishment of Centers of Excellence:** The Authority observed that, with effect from the said period, Centers of Excellence ("CoEs") were established at the group level for the centralized performance of specialized functions, inter alia, book-keeping, construction management, and master planning. The said CoE model leveraged economies of scale and specialization across the group's airport portfolio, and the proportionate allocation of the costs thereof to RGIA is consistent with the shared services framework typically adopted in multi-airport groups.

(iv) **Specialized Consultancy Services:** The induction of specialized consultancy services at the group level in respect of (a) the impact of climate change on the assets of GMR Airports Limited ("GAL"), in line with evolving sustainability and ESG obligations applicable to infrastructure operators; and (b) the development of slot optimization tools to enhance airside efficiency had contributed to the upward movement in Corporate Cost Allocation. The Authority observed that the said consultancy initiatives were forward-looking and operationally relevant to the long-term sustainability and efficiency of airport operations at RGIA.

(v) **Business Promotion and Industry Engagement:** Expenditure incurred towards seminars, industry engagement, and high-level forums, including participation in IATA events, investor engagement events, and sponsorship of the World Economic Forum, represented part of the broader effort to position the GMR group's airports, including RGIA, on the global aviation map, and to facilitate strategic engagement with airline partners, investors, and regulators.

(vi) **Capability Development Initiatives:** Investments in new capability-building initiatives at the group level, in the areas of Master Data Management ("MDM") and digital transformation, were reflective of the growing imperative for digitalization, data integrity, and technology-led operational efficiency in airport operations.

(vii) **Recruitment to Fill Vacant Corporate Positions:** Recruitment expenditure incurred for filling up of vacant positions at the corporate level was reflective of the manpower augmentation undertaken to support the expanded operational footprint and enhanced governance requirements arising from the commissioning of the 34 MPPA terminal expansion.

5.6.210. The Authority, in line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, proposed to allocate the Corporate Cost incurred by GHIAL during the Third Control Period on the basis of the Aero-Non Aero Expense ratio.

5.6.211. The Aeronautical Corporate cost proposed to be considered by the Authority for the Third Control Period is provided below:

Table 129: Aeronautical Corporate Cost proposed to be considered by the Authority for the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Corporate cost	31.48	31.56	45.03	56.08	71.76	235.91

5.6.212. The Authority noted that GHIAL submitted total corporate cost of Rs. 257.82 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical corporate expense as per GHIAL was Rs. 220.80 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the corporate cost attributable to aeronautical services was computed at Rs. 235.91 Crores (ref. Table 129). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

H. Directors Sitting Fee

5.6.213. The Aeronautical Directors Sitting Fee as submitted by GHIAL in the MYTP for the Fourth Control Period is provided in the table below:

Table 130: Aeronautical Directors Sitting Fee submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Directors Sitting Fee submitted by GHIAL	0.14	0.20	0.21	0.16	0.18	0.90

5.6.214. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Director's Sitting Fee incurred on by GHIAL during the Third Control Period on the basis of the Aero-Non Aero Expense ratio.

5.6.215. Based on the foregoing, the Aeronautical Directors Sitting Fee proposed to be considered by the Authority for the Third Control Period is provided below:

Table 131: Aeronautical Directors Sitting Fee proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Directors Sitting Fee	0.16	0.22	0.22	0.17	0.19	0.97

5.6.216. The Authority noted that GHIAL submitted total Directors Sitting Fee of Rs. 1.06 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Directors Sitting Fee as per GHIAL was Rs. 0.90 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Directors Sitting Fee attributable to aeronautical services was computed at Rs. 0.97 Crores (ref. Table 131). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

I. Payment to Auditor

5.6.217. The Aeronautical Payment to Auditor as submitted by GHIAL in the MYTP for the Fourth Control Period is provided in the table below:

Table 132: Aeronautical Payment to Auditor submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Payment to Auditor submitted by GHIAL	0.49	0.64	0.65	0.70	1.05	3.53

5.6.218. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Payment to Auditor incurred on by GHIAL during the Third Control Period on the basis of the Aero-Non Aero Expense ratio.

5.6.219. Based on the foregoing, the Aeronautical Payment to Auditor proposed to be considered by the Authority for the Third Control Period is provided below:

Table 133: Aeronautical Payment to Auditor proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Payment to Auditor	0.55	0.70	0.68	0.73	1.12	3.78

5.6.220. The Authority noted that GHIAL submitted total Payment to Auditor of Rs. 4.23 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Payment to Auditor as per GHIAL was Rs. 3.53 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense

allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Payment to Auditor attributable to aeronautical services was computed at Rs. 3.78 Crores (ref. Table 133). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

J. Other Admin Expense

5.6.221. The Other Admin Expense as submitted by GHIAL in the MYTP for the Fourth Control Period is provided in the table below:

Table 134: Aeronautical Other Admin Expense submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Other Admin Expense submitted by GHIAL	2.57	2.55	3.56	4.58	5.77	19.03

5.6.222. The Authority noted that the expenses classified by GHIAL under the head "Other Admin Expenses" comprise the following components:

- Membership fees paid to professional bodies such as CAPA (Centre for Aviation), CFO Next, APAO (Association of Private Airport Operators), CEO Next, and similar industry/professional forums;
- Subscription charges for books, periodicals, and professional publications; and
- Meeting and seminar expenses incurred for internal team meetings and related engagements.

5.6.223. In line with the principles of cost allocation between Aeronautical and Non-Aeronautical activities, and consistent with the approach adopted by the Authority in earlier tariff determinations, the Authority proposed to allocate the Other Admin Expense incurred by GHIAL during the Third Control Period on the basis of the GFA ratio.

5.6.224. The Aeronautical Other Admin Expense proposed to be considered by the Authority for the Third Control Period is provided below:

Table 135: Aeronautical Other Admin Expense proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Other Admin Expense	2.65	2.57	3.57	4.61	5.88	19.27

5.6.225. The Authority noted that GHIAL submitted total Other Admin Expense of Rs. 21.70 Crores (ref. Table 79) and after applying the allocation ratio as determined by GHIAL by treating CGF services as non-aeronautical, the aeronautical Other Admin Expense as per GHIAL was Rs. 19.03 Crores (ref. Table 80). The Authority reclassified CGF services as aeronautical and accordingly revisited the allocation methodology and recalculated the expense allocation ratio. Based on the revised allocation ratio, which was higher than the allocation ratio considered by GHIAL, the Other Admin Expense attributable to aeronautical services was computed at Rs. 19.27 Crores (ref. Table 135). In this context, it is pertinent to note that the reclassification of CGF services from non-aeronautical to aeronautical resulted in revenues from CGF services getting added to aeronautical revenue, ultimately offsetting the Aggregate Revenue Requirement (ARR) thereby reducing aeronautical charges. Though

this approach resulted in some increase in the aeronautical portion of the related opex item but the corresponding increase in the aeronautical revenue provided a substantial benefit to airport users by allowing the full impact of CGF revenue for offsetting aeronautical charges, thereby ensuring consistency in the treatment of costs and revenues.

5.6.226. Based on the foregoing, the Authority proposed to consider General Admin Expense as per the table below:

Table 136: Aeronautical General Admin Expense proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical General Admin Expense	67.83	97.23	117.07	143.26	151.85	577.25

Assets Written off

5.6.227. The Aeronautical Assets Written off as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 137: Aeronautical Assets Written off submitted by GHIAL for True-up of the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Assets Written off submitted by GHIAL	0.05	0.66	0.88	0.00	0.00	1.59

5.6.228. The Authority noted that the operator had not provided details on the salvage value recovered on account of the assets written off. In view of this the Authority proposed to disallow the expenses associated with the assets being written off and may revisit at the time of issuance of tariff order subject to submission of relevant data by the Airport Operator.

Bad Debts, Provision for Bad Debts, Donations and CSR Expenses:

5.6.229. The expenses for the Third Control Period submitted by GHIAL in the MYTP for the Fourth Control Period are as follows:

Table 138: Bad Debts, Provision of Bad Debts, Donations and CSR Expenses submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Total Expenses submitted by GHIAL						
Bad Debt	-	63.00	-	-	-	63.00
Provision of Bad Debt	-	-	5.06	1.17	0.15	6.38
Donation & Contribution to Electoral Fund	20.00	-	-	7.50	0.85	28.35
CSR	8.20	8.20	8.50	8.50	11.95	45.35
Aero Portion of Expenses submitted by GHIAL						
Bad Debt	-	51.13	-	-	-	51.13
Provision of Bad Debt	-	-	4.44	-	-	4.44
Donation & Contribution to Electoral Fund	17.63	-	-	6.62	0.74	24.99
CSR	6.76	6.65	7.45	7.42	10.34	38.62

CSR

5.6.230. 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 rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore 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.'*

5.6.231. In this regard, the Authority was of the view that the CSR was a mandatory Social Responsibility of the Company (as per Section 135(1) of Companies Act). As the CSR expenditure was to be incurred by Companies out of their net profits, it was 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 passthrough expenditure of the companies, otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies. 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.

5.6.232. The Authority hence proposed not to consider CSR expenses as part of Aeronautical O&M expenses for the Third Control Period.

Bad Debt

5.6.233. The Authority noted that GHIAL availed the credit facilities of INR 4,200 Crore from Yes Bank Limited for the terminal expansion CAPEX in December 2019 and had paid 1.5% upfront non-refundable facility fee (INR 63 Crore). The Yes Bank credit facility was offered to GHIAL at 9.95%. However, due to change in the market conditions, GHIAL raised USD 300 Mn (INR 2067 cr) at a coupon rate of 5.375% + hedge cost in April 2019 (Effective cost of 9.96% plus Withholding tax). GHIAL further raised USD 300 Mn (INR 2,188 cr) in February 2021 at a coupon rate of 4.75% + hedge cost (Effective cost of 9.39% plus Withholding tax). The blended FCB rate including withholding tax was around 10.10%.

5.6.234. The Authority noted that although GHIAL availed the credit facility from Yes Bank but it never drew the funds from it. Further, GHIAL opted to avail the FCBs with a blended rate of 10.10% vis-à-vis the Yes Bank credit facility of 9.95% (YBL MCLR + 0.10%) in order to manage its cashflows for repayment of the loan, which did not have any direct bearing on the airport users and was solely a business decision. Therefore, the Authority was of the view that the Airport Users did not accrue any benefit on account of GHIAL availing FCDs instead of the Yes Bank credit facilities which led to a higher weighted average cost of debt for the calculation of Weighted Average Cost of Capital.

Donation to Electoral Fund

5.6.235. The Authority was of the considered view that donations to electoral funds, electoral bonds, or any form of political contributions cannot be treated as a legitimate cost recoverable through the aeronautical tariff, for the following reasons:

(i) No Nexus with Aeronautical Service Delivery: Such contributions have no demonstrable connection with the provision of aeronautical services to airlines, passengers, or cargo operators. They neither contribute to the operations, maintenance, or development of the airport infrastructure, nor enhance the quality of aeronautical services rendered to the users.

(ii) Discretionary and Voluntary in Nature: Donations of this nature are wholly discretionary and voluntary acts of the corporate entity, undertaken in pursuit of considerations extraneous to the regulated aeronautical business. They do not arise from any statutory obligation, regulatory mandate, or operational necessity associated with the running of the airport.

5.6.236. Further, the Authority consistent with the decision taken in the past proposed not to consider Bad debt, Donations and Provisions for Bad Debts as part of Aeronautical O&M expenses for the Third Control Period.

Utility Expenses

5.6.237. The Utility expenses submitted by GHIAL and as approved by the Authority in the Tariff Order for the Third Control Period are as follows:

Table 139: Comparison of Utility expenses as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Utility expenses approved by the Authority in TCP order (A)	25.91	46.93	57.74	60.40	63.18	254.16
Utility expenses submitted by the Operator (B)	11.36	13.91	52.27	50.31	47.86	175.71
Variation (B-A)	-14.55	-33.02	-5.47	-10.09	-15.32	-78.45

5.6.238. The Authority noted that the Utility expenses submitted by GHIAL for the Third Control Period in the MYTP for the Fourth Control Period was ~30.9% lower than the Utility Expenses approved by the Authority in the Third Control Period and the same was verified through relevant documents including CA certificates.

5.6.239. The Authority analyzed the utility consumption of GHIAL along with the Utility charges submitted by GHIAL towards True-up for the Third Control Period:

Table 140: Utility consumption submitted by GHIAL towards True-up for the Third Control

Particulars		FY22	FY23	FY24	FY25	FY26	Total
Electricity	**Units**						
Units Generated -DG Set (A)	Kwh	33,991	145,664	37,272	78,506	49,064	
Units Generated -Solar (B)	Kwh	10,367,200	13,097,600	13,251,794	12,390,334	11,000,950	
Units Purchased (C)	Kwh	81,780,705	97,178,010	125,312,230	153,117,041	167,542,136	
Energy Recovered (D)	Kwh	61,400,979	72,494,728	76,966,930	79,716,175	98804629	
Net Energy Consumption (E=A+B+C-D)	**Kwh**	**3,07,80,917**	**37,926,546**	**61,634,365**	**85,869,706**	**79787521**	
Total Power Charges (Net)	**Rs Cr**	**7.85**	**10.74**	**49.85**	**46.3**	**45.66**	**160.4**
Water	**Units**						
Rainwater (A)	KL	13,308	108,085	87,468	100,889	1,47,724	
Water Drawn from Borewell (B)	KL	-	-	-	-	-	
Water Recycled through STP (C)	KL	225,003	295,405	422,094	408,578	3,80,513	
Water Recycled through STP – Landscaping (D)	KL	94,325	78,049	40,232	38,050	1,20,387	

Particulars		FY22	FY23	FY24	FY25	FY26	Total
Water Drawn from Borewell – Landscaping (E)	KL	415,213	394,660	472,273	480,459	2,58,543	
Water Purchased (F)	KL	490,766	582,547	685,243	748,141	8,02,493	
Water Recovered (G)	KL	312,147	378,929	513,047	481,212	5,74,814	
Net Water Consumption (H=A+B+C+D+E+F-G)	**KL**	**9,26,468**	**1,079,817**	**1,194,263**	**1,294,905**	**11,34,846**	
Total Water Charges	**Rs Cr**	**3.50**	**3.16**	**2.41**	**4.00**	**2.19**	**15.26**

5.6.240. The Authority further noted that the percentage of utility cost recovery from concessionaires registered a noticeable improvement during FY26 as compared to the preceding year. Electricity recovery increased to 55.32% in FY26 from 48.14% from the previous year and water recovery increased to 33.62% in FY26 from 27.09% in FY25.

5.6.241. The Authority noted that the Utility expense submitted by GHIAL for the Third Control Period was lower than the Utility expense approved by the Authority in the Third Control Period and the same was verified through relevant documents including CA certificates and is found to be reasonable. Further it was submitted that the independent consultant had verified the necessary recoveries from various concessionaires and found that such recoveries were netted off from the above utility expenses.

5.6.242. The Authority examined the submission made by GHIAL with respect to the Utility Expenses (comprising Electricity and Water charges) incurred during the Third Control Period (FY22-FY25) and the actuals for FY26, as detailed in table above. The Authority noted that the Utility Expenses reflected in the said table represent the net expenses borne by GHIAL after recovery of the proportionate utility charges from concessionaires, commercial occupants, and other third-party users of the airport infrastructure.

5.6.243. The Authority reviewed the consumption pattern of electricity over FY22-FY26 and noted that while the total electricity demand at RGIA more than doubled between FY22 and FY26 (largely on account of post-COVID traffic recovery and ongoing capacity expansion), the captive solar generation remained largely stagnant, registering a growth of merely ~6% over the same period.

5.6.244. Based on the above, Aeronautical Utility expense proposed to be considered by the Authority for the Third Control Period is shown in the table below:

Table 141: Aeronautical Utility expense proposed by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Utility expense proposed to be considered by the Authority	11.36	13.91	52.27	50.31	47.86	175.71

Concession Fee:

5.6.245. The Concession Fee submitted by GHIAL and as approved by the Authority in the Tariff Order for the Third Control Period is as follows:

Table 142: Comparison of Concession Fee as submitted by GHIAL for True-up and as approved by the Authority in the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Concession Fee approved by the Authority in TCP Order (A)	14.33	32.59	50.25	59.59	65.28	222.04
Aeronautical Concession Fee Submitted by the Operator (B)	9.56	23.85	42.67	53.82	57.53	187.43
Variation (B-A)	-4.77	-8.74	-7.58	-5.77	-7.75	-34.61

5.6.246. The Authority noted that the Aeronautical Concession Fee submitted by the Operator for the Third Control Period actuals was lower than the amount approved by the Authority in the Third Control Period Tariff Order, the said variance being attributable solely to the divergent treatment of revenues from Cargo, Ground Handling and Fuel Farm (CGF) operations, while the Operator classified CGF revenues as non-aeronautical and consequently excluded them from the aeronautical revenue base for computation of the Concession Fee, the Authority treated CGF revenues as aeronautical in nature.

5.6.247. Based on the treatment suggested, the concession fees had been calculated as 4% of the revised aeronautical revenues as shown in the table below:

Table 143: Aeronautical Concession Fee proposed to be considered by the Authority for the Third Control Period at the Consultation Stage

(Rs. In crores)

Particulars (In Rs. Crores)	2022	2023	2024	2025	2026	Total
Landing Revenues	84.97	148.74	214.49	300.91	352.64	1,101.75
Parking Revenues	7.68	5.59	6.32	14.69	24.07	58.34
Revenues from User Development Fee	144.83	440.97	844.94	1029.76	1044.92	3,505.41
Subtotal - L&P, UDF	**237.48**	**595.30**	**1065.74**	**1345.35**	**1421.63**	**4,665.50**
Fuel Farm	57.81	85.86	93.59	91.83	82.18	411.27
Cute, Cuss, BRS (ICT)	45.39	11.77	3.17	3.66	3.89	67.89
Cargo	18.15	20.25	30.76	43.08	56.00	168.24
GH + GPU	16.83	40.29	47.56	56.77	81.70	243.15
Subtotal - CGF revenues	**138.19**	**158.18**	**175.07**	**195.35**	**223.77**	**890.56**
Other Aero Revenues						
CSB Rentals*	12.01	13.46	0.56	-	0.02	26.05
Income from vehicle fuelling services - airside + landside	0.52	0.72	0.78	0.16	0.70	2.87
ATC Tower Rentals	0	0	0	0	14.14	14.14
Incidental Income - Township rentals	0.93	0.33	0.11	0.10	1.75	3.21
MRO revenue	0.02	0.66	1.22	1.34	1.40	4.64
Subtotal - Other Aero revenue streams	**13.48**	**15.17**	**2.66**	**1.59**	**18.01**	**50.90**
Total Aeronautical Revenue (A)	**389.14**	**768.64**	**1243.48**	**1542.29**	**1663.41**	**5606.96**
Concession %	4%	4%	4%	4%	4%	
Concession Fee	**15.57**	**30.75**	**49.74**	**61.69**	**66.54**	**224.28**

5.6.248. The Aeronautical Concession Fee proposed to be considered by the Authority for the Third Control Period was higher than GHIAL's submission on account of treatment of CGF revenue and MRO revenue as aeronautical revenue.

Strategic, Management and Technical Service Fee

5.6.249. The Authority took note of GHIAL's submission regarding a new expense head, Strategic, Management and Technical Service Fee, proposed for the last financial year of the Third Control Period.

5.6.250. The Authority sought clarification from GHIAL on the details and justifications for projection of such expenses for the last financial year of the Third Control Period. GHIAL's responses are as follows:

"GHIAL Board in its meeting dated 23.07.2025, approved the payment of Strategic, Management and Technical Service Fee from FY26 to all its shareholders including GMR Airports Limited (GAL), Airport Authority of India and Government of Telangana. The Clauses 3.4 and 3.5 of the Shareholders Agreement defines the Role of the Sponsors which lists down the various activities that the Sponsors are to provide. The Clause 5.10 of the Shareholders Agreement provides that all decisions of the Board shall be a simple majority of the Directors present and voting. The Clause 11.3 of the Shareholders Agreement mentions that GHIAL shall provide to each of its investors with a right to consult and advise management of GHIAL on various issues.

Hence the board of GHIAL decided to start paying, going forward, a consideration for the services being provided by shareholders to the Company towards its strategic leadership, governance and business sustainability @3% of stand-alone gross revenue from FY 2026 on a quarterly basis."

5.6.251. The Authority noted that, as per the present shareholding pattern of GHIAL, 26% of the shareholding is held by Government entities, comprising 13% held by AAI on behalf of the Government of India, and 13% held by the Government of Telangana, while the remaining 74% is held by GMR Airports Limited (GAL). GHIAL referred to certain provisions of the Shareholders' Agreement and submitted that the Board of GHIAL decided to make payments to its shareholders towards services stated to be provided by them in relation to strategic leadership, governance and business sustainability. GHIAL proposed that such consideration would be paid at the rate of 3% of standalone gross revenue, with effect from FY 2025-26, on a quarterly basis.

5.6.252. The Authority analysed GHIAL's submission and observed as under:

5.6.253. Clauses 3.4 and 3.5 of the Shareholders' Agreement set out the roles of the Sponsors and the State Promoters in providing support to GHIAL. The activities listed for the State Promoters primarily relate to the initial support required for commencement of airport operations. The activities listed for the Sponsors also relate to commencement of airport operations and include reference to services to be provided in the ordinary course of business for operation, management and development of the airport and for provision of airport services.

5.6.254. The aforesaid clauses are general enabling provisions defining the broad roles and obligations of shareholders in relation to the airport project under the Concession Agreement framework. The Authority does not find any specific provision in the Shareholders' Agreement which provides for payment of separate consideration to shareholders towards advice, consultation, strategic leadership, governance or business sustainability services.

5.6.255. The Authority was of the view that Hyderabad Airport was awarded to GAL through a transparent competitive bidding process with a clear mandate of development, construction, operation and maintenance of the airport for the concession period. Further, at the time of evaluation of the bids, GAL was shortlisted considering their ability to develop and manage the airport operations. Considering the Strategic, Management and Technical Service Fee to run the airport operations would defeat the above purpose and will lead to an additional fee being rendered to the shareholders in addition to the return on their invested equity.

5.6.256. The Authority further observed that GHIAL is a separate legal entity having its own senior management, personnel and functional structure for operating, managing and developing the airport. In addition, GHIAL already avails expert services from personnel of group companies and engages consultants/domain experts

in various fields in the ordinary course of its business. Therefore, the Authority was of the view that a blanket quarterly payment to shareholders would lead to a risk of overlap between the proposed fees and costs already embedded in GHIAL's existing expenditure base, including employee costs, administrative expenses, consultancy charges and other management-related expenses and may result in duplication of costs and consequential double recovery from airport users.

5.6.257. Accordingly, the Authority proposed not to consider the payment towards Strategic, Management, and Technical Service Fees to shareholders.

5.6.258. Considering the above, the Aeronautical Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for True-up for the Third Control Period is provided in the table below.

Table 144: Aeronautical Operation and Maintenance Expenses proposed to be considered by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Staff Cost	96.96	101.50	135.97	159.25	146.03	639.72
Rates & Taxes (incl. Property Tax)	4.10	11.04	6.70	7.12	7.24	36.20
Community development						0.00
Bad Debts Written Off/ Advances written off						0.00
Bank Charges, Exchange Fluctuations, etc.	27.84	38.84	13.51	23.90	11.87	115.95
Security Cost	12.97	18.61	19.12	18.37	16.21	85.29
Repairs and Maintenance	56.67	81.34	105.58	113.96	113.37	470.92
Stores & Spares	4.13	11.66	15.67	14.03	13.13	58.63
Insurance Cost	5.08	5.40	6.41	6.80	8.14	31.83
Land Lease Rent to GoT	6.76	10.99	10.49	15.04	15.74	59.01
Manpower Outsourcing (Technical Service) Expenses	46.53	41.33	53.46	85.26	87.16	313.73
Housekeeping Cost	14.15	16.67	26.56	34.86	51.84	144.09
CGF (Fuel Farm) Cost	18.03	21.06	20.84	23.63	27.77	111.32
Operating Expenses	6.52	4.47	5.86	4.56	2.85	24.26
Collection charges	1.97	3.52	5.90	4.76	5.92	22.07
General Admin Cost						
• Advertisement & Business Promotion	2.48	3.44	5.96	6.91	8.27	27.06
• Legal and Professional Charges	13.33	33.93	32.65	41.66	33.65	155.22
• Corporate Cost allocation	31.48	31.56	45.03	56.08	71.76	235.91
• Communication Costs	2.09	2.05	1.71	1.87	1.94	9.66
• Printing and Stationery	0.36	0.42	0.95	0.59	0.63	2.95
• Recruitment Charges	0.37	2.19	2.54	5.45	4.50	15.04
• Travelling and Conveyance	14.36	20.15	23.73	25.15	23.89	107.28
• Directors Sitting Fees	0.16	0.22	0.22	0.17	0.19	0.97
• Payment to Auditors	0.55	0.70	0.68	0.73	1.12	3.78
• Other Admin Expenses	2.65	2.57	3.57	4.61	5.88	19.27
Utility Expense	11.36	13.91	52.27	50.31	47.86	175.70
Concession Fee	15.57	30.75	49.74	61.69	66.54	224.28
Strategic, Management & Technical Service Fee	0.00	0.00	0.00	0.00	0.00	0.00
Total	**396.45**	**508.31**	**645.12**	**766.77**	**773.49**	**3090.14**

5.6.259. In view of the above, the Authority proposed to consider Aeronautical Operating Expenses of Rs. 3,090.14 Crores as per Table 144 for True-up of the Third Control Period as against GHIAL's submission of Rs. 3,277.23 Crores (as per Table 80).

5.6.260. The above variation was primarily attributable to non-consideration of Bad debts, Forex Fluctuations, Donation to Electoral Fund, CSR, Strategic, Management & Technical Service Fee and rationalization of expense heads such as Advertisement & Business promotions and Travelling & Conveyance allowance.

5.6.261. 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.

5.6.262. 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, considers 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 Operation and Maintenance Expenses for the Third Control Period

5.6.263. During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL and IATA in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding True-up of Operation and Maintenance Expenses for the Third Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up of Operation and Maintenance Expenses for the Third Control Period

5.6.264. GHIAL's comment with regards to the True-up of Operation and Maintenance Expenses for the Third Control Period for RGIA, Hyderabad is as follows:

*"**i. Legal Expenses for CP-3***

Proposal from Authority:

The Authority has revised the allocation of the legal expenses for the aeronautical purposes. Relevant Extracts are as follows:

5.6.160. The Authority recalls that, in the Tariff Order for the Third Control Period, it had been specifically provided that Legal expenses, forming part of Professional and Consultancy expenses, shall be allowed only to the extent the same are incurred for purposes related to Aeronautical Services, and shall be subject to the tests of efficiency and necessity of incurrence.

5.6.161. Having regard to the Aeronautical Legal Expenses claimed by GHIAL, the Authority sought a detailed break-up of the legal expenses attributable to Aeronautical Services, along with the underlying basis of allocation as between Aeronautical and Non-Aeronautical Services, for the purposes of detailed examination.

5.6.163. The Authority observes that the detailed break-up of the Legal expenses attributable to Aeronautical Services has not been furnished by GHIAL. In the absence of the requisite information, the Authority proposes to allocate the Legal expenses on the basis of the ratio of Aeronautical Revenue to the total income of GHIAL in the respective financial years.

GHIAL's Response:

The Authority's proposed to apportion legal expenses based on the ratio of aeronautical revenue to total revenue represents a significant and unjustified deviation from its established principles. Historically, AERA has followed rational and objective methodologies—such as allocation based on the Terminal Area Ratio or the Gross Fixed Assets (GFA) Ratio—to distribute common expenditures between aeronautical and non-aeronautical services. These methods are rooted in tangible parameters that reflect the actual usage of resources and infrastructure by each segment. In contrast, revenue-based allocation introduces a subjective and financially driven approach, which lacks the physical or operational correlation traditionally relied upon by the Authority.

Further, the revenue-based allocation of legal expenses is misaligned with the fundamental principle of cost causation, which is central to any sound regulatory framework. Legal expenses, by their nature, are context-specific and not always linked to revenue-generating activities. Therefore, GHIAL request Authority to use GFA ratio or Terminal Aera Ratio for allocating the cost."

"ii. CSR disallowance for CP3

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:

Proposal from Authority:

The Authority has proposed to not consider the CSR and donation as part of the regulator building block O&M. Relevant extract are as follows:

Corporate Social Responsibility

2.6.231 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:

'Section 135 (1) of Companies Act, 2013 states that 'Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore 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.'

2.6.232 In this regard, the Authority is of the view that the CSR is a mandatory Social Responsibility of the Company (as per Section 135(1) of 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 passthrough expenditure of the companies, otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies. 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.

2.6.233 The Authority hence proposes not to consider CSR expenses as part of Aeronautical O&M expenses for the Third Control Period.

GHIAL's Response:

Community Development:

The expenditure pertaining to the Corporate Social Responsibility was allowed by the Authority to Hyderabad International Airport Limited for previous control periods. Below is the extract of the same:

1) First Control Period:

Table 51: Operating expenses considered by the Authority in the current Control Period

(Rs in crore)	2011-12	2012-13	2013-14	2014-15	2015-16
Payroll Expenses					
Salary and Wages	45.09	48.02	52.37	57.13	62.31
Staff Welfare	5.71	5.31	5.79	6.31	6.88
Training	1.91	0.48	0.53	0.57	0.63
Total Payroll expense	52.91	54.80	58.69	64.01	69.82
Utility expenses					
Utility Costs	15.89	23.48	23.48	23.48	20.48
General / Admin expenses					
Auditors Fee	0.31	0.40	0.44	0.48	0.52
Directors Sitting Fee	0.07	0.08	0.09	0.10	0.11
Communication Expenses	1.72	1.38	1.50	1.64	1.79
Travelling Expenses	8.13	5.57	7.17	7.82	8.53
Rent	6.78	5.83	7.45	8.13	8.87
Rates and Taxes	6.50	14.99	14.99	14.99	14.99
Advertisement	1.30	10.72	11.79	12.76	13.92
Oth Maintainenance	2.74	2.57	2.81	3.06	3.34
Printing and Stationary	0.50	0.33	0.36	0.40	0.43
Event Management	0.34	0.13	0.14	0.16	0.17
Recruitment	0.43	0.16	0.18	0.19	0.21
Community Development	1.47	1.35	1.47	1.61	1.75

2) True-up of Second Control Period:

Table 54: Efficient O&M proposed to be considered by the Authority for True up of the Second Control Period

Particulars (In Rs. Crores)	2017	2018	2019	2020	2021	Total
Employee Cost (a)	53.44	64.40	89.68	108.18	101.76	417.46
General Admin Cost (b)	42.34	60.52	65.29	84.23	54.76	307.23
Lease Rent to GoT (c)	2.38	2.48	2.61	2.73	2.88	13.09
Rates & Taxes (d)	5.13	5.35	5.38	6.13	5.01	27.00
Community Development (e)	0.00	0.00	3.17	7.02	7.66	17.85
Security Cost (f)	9.68	14.17	16.15	21.12	15.86	76.98
Bad Debts Written Off (g)	0.00	0.00	0.00	0.00	0.20	0.20
Bank Charges (h)	3.55	16.23	0.72	30.23	7.48	158.21

GHIAL submits that the Authority has consistently recognized and allowed CSR expenditure as part of Operation and Maintenance Expenses across previous control periods. In the present case, the proposed disallowance of CSR expenditure represents a departure from the Authority's established regulatory approach without any change in the underlying facts or regulatory framework.

Similarly, the expenditure pertaining to the Corporate Social Responsibility is allowed by the Authority to the Bangalore International Airport Limited for the third control period. Below is the extract of the same:

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	83.63	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	7.90	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**

However, in the case of the current consultation paper for GHIAL, the Authority has completely taken a different stand while assessing the CSR and community development expenditure

GHIAL submits that the issue of admissibility of Corporate Social Responsibility (CSR) expenditure has also been conclusively examined by the Hon'ble TDSAT in the matter of Bangalore International Airport Limited (BIAL) vs. AERA dated 16.12.2020. The Hon'ble Tribunal, while considering the treatment of CSR expenditure in a regulated environment, held that CSR expenditure, once mandated by law, cannot be disallowed in a manner that effectively reduces the fair return on equity determined by the regulator. The relevant observations of the Hon'ble TDSAT are reproduced below for:

"81. Learned counsel for AERA has, on the other hand placed reliance upon Section 37(1) of the Income Tax Act which has already been noted by the Authority because this provision clarifies that expenditure on CSR will not be accepted as an expenditure for business. However, the other argument that in a regulated environment the fair return of equity determined and allowed must be real as determined by the Regulator, has not been answered effectively. There is no difference between expenditure towards CSR once it is mandated by law vis-à vis an expenditure in the nature of income tax which is allowed as a cost pass-through. Not allowing such cost amounts to indirectly lowering the percentage fixed as a fair return on equity, because if the impugned decision of the Authority is accepted, the expenditure towards CSR has to come out from such return allowed for the equity holders. In view of the above discussions, the grievance of BIAL in respect of expenditure on CSR is found to have merits. The impugned decision on this issue is, therefore, set aside. The Authority shall pass consequential orders so that no loss due to reduction in determined fair return is caused to the equity holders on account of expenditure on CSR. Necessary truing up exercise shall be done by the Authority accordingly."

In view of the above, it is submitted that CSR expenditure is a statutory obligation under the Companies Act, 2013 and is not a discretionary expenditure. Further, the Authority has also allowed CSR expenditure in earlier tariff orders of GHIAL and BIAL.

Accordingly, GHIAL requests Authority to consider and allow the CSR expenditure incurred during the Control Period as a part of admissible operating expenditure for tariff determination purposes, consistent with the applicable legal framework, regulatory precedents, and findings of the Hon'ble TDSAT."

"iii. Donations disallowance for CP3

Proposal from Authority:

5.6.236. The Authority is of the considered view that donations to electoral funds, electoral bonds, or any form of political contributions cannot be treated as a legitimate cost recoverable through the aeronautical tariff, for the following reasons:

(i) No Nexus with Aeronautical Service Delivery: Such contributions have no demonstrable connection with the provision of aeronautical services to airlines, passengers, or cargo operators. They neither contribute to the operations, maintenance, or development of the airport infrastructure, nor enhance the quality of aeronautical services rendered to the users.

(ii) Discretionary and Voluntary in Nature: Donations of this nature are wholly discretionary and voluntary acts of the corporate entity, undertaken in pursuit of considerations extraneous to the regulated aeronautical business. They do not arise from any statutory obligation, regulatory mandate, or operational necessity associated with the running of the airport.

5.6.237. Further, the Authority consistent with the decision taken in the past proposes not to consider Donations as part of Aeronautical O&M expenses for the Third Control Period.

GHIAL's Response:

GHIAL respectfully submits that contributions made through Electoral Trusts are lawful corporate expenditures expressly recognised under Indian law, including Section 182 of the Companies Act, 2013, the Electoral Trusts Scheme, 2013 and Section 80GGB of the Income Tax Act, 1961. Such contributions are made through a transparent and regulated framework established by the Government of India and are subject to prescribed governance, disclosure and compliance requirements.

Further, contributions made through Electoral Trusts support's the broader democratic and governance framework of the country through a transparent mechanism recognised by the Government of India.

Further, neither the AERA Act nor the AERA Tariff Guidelines specifically prohibit or exclude such expenditure from consideration. Accordingly, GHIAL respectfully requests the Authority to reconsider the expenditure as part of admissible operating costs."

"iv. Travelling and Conveyance Expenses

Proposal from Authority:

5.6.180. The Authority, upon detailed examination of the Travelling and Conveyance Expenses incurred by GHIAL during the Third Control Period, observes that the said expense head is predominantly attributable to business travel, the said component constituting approximately 78% of the total cost incurred. The balance of the said expense pertains to employee transportation and ancillary travel-related costs.

5.6.181. The Authority notes that the Aeronautical Travelling & Conveyance expenses of Rs. 174.01 Crores have been computed by GHIAL by considering aeronautical component of Rs. 12.83 Crores which is directly attributable to aeronautical services and the balance common component of Rs. 188.90 Crores apportioned into aeronautical and non-aeronautical using the Gross Fixed Assets (GFA) ratio

5.6.182. The Authority notes that the Travel Costs incurred by GHIAL cannot be accurately segregated between Aeronautical and Non-Aeronautical Services on the basis of direct identification.

5.6.183. Accordingly, and consistent with the approach adopted in past tariff determinations, the Authority proposes to allocate the common Travelling & Conveyance Costs incurred by GHIAL during the Third Control Period between the Aeronautical and Non-Aeronautical in the ratio of 50:50.

5.6.184. Based on the foregoing, the Aeronautical Travelling and Conveyance expenses proposed to be considered by the Authority for the Third Control Period are provided below:

Table 113: Aeronautical Travelling and Conveyance Expense proposed by the Authority for True up of the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aero Cost (A)	1.13	1.77	2.92	3.29	3.73	12.83
Common Cost (B)	26.46	36.76	41.63	43.73	40.32	188.90
Total Aeronautical Travelling and Conveyance expenses (A+B*50%)	14.36	20.15	23.73	25.15	23.89	107.28

GHIAL's Response:

GHIAL submits that Travelling and Conveyance expenses are incurred by various functional teams in connection with the operation, development and management of airport assets and related infrastructure. As these expenses are common operational expenses, allocation based on the Gross Block Ratio provides a more appropriate representation of the underlying airport assets and activities supported by such expenditure as compared to a blanket 50:50 allocation.

Further, the Authority, in the tariff determination of first control period for Noida International Airport (YIAPL), proposed allocation of Travelling and Conveyance expenses based on Gross Block Ratio, recognizing the linkage of such costs with airport assets and operational activities. Below is the extract of the same:

Allocation of General Administration Cost

8.2.99 The Authority noted that YIAPL has allocated General Administration Cost based on Terminal Building Ratio (TBLR). However, the Authority proposed to allocate these expenses based on the Authority's decision in other airports, specifically Mopa (Goa), as follows:

- Professional and consultancy fees – Based on Gross Block Ratio
- Traveling and conveyance – Based on Gross Block Ratio
- Office costs and others – Based on Terminal Building Ratio

Accordingly, GHIAL requests the Authority to allocate Travelling and Conveyance expenses based on the Gross Block Ratio, in line with the methodology adopted in YIAPL, ensuring consistency in regulatory treatment across airports."

*"**v. Advertising and Sales Promotion Expenses***

Proposal from Authority:

5.6.191. The Authority has examined the expenses incurred by GHIAL under the head "Advertisement and Business Promotion" during the Third Control Period and the projections proposed for the Fourth Control Period. Upon a detailed review of the nature, purpose, and beneficiary of each activity comprised within this head, the Authority has classified the following sub-heads for the purpose of determining their appropriate treatment within the aeronautical tariff framework:

Table 117: Classification of Expenses by the Authority under Advertisement & Sales Promotion

S. No.	Expense Sub-Head	Nature	Aero Allocation %
1	Business Promotion	Common	50%
2	Event Management Expenses	Common	50%
3	Guest Protocol	Common	50%
4	Gifts & Compliments	Non-Aeronautical	0%
5	Advertisement – Others	Common	50%

Table 118: Aeronautical Advertising and Sales Promotion expenses proposed by the Authority for True up of the Third Control period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Advertising and Sales Promotion expenses	2.48	3.44	5.96	6.91	8.27	27.06

5.6.205. The Aeronautical Advertising and Sales Promotion expenses proposed to be considered by the Authority for the Third Control Period is higher than GHIAL's submission on account of segregation of common Advertisement & Sales expense based on Aero-Non Aero Expense ratio which is higher than the submission of GHIAL due to reclassification of certain expenses based on AERA principles, including treatment of Cargo, Ground Handling and Fuel Farm ("CGF") expenses.

GHIAL's Response:

GHIAL submits that advertisement expenses are intrinsically linked to the terminal infrastructure and commercial spaces utilized for advertising activities.

In this regard, the Authority has adopted similar allocation methodologies in previous tariff determinations. For instance, in the tariff order of first control period for Noida International Airport (YIAPL), advertisement cost was allocated based on the Terminal Building Ratio (TBLR), which was considered reasonable by the Authority. Below is the extract of the same:

Allocation of Advertisement Cost

8.2.118 The Authority noted that YIAPL has allocated Advertisement Cost based on Terminal Building Ratio (TBLR). The Authority deemed this allocation basis to be reasonable and, therefore, proposed adopting the same allocation basis, taking into consideration the revised ratios detailed in Table 131.

Similarly, for True-up of third control period in DIAL, the Authority proposed allocation of advertising and sales promotion expenses based on the GFA/Terminal Building Ratio, as applicable. Below is the extract of the same:

- Marketing surveys/researches towards consumer preference of brands.
- Appointment of consultants to focus on enhancing passenger spend through analytics, training, visual merchandising and experience.

4.6.80 The Authority through its Independent Consultant/Aviation Expert found the justifications provided by DIAL as reasonable and acceptable.

4.6.81 The Authority proposed to allocate the Advertising and Sales Promotion expenses based on the GFA/Terminal Building ratio, as applicable.

4.6.82 The Aeronautical Advertising and Sales Promotion expenses proposed to be considered by the Authority for the Third Control Period is as follows:

Table 123: Aeronautical Advertising & Sales promotion expenses proposed to be considered by the Authority for the Third Control Period

Particulars (Rs. Cr)	2020	2021	2022	2023	2024	Total
Aeronautical Advertising and Promotion expenses proposed to be considered by the Authority	12.02	3.87	6.52	9.33	21.04	52.78

In view of the above precedents, GHIAL submits that the allocation of advertisement expenses based on Terminal Building Ratio/GFA Ratio, as appropriate, would be consistent with the Authority's established approach in other PPP airports. Accordingly, it is requested that the same allocation methodology be adopted for GHIAL to ensure regulatory consistency and equitable cost attribution between aeronautical and non-aeronautical activities."

*"**vi. Strategic, Management & Technical Service Fee***

Proposal from Authority:

5.6.254. The Authority notes that, as per the present shareholding pattern of GHIAL, 26% of the shareholding is held by Government entities, comprising 13% held by AAI on behalf of the Government of India, and 13% held by the Government of Telangana, while the remaining 74% is held by GMR Airports Limited (GAL). GHIAL has referred to certain provisions of the Shareholders' Agreement and submitted that the Board of GHIAL has decided to make payments to its shareholders towards services stated to be provided by them in relation to strategic leadership, governance and business sustainability. GHIAL has proposed that such consideration would be paid at the rate of 3% of standalone gross revenue, with effect from FY 2025-26, on a quarterly basis.

5.6.255. The Authority has analysed GHIAL's submission and observes as under:

5.6.256. Clauses 3.4 and 3.5 of the Shareholders' Agreement set out the roles of the Sponsors and the State Promoters in providing support to GHIAL. The activities listed for the State Promoters primarily relate to the initial support required for commencement of airport operations. The activities listed for the Sponsors also relate to commencement of airport operations and include reference to services to be provided in the ordinary course of business for operation, management and development of the airport and for provision of airport services.

5.6.257. The aforesaid clauses are general enabling provisions defining the broad roles and obligations of shareholders in relation to the airport project under the Concession Agreement framework. The Authority does not find any specific provision in the Shareholders' Agreement which provides for payment of separate

consideration to shareholders towards advice, consultation, strategic leadership, governance or business sustainability services.

5.6.258. The Authority is of the view that Hyderabad Airport was awarded to GAL through a transparent competitive bidding process with a clear mandate of development, construction, operation and maintenance of the airport for the concession period. Further, at the time of evaluation of the bids, GAL was shortlisted considering their ability to develop and manage the airport operations. Considering the Strategic, Management and Technical Service Fee to run the airport operations would defeat the above purpose and will lead to an additional fee being rendered to the shareholders in addition to the return on their invested equity.

5.6.259. The Authority further observes that GHIAL is a separate legal entity having its own senior management, personnel and functional structure for operating, managing and developing the airport. In addition, GHIAL already avails expert services from personnel of group companies and engages consultants/domain experts in various fields in the ordinary course of its business. Therefore, the Authority is of the view that a blanket quarterly payment to shareholders would lead to a risk of overlap between the proposed fees and costs already embedded in GHIAL's existing expenditure base, including employee costs, administrative expenses, consultancy charges and other management-related expenses and may result in duplication of costs and consequential double recovery from airport users.

5.6.260. Accordingly, the Authority proposes not to consider the payment towards Strategic, Management, and Technical Service Fees to shareholders.

GHIAL's Response:

GMR Airports Limited (GAL) is a listed company and is the largest airport operator by traffic in India and the major shareholders include GMR Enterprises Limited as well as Groupe ADP. GAL and Groupe ADP combinedly operates around ~ 250 Mn p.a passengers across the global and operates over 25 airports across their network. GMR and Groupe ADP combinedly has a high level of expertise, strategic think tank, diversified management techniques and network of partners.

This enhances the role of these two shareholders, apart from being a shareholder and technically eligible bidder, their role is vast in providing continuous support through the network of partnership to enhance the business opportunities, development strategies and growth prospects of RGI Airport to achieve the primary and the important objectives of PPP partnership.

Similarly, Government of Telangana & Airports Authority of India, apart from being shareholder provide various category of services for the airport.

The primary difference between the shareholder and service provider / strategic partner is that shareholders are the investors who will look after for the return on the investment, whereas a strategic partner will provide essential services involving strategy, management and pooling of opportunities for betterment of the Airport ecosystem.

Technically, the Company and its Shareholders are distinct entities, and shareholders are responsible for setting out the rules under which the Company shall operate such as Memorandum of Association and Articles of Association and also appoints the Board of Directors who are technically sound and qualified for operating the Company in accordance with the laws of land and MoA / AoA.

Any activity performed by any Shareholder apart from these activities involve efforts, costs, and generate opportunities for the Company and are to be rationally viewed as distinct business transaction and a

compensation should be paid in compliance with the related party transactions applicable under Companies Act, 2013 or under erstwhile Companies Act, 1956.

Contentions of AERA:

AERA in its consultation paper has raised following constraints / concerns regarding the payment made to the shareholders for strategic, management and technical services (SMT). Reasons are cited below:

- *The Shareholder's Agreement does not contain any specific provision for payment of separate consideration to shareholders.*
- *GAL was selected through a competitive bidding process and therefore payment of SMT Fee would amount to additional compensation over and above return on equity.*
- *There may be overlap with employee costs, administrative expenses and consultancy expenses*
- *Responses from GHIAL on the above contentions:*
- *Distinction between Shareholder's Agreement and SMT Fee:*
- *The Shareholder's Agreement is a contractual agreement / arrangement between the Shareholder's of a Company wherein the Company will also be a party. These agreements are entered to pursue the following objectives:*
- *Governance & Control: The procedures and protocols for board composition, nomination rights, reserved matters, veto rights, quorum and other similar matters pertaining to the Governance & Control;*
- *Economic & Ownership Protections: These rights are for protection of pre-emption rights / right of first refusal to prevent dilution, liquidation preference etc., This will also contains restriction for transfer of the ownership in the Company and its procedures and protocols as well.*
- *Deadlock Resolution*
- *Founder/Promoter-Specific*
- *Confidentiality & IP Transfer Restrictions & Exit*
- *Role of the shareholder's in operating the business*
- *Survival of the Shareholder's Agreement even after the exit*

The Recital H of the Shareholder's Agreement referred by the Authority also reflects the same i.e., "GoAP, AAI, GMR and MAHB desire to record herein their agreement on the structure, scope, management and operation of HIAL and wish to set forth their respective rights, obligations and relationship as shareholders and joint venture partners inter se, which are subject to the terms and conditions of this Agreement"

The GHIAL being a special purpose vehicle to serve the purpose of operating Rajiv Gandhi International Airport, the shareholder's had entered into an agreement with the above said objectives including definition of roles of the each of the shareholder among themselves. The essence of the agreement is towards defining the rights and obligations between shareholders of the Company including their roles as a shareholder. However, the Authority had interpreted the same as a service provider agreement between the Shareholder's and the Company and interpreted roles as the services. This is completely against the harmonious interpretation of the agreements and dilute its purposes.

However, GHIAL had not entered into a specific service for these defined roles and other activities to promote the RGI Airport eco-system separately with its Shareholder's. GoT had entered into a State Support Agreement which is a sovereign function that is required to be provided free of charge by GoT to GHIAL with regard to the same. However, in addition to these services, GoT had provided various inter-ministerial support and services to enhance the ecosystem of RGI Airport.

Appreciating the role of the Shareholder's the Board of Directors of GHIAL had conducted extensive study, deliberated at multiple instances and since these activities invaluable and cannot be quantified on a specific scale, decided to pay a fee based on their roles among themselves and kept at limit of 3% on revenue.

The Authority may note that the Shareholder's Agreement never provide the consideration for such roles of the Shareholder's because the contract is not a service provider contract.

B. SMT Fee is an additional compensation over and above return on equity:

We request Authority to have a re-consideration of its interpretation that Strategic, Management and Technical Fee is an additional compensation over and above return on equity. The roles of the shareholders is essential to invest their capital into the Company and ensure adequate governance, controls and mechanism for operating on their own. In addition to that GHIAL also appreciates that the GAL along with its consortium is eligible technical bidder for operation of the RGI Airport. However, to avail these services, GHIAL would have had to recruit the entire requisite manpower directly under GHIAL or these services would have been requested from the technical eligible bidder.

Hence, the underlying fundamental principle here is an attributability of costs towards, development, management, operation and financing of the RGI Airport. Shareholder's under the Companies Act, 2013 are distinguished from the Company and their roles are clearly as defined there in.

Further, we would like to highlight the following essential services for better understanding to arrive at an informed decision by the Authority:

- *Strategic Development*
- *Operations & Safety*
- *Regulatory & Compliance*
- *Commercial & Growth*
- *Stakeholder & Policy Engagement*
- *Talent & Capability Building*

Thus, the Authority's interpretation of SMT Fee is addition to the return on equity is incorrect and requires re-consideration.

C. Overlap with employee costs, administrative expenses and consultancy expenses:

The Authority had opined that there is a risk of overlap between fees and costs already embedded in GHIAL's existing expenditure base.

Extract as follows:

Para 5.6.259: The Authority further observes that GHIAL is a separate legal entity having its own senior management, personnel and functional structure for operating, managing and developing the airport. In addition, GHIAL already avails expert services from personnel of group companies and engages consultants/domain experts in various fields in the ordinary course of its business. Therefore, the Authority

is of the view that a blanket quarterly payment to shareholders would lead to a risk of overlap between the proposed fees and costs already embedded in GHIAL's existing expenditure base, including employee costs, administrative expenses, consultancy charges and other management-related expenses and may result in duplication of costs and consequential double recovery from airport users.

- *Engagement of expert services: GHIAL humbly agrees that it engages experts in various subject matters for availing the services such as accounting, finance and various other activities. However, there are certain activities where expert services are difficult to be engaged such as strategy, partnership management and business development.*

  These are business specific requirements which can be facilitated only by the corporates itself directly. For the purpose of confidentiality we may not be willing to disclose the complete list of activities, however for the sake of clarity we would like to touch upon one of the example. GMR and Groupe ADP being shareholders of GAL, and also one of the largest group which handles ~ 250 Mn of pax per annum, has lot of synergy benefits including route optimisation, network integration, stakeholder confidence in promoting the business activities.

  These activities can neither be performed by any expert on their own nor can it be achieved strategically. However, for conduct of these activities, the shareholders would incur their own share of costs for these items which required to be attributed to GHIAL only.

  Thus, the consideration of the Authority, to consider these items as overlapping costs needs a complete relook considering the business scenarios under which the Airport is operated.

- *Basis for determination of Fee: The fee for any activity is related based on the level of activity performed, goods / services transferred. However, in the circumstances referred above for which the SMT fee is being paid, the nature of services is target oriented / performance oriented which can only be linked with the performance metrics. The industry standard for such performance metrics are revenue, EBIDTA, PBT, PAT or any other directly linked items.*

Board of Directors after deliberations in multiple rounds concluded that such fee shall reflect these targets and found that gross revenue is most reasonable, and this was also suggested by a Big 4 accounting firm after conducting detailed research on this activity.

As discussed above, GHIAL would like to request Authority to consider the above expenditure part of the operating cost while true-up of CP-3 and for CP-4 while determining the final ARR."

"vii. Bad Debts, Provision of Bad Debt and Assets Written Off

Proposal from Authority:

5.6.235. The Authority notes that although GHIAL availed the credit facility from Yes Bank but never drew the fund from it. Further, GHIAL opted to avail the FCBs with a blended rate of 10.10% vis-à-vis the Yes Bank credit facility of 9.95% (YBL MCLR + 0.10%) in order to manage their cashflows for repayment of the loan, which doesn't have any direct bearing on the airport users and is solely a business decision. Therefore, the Authority is of the view that the Airport Users will not accrue any benefit on account GHIAL availing FCDs instead of the Yes Bank Credit facilities and may lead to a higher weighted average cost of debt for the calculation of Weighted Average Cost of Capital.

GHIAL's Response:

As per the master plan submitted by the GHIAL, any expansion in infrastructure is to be carried out in line with the traffic demand. Accordingly, GHIAL had initiated expansion of the airport capacity from 12 million

passengers per annum (MPPA) to 34 MPPA in the year of 2018. Since the project required huge capital, GHIAL had approached lenders/banks for project funding.

Credit facilities from Yes Bank Limited (YBL):

As part of the process, GHIAL had estimated the project cost of ~ Rs.6,739 Cr and proposed the funding plan with a Debt / Equity ratio of 70:30 as given below:

Particulars	Amount in Cr.	%
Project Cost	6,739	100%
Debt*	4717	70%
Equity	2022	30%

** Out of the Debt requirement of Rs.4,717 Crore, Yes Bank Ltd (YBL) had sanctioned credit facilities vide its facility letter no. YBL/MUM/CF/FL/0758/2018-19 dated December 29, 2018 and addendum no. YBL/MUM/CF/FL/759/2018-19 dated December 29, 2018 for Rs.4,200 Cr.*

Interest rate as per the credit facility letter was 1-year MCLR of YBL plus 0.10% i.e. 9.95% p.a.p.m (10.42% p.a) at the time of sanction. Interest rates were linked to existing MCLR at the time of withdrawal.

As per the credit facility letter, GHIAL had to pay 1.5% upfront non-refundable facility fees to YBL on the proposed sanction amount of Rs.4,200 Cr on acceptance of facility letter, which is one of the standard clause for such huge debt deals. Accordingly, GHIAL has paid an up-front processing fee of Rs. 63 crore plus applicable taxes being 1.5% of the sanction facility of Rs.4,200 Cr to YBL.

For the expansion project of the proposed size, it was preliminary requirement to complete the financial closure, so that project can be kick started successfully. Accordingly, on achievement of the above financial closure, the project got initiated.

Raising of funds through Foreign Currency Bonds (FCBs):

As part of continuous improvement initiatives, GHIAL had found that the foreign currency bonds more attractive than the domestic Term loans as detailed below:

a) *Conducive market conditions – Due to change in Federal Reserve of USA (Fed) rate outlook and other external factors, the USD Bond market was favourable for Indian Corporates to meet their funding requirement offering funding at competitive prices as compared to Indian Capital Market.*

b) *Pricing structure: The FCBs being fixed coupon structure carries no risk of increase in coupon as against RTL carrying the risk of increase of benchmark MCLR & Spread moving upward on yearly resets.*

c) *Cash Flow – Bonds have the bullet repayment as against amortization structure, facilitating GHIAL to manage its cash flow effectively in the interim period.*

In view of the above, Company has raised USD 300 Mn (INR 2067 cr) at a coupon rate of 5.375% + hedge cost in April 2019 (Effective cost of 9.96% plus Withholding tax).

Fund raising through foreign debt market FCBs was more conducive for GHIAL during Covid situations as well as availability of funds was very vital for GHIAL to continue the expansion works considering the above said benefits.

Because of, on set of Covid-19 pandemic, GHIAL had to raise another Foreign Currency bond of USD 300 Mn (INR 2,188 cr) in February 2021 at a coupon rate of 4.75% + hedge cost (Effective cost of 9.39% plus Withholding tax), having favourable interest rate in comparison to YBL. GHIAL further, requested for refund of fee. However, the fee was not refunded by YBL as per the agreement.

Find the below comparison of interest rates

YBL Interest Rate	Blended FCB Interest Rate	Saving (A)	Loan (B) INR Cr	Term (C)	Savings INR Cr
10.42% p.a.	10.10% p.a.	0.32%	4255 (2067+2188)	5 Years	68 Cr

The above saving in interest rate resulted in lesser interest expense for GHIAL. Company has raised the funds required for project expansion through FCBs in the wake of better borrowing options and inability of YBL to disburse sanctioned loan and Covid-19 impact. Company has shown the upfront fee of Rs.63 Cr paid to YBL under other financial assets as these fees are to be amortised upon withdrawal of borrowings over the tenure as per the Accounting Standards. Company has accounted the upfront fee paid to YBL and debited to P&L in the financial year 2022-23 with the approval of the Board of Directors.

Further, the upfront fee cannot be viewed in isolation. The fee was incurred as part of the financial closure process for a major infrastructure expansion project and enabled GHIAL to secure committed funding and commence project execution. The subsequent decision to avail alternative funding was based on more favorable market opportunities and resulted in overall economic benefits exceeding the upfront fee incurred.

It is further submitted that had GHIAL proceeded with the Yes Bank facility, the higher financing cost would have ultimately increased the overall cost base of the airport. By availing a more economical source of funding, GHIAL mitigated financing costs and thereby protected airport users from a higher long-term cost burden. Accordingly, disallowing the upfront fee while simultaneously recognizing the benefits arising from the lower-cost financing would not present a holistic view of the transaction.

Hence, the upfront fee of Rs.63 Cr paid to YBL is purely the funding cost for expansion purpose and the same is an allowable expense.

Hence, request AERA to consider this as business expense and allow the same.

Proposal from Authority towards provision of Bad Debt:

The authority in addition to above cost disallowed towards Yes Bank, also has not allowed provision of Bad Debt as submitted by GHIAL as under:

Bad Debts, Provision for Bad Debts, Donations and CSR Expenses:

5.6.230 The expenses for the Third Control Period submitted by GHIAL in the MYTP for the Fourth Control Period are as follows:

Table 129: Bad Debts, Provision of Bad Debts, Donations and CSR Expenses submitted by GHIAL for the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Total Expenses submitted by GHIAL						
Bad Debt	-	63.00	-	-	-	63.00
Provision of Bad Debt	-	-	5.06	1.17	0.15	6.38
Donation & Contribution to Electoral Fund	20.00	-	-	7.50	0.85	28.35
CSR	8.20	8.20	8.50	8.50	11.95	45.34
Aero Portion of Expenses submitted by GHIAL						
Bad Debt	-	51.13	-	-	-	51.13
Provision of Bad Debt	-	-	4.44	-	-	4.44
Donation & Contribution to Electoral Fund	17.63	-	-	6.62	0.74	24.99
CSR	6.76	6.65	7.45	7.42	10.34	38.62

GHIAL's Response:

The Authority has not provided any specific rationale for the disallowance of the provision for bad debts. In this regard, GHIAL respectfully submits the following for consideration:

GHIAL entered into a Concession Agreement with the Ministry of Civil Aviation on 20 December 2004 for the development, construction, operation, and maintenance of Rajiv Gandhi International Airport, Hyderabad. Pursuant to the obligations under the Concession Agreement, GHIAL constructed the Main Access Road (MAR) connecting NH-7 at Shamshabad to the main passenger terminal intersection as a two-

lane dual carriageway, along with a two-lane road extending eastward towards the Srisailam State Highway. The total cost incurred by GHIAL for the construction of the MAR was ₹42.98 crore.

Subsequently, upon completion, GHIAL handed over the MAR to the designated Committee for maintenance and operation. At the time of the handover, GHIAL requested the Committee to assume responsibility for the asset, considering that the Nagar Panchayat (NAC) had been constituted under the Municipalities Act, and sought reimbursement of the construction cost amounting to ₹42.98 crore together with the applicable interest of ₹10.66 crore.

The matter was deliberated by the Committee in its 3rd meeting held in February 2009, wherein the Committee agreed to reimburse GHIAL for the cost of construction of the MAR along with the corresponding interest. Thereafter, in July 2010, the Committee communicated the decision of the NAC to the State Government and sought the necessary approval for reimbursement. However, despite the lapse of considerable time, the State Government has not accorded its consent or approval for settlement of the balance amount.

Notwithstanding the pending approval, the Committee made payments aggregating to ₹48.58 crore during the period from March 2008 to February 2013, comprising ₹37.92 crore towards the principal construction cost and ₹10.66 crore towards interest. As a result, the amount of ₹5.06 crore remains outstanding and recoverable by GHIAL from the NAC.

Given that the amount continues to be legally receivable and the delay in recovery is attributable solely to the pending approval from the State Government, GHIAL submits that the outstanding balance cannot be considered recoverable. Owing to the delay in receipt of money from NAC, GHIAL in the FY 2023-24 has made provision Rs.5.06 Cr in its books of accounts.

Description	Amount in Crs
Main access road cost incurred (A)	42.98
Interest on the above (B)	10.66
Total to be recovered from NAC (C=A+B)	53.64
Repayment (D)	48.58
Provision made in FY 2023-24	5.06

Looking to the facts of the above case, GHIAL recognised bad debt of only 9.4% i.e. 5.06 Crores out of 53.64 Crores, rest 90.6% already recovered by GHIAL.

Such recognition is in accordance with the prudential accounting principles prescribed under the applicable Indian GAAP framework, which require provision for doubtful debts based on an assessment of the recoverability of outstanding receivables

Further, the provision does not represent an inefficiency, avoidable expenditure, or cash outflow incurred by GHIAL, but merely reflects a prudent accounting assessment of recoverability of an asset. Non-recognition of such impairment would result in overstatement of assets and would be contrary to the principles of faithful representation.

Reliance may be made to paragraphs 338-347 of the Hon'ble TDSAT's judgement dated 29.05.2026 in the matter of Mumbai International Airport, wherein the Tribunal held that such unrecoverable receivables constitute genuine business expenditure and cannot be excluded from O&M costs in the absence of any demonstrated inefficiency on the part of the airport operator.

Therefore, the provision should be treated as a legitimate accounting charge arising in the ordinary course of business and should not be disallowed for tariff determination purposes. Accordingly, GHIAL requests AERA to allow the above expenditure.

Proposal from Authority towards Assets Written Off:

Table 128: Aeronautical Assets Written off submitted by GHIAL for True up of the Third Control Period

(Rs. In crores)

FY ending March	FY22	FY23	FY24	FY25	FY26	Total
Aeronautical Assets Written off submitted by GHIAL	0.05	0.66	0.88	0.00	0.00	1.59

5.6.229. The Authority notes that the operator has not provided details on the salvage value recovered on account of the assets written off. In view of this the authority proposes to disallow the expenses associated with the assets being written off and may revisit again at the time of issuance of tariff order subject to submission of relevant data by the Airport Operator.

GHIAL's Response:

GHIAL submits that the assets written off were disposed of through the normal asset disposal process and any recoveries realized therefrom have already been accounted for under the non-aero income heads. As such disposals comprise multiple assets sold on an aggregated scrap basis, asset-wise correlation of salvage value may not be readily available. GHIAL shall, however, provide any further details specifically required by the Authority. Accordingly, GHIAL requests the Authority to consider the asset write-offs as submitted."

"viii. Bank Charges, Exchange Fluctuations

Proposal from Authority:

Forex Fluctuations

5.6.61. The Authority notes a substantial rise in forex loss in FY23, which is attributed to refinancing FCB 2024 and FCB 2026 by raising domestic NCDs to mitigate forex exposure. The amount of Rs.90.77 Cr is on account of breaking of hedge contract.

5.6.62. The Authority, in this regard, sought a Cost-Benefit Analysis from GHIAL in respect of the Hedge Break Cost. Upon examination of the "Note on Hedge Break Cost" submitted by GHIAL, the Authority observes that the FCBs which were due to mature in April 2024 and February 2026, were refinanced in Dec 2022 i.e. just 16 months and 26 months prior to their maturity date. Also, ECD 2024 was refinanced in March 2023. Further, the Authority observes that the cost benefit analysis as submitted by GHIAL considers a period of 5 years. Considering only the remaining period to maturity for these FCDs and ECD, the computation resulted in net loss on account of breaking of Hedge for the existing FCDs and ECD.

5.6.63. Therefore, the Authority observes that the decision to break the hedge contract resulted in net loss to the airport users. In the absence of such cost-benefit substantiation, the Authority is of the considered view that the Hedge Break Cost of ₹90.77 Crore is not to be allowed as pass through to airport users, and accordingly proposes to disallow the same. Further the other marginal costs incurred on account of foreign exchange fluctuations related to travel and procurement etc during the Third Control Period amounting to Rs 1.78 Crores is also disallowed.

5.6.64. Based on the foregoing, the Authority proposes to consider the Aeronautical Bank Charges and Forex Fluctuations for the True-up of the Third Control Period at Rs. 115.95 Crores, as against Rs. 198.16 Crores submitted by GHIAL, as per the table below:

GHIAL's Response:

GHIAL respectfully submits that the Authority's analysis considers only the immediate hedge break cost and the residual maturity period of the refinanced borrowings, while disregarding the broader and

enduring benefits arising from the refinancing transaction. The refinancing decision should be evaluated in its entirety as a prudent treasury and risk-management exercise rather than as an isolated hedge termination event.

The refinancing of FCB 2024, FCB 2026 and ECB borrowings through domestic NCDs was undertaken with the objective of reducing financing costs, mitigating forex risk and improving the overall debt profile. The hedge break cost was an unavoidable one-time consequence of implementing a refinancing strategy that generated long-term economic benefits for the Company and its stakeholders.

The Authority has evaluated the refinancing benefits only up to the residual maturity of the refinanced borrowings. However, the relevant comparison is between the overall cost and risk profile of the existing debt structure and that of the replacement debt structure. Accordingly, the benefits of refinancing accrue over the tenure of the replacement debt and cannot be restricted to the residual tenure of the original borrowings.

The refinancing resulted in reduction in interest costs of approximately 70 - 150 basis points compared to the corresponding foreign currency borrowings. Based on the actual refinancing transactions undertaken, the Company estimated net savings of approximately Rs.42 crore even after considering the hedge break losses associated with the refinancing

Further, the refinancing materially reduced GHIAL's foreign currency exposure and protected the Airport from future exchange-rate volatility, the benefit of which has not been considered in the Authority's analysis. The refinancing also extended debt tenor by 8-10 years, converted bullet repayments into an amortizing structure and strengthened GHIAL's credit profile.

Accordingly, the hedge break cost cannot be viewed in isolation. It was an integral and unavoidable transaction cost incurred for achieving lower borrowing costs, reduction in foreign currency risk and improvement in the overall debt structure. Therefore, the hedge break cost constitutes a legitimate financing cost incurred in the interest of the airport business and should be allowed as part of the true-up.

Without prejudice to the above, even if the Authority evaluates the refinancing transaction only over the residual tenure of the refinanced borrowings, the hedge break cost and the refinancing benefits should be considered together as part of a single financing transaction. Accordingly, GHIAL requests the hedge break cost should be treated in a tariff-neutral manner and not be disallowed in isolation while recognizing the benefits arising from the refinancing transaction."

*"**Authority's Proposal for GFA Ratio and Aero – Non Aero Ratio***

5.4.106. The methodology for allocation ratios adopted by the Authority in the Tariff Order of the Third Control Period has been considered for the purpose of True-up of the Third Control period by taking into consideration the following:

i. Each asset has been identified and verified from the Fixed Asset Register and classified into Aeronautical, Non Aeronautical and Common categories based on its nature and utility. Further, certain capital assets which are common in nature have subsequently been allocated between Aeronautical and Non Aeronautical activities on the basis of Aeronautical Gross Block for individual years.

ii. Assets related to the passenger terminal building have been apportioned between aeronautical and non-aeronautical assets using the Terminal Area Ratio of 84.6% (Aero) and 15.4% (Non-Aero) as adopted in the Third Control Period Tariff Order.

iii. Re-computation of Gross Fixed Asset Ratio for apportionment of common assets pertaining to assets other than the terminal building. The variation between the ratio submitted by GHIAL and the ratio

proposed by the Authority is primarily on account of reclassification of certain assets based on AERA principles, including treatment of Cargo, Ground Handling and Fuel Farm ("CGF") assets. While GHIAL has treated CGF assets as non-aeronautical, the Authority has continued to treat the same as GHIAL's Response on Re-computation of Gross Fixed Asset (GFA) Ratio

FY ending March	FY22	FY23	FY24	FY25	FY26
Gross Fixed Asset (GFA) Ratio	91.24%	90.02%	88.92%	88.85%	88.77%

5.6.32. The Authority based on its examination and considerations has reevaluated the GFA (treating CGF assets as aeronautical) and Aero-Non Aero Expense Ratio (Aero Opex: Non-Aero Opex) to apportion the common expenses as per the table below:

FY ending March	FY22	FY23	FY24	FY25	FY26
Aero–Non Aero Opex Ratio	92.54%	89.57%	92.06%	90.77%	92.16%

GHIAL's Response on Re-computation of GFA Ratio

GHIAL notes the Authority's proposal to recompute the Gross Fixed Asset (GFA) Ratio based on the reclassification of certain assets and the treatment of Cargo, Ground Handling and Fuel Farm ("CGF") assets. The Authority has proposed GFA ratios that differ from those submitted by GHIAL for FY22 to FY26; however, the detailed workings and asset-wise reconciliation supporting the revised ratios have not been provided in the Consultation Paper.

While the Authority has stated that the variation is primarily on account of reclassification of certain assets, including the treatment of CGF assets, GHIAL is unable to fully verify, trace and reconcile the proposed GFA ratios in the absence of detailed computations. Given that the GFA ratio directly impacts the allocation of common assets, depreciation, RAB and other regulatory building blocks, it is essential that the basis of computation is transparent and verifiable.

Accordingly, GHIAL respectfully requests the Authority to provide a detailed reconciliation of the GFA ratio proposed for each year of the Third Control Period, including the asset-wise classification adopted, treatment of CGF and other reclassified assets, and the corresponding computations used in deriving the revised GFA ratios. This will enable GHIAL to reconcile the Authority's proposed ratios with the Fixed Asset Register and regulatory submissions and provide meaningful comments thereon.

GHIAL's Response on Re-computation of Aero–Non Aero Expense Ratio

GHIAL notes that the Authority has re-evaluated the Gross Fixed Asset (GFA) Ratio and Aero - Non-Aero Expense Ratio for the purpose of allocation of common operating expenses, including the treatment of CGF assets as aeronautical assets. However, the detailed workings and computations underlying the revised allocation ratios have not been provided in the Consultation Paper.

Given that the allocation ratios directly impact the apportionment of common operating expenses and consequently the determination of aeronautical operating expenditure, GHIAL is unable to fully reconcile the ratios adopted by the Authority with those submitted by GHIAL. Accordingly, GHIAL respectfully requests the Authority to provide a detailed reconciliation and supporting computations for the revised GFA Ratio and Aero–Non-Aero Expense Ratio, including the treatment of CGF assets and any other adjustments considered while deriving the allocation ratios presented in Table 69. This would enable GHIAL to reconcile the Authority's proposed ratios with its submissions and provide meaningful comments thereon."

Other Stakeholder's comments regarding True-up of Operation and Maintenance Expenses for the Third Control Period

5.6.265. IATA's comment with regards to the True-up of Operation and Maintenance Expenses for the Third Control Period for RGIA, Hyderabad is as follows:

"IATA notes that the actual manpower hire expense is around 68.6% higher than the level approved by AERA. While GHIAL attributes the increase largely to statutory minimum wage revisions, this explanation appears insufficient on its own.

The increase in statutory minimum wages would only directly affect personnel at or near the minimum wage threshold. It is therefore unclear why such revisions would result in a substantial increase across the entire manpower hire portfolio. Furthermore, when approving the Third Control Period, AERA had already considered the airport's traffic forecasts, terminal expansion programme and the associated increase in operational staffing requirements. Consequently, airlines would expect a significant portion of the growth in manpower requirements to have been anticipated in the original allowance.

IATA therefore requests AERA to undertake further scrutiny of:

- *The composition of outsourced manpower and wage bands affected by minimum wage increases*
- *The extent to which the increase relates to additional headcount versus wage inflation*
- *Productivity improvements achieved following terminal expansion and digitalization initiatives*
- *Benchmarking against comparable Indian airports.*

Absent stronger evidence, airlines remain concerned that the magnitude of the increase may reflect inefficiencies that should not be passed through to users.

IATA notes the inclusion of 16 personnel deployed for general capex monitoring at an annual cost of approximately INR 5.4 crore. While effective project oversight is important, it is unclear

- *whether these personnel were engaged on a temporary basis solely for the expansion programme*
- *whether their functions overlap with those already performed by the Project Management Consultant (PMC)*
- *whether these costs will continue into the Fourth Control Period operating cost base.*

Given that a PMC was already engaged for the capital programme, airlines request clarification on the distinct role performed by these additional personnel and whether these costs are genuinely incremental. If their role is temporary and tied to a specific group of projects, such costs should not become a permanent addition to future O&M allowances. Truing these costs for the third control period would unnecessarily inflate the O&M baseline going into the fourth control period. The concern is not limited to the Third Control Period true-up; if these costs are accepted without adequate normalization, they risk becoming embedded in the Fourth Control Period O&M baseline, upon which future escalation and expansion-related adjustments will be applied.

IATA also supports AERA's proposed treatment of legal expenses claimed by GHIAL and agrees that such expenses should not be automatically included in the aeronautical cost base. It is concerning that GHIAL has declined to provide the information necessary for AERA, as the economic regulator, to properly assess the nature and legitimacy of these costs, citing confidentiality concerns. At a minimum, GHIAL should be able to provide a summary schedule identifying the legal matters involved, their purpose, and the associated costs, without disclosing privileged information. Such transparency is essential to determine whether the

expenses are related to the provision of aeronautical services and are therefore recoverable by airport users.

In the absence of sufficient supporting information, airlines are unable to assess the prudence and relevance of these costs. Accordingly, IATA recommends that AERA disallow all legal expenses for regulatory purposes unless and until GHIAL provides adequate evidence demonstrating that the expenditure is directly related to aeronautical activities and is both necessary and reasonable. This approach would be consistent with the principle that the burden of proof rests with the airport operator and would best protect the interests of airport users from bearing costs that have not been adequately justified.

Overall, airlines support AERA's enhanced scrutiny of O&M costs, enforcing the cost allocation methodology and rejecting expenses that should not be borne by airport users such as CSR and the new Strategic, Management and Technical Service Fees related expenses. Airlines encourage AERA to continue applying a robust prudence review to ensure that only efficient and necessary costs are recovered through airport charges."

GHIAL's response to Stakeholder's comments regarding True-up of Operation and Maintenance Expenses for the Third Control Period

5.6.266. GHIAL's response to IATA's comment on True-up of Operation and Maintenance Expenses for the Third Control is as follows:

"Manpower Hire Charges:

Please refer the GHIAL responses to vide para 5.6.14 in the consultation paper which is reflected below

"GHIAL has further submitted that the Authority, in determining the Manpower Hire Charges for the Third Control Period, had considered a COVID-19-impacted financial year as the base year, with the

corresponding expense being ₹ 37.53 Crore. GHIAL has contended that, in the preceding normal (pre-COVID-19) financial year, the actual expenses incurred under this head amounted to ₹ 43.75 Crore, and the said normal-year figure ought to have been considered as the more appropriate and representative base for projecting Manpower Hire Charges for the Third Control Period."

GHIAL respectfully submits that the manpower engaged for Capex Monitoring is essential for overseeing sustaining and replacement capex activities, which are continuous in nature and not limited to a few standalone projects.

Legal Expenses

GHIAL respectfully submits that legal expenses incurred by the Airport Operator arise in the ordinary course of operating, maintaining and developing the Airport and are essential for protecting its contractual, statutory and regulatory interests.

CSR Expenses

The Authority has recognized CSR expenditure in earlier tariff determinations of GHIAL and BIAL. Accordingly we request Authority to consider and allow the CSR expenditure incurred during the Control Period as a part of admissible operating expenditure for tariff determination purposes.

SMT Fee -

Strategic, Management and Technical Service Fee relates to specific services provided by shareholders and is not a general corporate overhead allocation. As the parent company managing multiple airports,

GAL provides strategic guidance, technical expertise, regulatory support, operational best practices, digital initiatives and industry benchmarking that help GHIAL operate the airport more efficiently and effectively.

Accordingly, GHIAL submits that the proposed Strategic, Management and Technical Service Fee is a reasonable and prudent

business expense that supports the efficient operation and long-term development of the airport and should be considered as part of the operating expenditure."

5.6.267. GHIAL's response to Lufthansa group's additional comment with regards to Authority's proposal for the Fourth Control Period is as follows

"True-up of over recovery and under recovery: The existing AERA framework already provides a balanced mechanism for true-up of both over-recovery and under-recovery on time value basis at the rate of WACC approved by Authority, based on actual performance and prudence review. It is important to note that, true-up should be applied symmetrically, and under-recovery should not be disallowed merely due to forecasting variations, especially where costs are prudent and attributable to regulated airport operations. "

Authority's analysis on Stakeholder's comments regarding True-up of Operation and Maintenance Expenses for the Third Control Period

5.6.268. The Authority has carefully examined, on merits, the comments of all Stakeholders and the counter-response of the Airport Operator, as presented above, and the same has been dealt with in detail below:

Legal Expense

5.6.269. The Authority has carefully considered GHIAL's submission regarding the allocation methodology for Legal expenses incurred during the Third Control Period and the request to adopt the Gross Fixed Assets (GFA) Ratio or Terminal Area Ratio instead of the revenue-based allocation approach.

5.6.270. As discussed in paragraphs 5.6.160 of this Tariff Order, Legal expenses, forming part of Professional and Consultancy expenses, shall be allowed only to the extent incurred for purposes related to Aeronautical Services and shall be subject to tests of efficiency and necessity of incurrence. The Authority, having regard to Aeronautical Legal Expenses claimed by GHIAL, sought a detailed break-up of Legal expenses attributable to Aeronautical Services along with the underlying basis of allocation between Aeronautical and Non-Aeronautical Services for purposes of detailed examination.

5.6.271. In the absence of this requisite information demonstrating which specific legal matters, cases, or services relate to aeronautical activities versus non-aeronautical activities, the Authority is constrained to rely upon an objective allocation methodology rather than a case-by-case analysis.

5.6.272. The Authority notes that Legal costs incurred by an airport operator relate to:

- Protection of revenue-generating assets and activities
- Regulatory compliance specific to revenue-generating functions
- Dispute resolution related to revenue collection and contract enforcement
- Commercial negotiations and contractual arrangements

5.6.273. In this respect, legal expenses can be viewed as being driven by the revenue-generating capacity and commercial activity of the operator. Where an airport operator earns higher aeronautical revenue, this typically reflects higher aeronautical traffic and operations, which in turn require more extensive legal

support in regulatory, safety, and contractual matters. Conversely, commercial revenues from retail, parking, and other non-aeronautical sources also require dedicated legal support for concession management, commercial contracts, and revenue protection.

5.6.274. Therefore, the Authority does not find merit in GHIAL's request to revise the allocation methodology for legal expenses.

5.6.275. The Authority retains its proposal to allocate legal expenses based on the ratio of Aeronautical Revenue to Total Revenue, as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026, for the true-up of legal expenses in the Third Control Period.

CSR (Corporate Social Responsibility) disallowance

5.6.276. The Authority has carefully considered GHIAL's submission regarding the treatment of Corporate Social Responsibility (CSR) expenditure during the true-up of the Third Control Period.

5.6.277. 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.

5.6.278. 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.

5.6.279. 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.

5.6.280. 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.

5.6.281. The Authority has also considered GHIAL'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. The Authority's prior treatment of CSR in earlier control periods, while relevant for understanding the regulatory evolution, does not preclude the Authority from undertaking a fresh examination based on principles of cost-based regulation and prudence.

5.6.282. 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.

5.6.283. In view of the foregoing, the Authority is not inclined to accept the request of GHIAL. 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.

Donations disallowance

5.6.284. The Authority has carefully considered GHIAL's submission regarding the treatment of contributions made through Electoral Trusts and the request to reconsider such expenditure as part of admissible Operating Expenses for the true-up of the Third Control Period.

5.6.285. The Authority is of the considered view that the legality of an expenditure under corporate or tax law does not, by itself, establish that such expenditure should be recoverable through aeronautical tariffs from airport users. The Authority observes that donations to Electoral Trusts, regardless of their lawful status under the Companies Act, 2013, remain discretionary and voluntary acts of the corporate entity, undertaken in pursuit of considerations that are extraneous to the regulated aeronautical business.

5.6.286. The Authority reiterates that political and electoral contributions have no demonstrable connection with the provision of aeronautical services to airlines, passengers, or cargo operators. Such contributions do not:

- Contribute to the operation, maintenance, or development of airport infrastructure
- Enhance the quality, safety, or efficiency of aeronautical services rendered to users
- Support any function directly linked to airport operations

5.6.287. The Authority notes GHIAL's submission that Electoral Trust contributions are governed by a "transparent and regulated framework." However, the Authority observes that the existence of a regulatory framework governing how such contributions may be made (i.e., procedural compliance) is distinct from whether such contributions are mandatory in nature.

5.6.288. Unlike Corporate Social Responsibility (CSR) expenditure, which is statutorily mandated under Section 135 of the Companies Act, 2013 (requiring companies meeting specified thresholds to spend a minimum percentage of net profits on CSR activities), political/electoral contributions remain entirely voluntary and discretionary. There is no statutory compulsion requiring GHIAL to make such contributions. The decision to contribute, the quantum of contribution, and the recipient trust are all matters of corporate discretion, not regulatory or statutory mandate.

5.6.289. The Authority notes GHIAL's submission that neither the AERA Act, 2008 nor the AERA Tariff Guidelines, 2011 specifically prohibit or exclude such expenditure from consideration. However, the Authority is of the view that the absence of an explicit prohibition does not, by itself, create an entitlement for automatic inclusion of such costs in the regulated tariff base.

5.6.290. The fundamental principle guiding tariff determination under the AERA Act, 2008 is that only costs that are prudently and efficiently incurred for the provision of aeronautical services are recoverable through aeronautical tariffs.

5.6.291. The Authority notes GHIAL's submission that contributions through Electoral Trusts support the "broader democratic and governance framework of the country." While the Authority does not dispute the legitimacy of the Electoral Trust mechanism as a matter of corporate and electoral law, the Authority is of the view that supporting the national democratic framework is a matter of general corporate citizenship and social responsibility, which the corporate entity may choose to exercise using its own profits, rather than through funds collected from a captive base of airport users through regulated tariffs.

5.6.292. Airport users including airlines, passengers, and cargo operators pay aeronautical charges for the specific purpose of accessing airport infrastructure and services. It would not be equitable to require these users to indirectly fund political or electoral contributions made by the airport operator, regardless of the broader societal benefit such contributions may serve.

5.6.293. The Authority notes GHIAL's reliance on Section 80GGB of the Income Tax Act, 1961, which permits deduction of such contributions for income tax purposes. The fact that an expenditure is tax-deductible does not automatically qualify it as a legitimate cost recoverable through aeronautical tariffs. These are separate regulatory determinations governed by different statutory objectives.

5.6.294. The Authority notes that its proposal to exclude donations, including political and electoral contributions, from the Aeronautical O&M expense base is consistent with the decision taken in the past for the Third Control Period and prior determinations. The Authority is of the view that maintaining consistency in the treatment of such discretionary corporate expenditures across control periods provides regulatory certainty and predictability for all stakeholders.

5.6.295. Accordingly, the Authority does not find merit in GHIAL's request and retains its proposal to exclude donations, including contributions to Electoral Trusts, from Aeronautical O&M expenses for the true-up of the Third Control Period, as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

Travelling and Conveyance Expenses

5.6.296. The Authority has carefully examined GHIAL's request to revise the allocation methodology for Travelling and Conveyance Expenses from the proposed 50:50 ratio to allocation based on Gross Block Ratio (GFR).

5.6.297. The Authority reiterates that allocation of operating expenses should be based on the nature of expenditure, cost causation principles, and the underlying drivers of such costs. Travelling and Conveyance expenses, as noted by the Authority in the consultation paper, comprise:

- Business travel (approximately 78% of costs)
- Employee transportation
- Ancillary travel-related costs

5.6.298. These expenses are incurred by personnel across various functional teams and represent general corporate operational costs. The expenses are not proportionate to or primarily driven by the quantum of fixed assets, but rather by:

- Number of personnel requiring travel
- Organizational structure and functions
- Business requirements and travel necessity
- Geographic dispersal of operations and facilities

5.6.299. The Authority notes that while GHIAL's submission contends that GFA-based allocation would better reflect the asset base utilized for these expenses, the Authority does not find that travel costs are primarily driven by the quantum of fixed assets, but rather by organizational staffing, functional requirements, and business travel necessity.

5.6.300. In the absence of detailed functional analysis demonstrating that Travelling and Conveyance costs are specifically driven by asset base rather than general corporate travel requirements, the Authority is unable

to conclude that GFA-based allocation represents a more accurate cost driver than the approach taken in the past tariff determination exercise including TCP for GHIAL i.e., balanced 50:50 allocation approach.

5.6.301. Accordingly, the Authority does not find merit in GHIAL's request to revise the allocation methodology and retains its proposal to allocate Travelling and Conveyance Expenses in the 50:50 ratio between Aeronautical and Non-Aeronautical activities, as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026.

Advertisement & Business Promotion Expenses

5.6.302. The Authority has examined GHIAL's request to revise the allocation methodology for Advertising and Sales Promotion Expenses (as proposed in the Consultation Paper) to allocation based on Terminal Building Ratio (TBLR) or GFA Ratio.

5.6.303. While GHIAL contends that advertising expenses are "intrinsically linked to terminal infrastructure and commercial spaces," the Authority observes that:

- Advertising effectiveness is not proportional to physical space but rather to strategic placement, media mix, and audience reach.
- Commercial advertising (retail, F&B) benefits may concentrate in specific terminal zones but are not proportional to building footprint.
- Aeronautical advertising (airline/passenger focused) is distributed across terminal functions but not necessarily proportional to aeronautical terminal area.
- Marketing and promotional activities are driven by commercial strategy and market opportunity, not by the quantum of terminal infrastructure.

5.6.304. The Authority notes that while GHIAL references allocation methodologies adopted for other airports in earlier control periods, the Authority remains of the view that allocation of operating expenses should be based on the nature of expenditure and cost causation principles specific to the category of expense being allocated.

5.6.305. For Advertising and Sales Promotion expenses, which are fundamentally driven by commercial strategy, revenue-generating activities, and promotional requirements (rather than by the quantum of terminal building infrastructure), the Authority has followed the approach as undertaken in the Third Control period Tariff Order.

Strategic, Management & Technical Service Fee

5.6.306. The Authority has carefully examined GHIAL's submission regarding Strategic, Management and Technical Service Fees to shareholders and the arguments for distinguishing such fees from double compensation.

5.6.307. The Authority observes as follows:

a) Competitive Bidding and Scope Determination: The Authority notes that GHIAL was awarded to GMR Airports Limited through a transparent competitive bidding process conducted by the Airport Authority of India with a clearly defined scope of:

- Development of airport infrastructure
- Construction of terminal and airside facilities
- Operation and maintenance of the airport

- Management of airport operations

At the time of bid evaluation, GAL was assessed and shortlisted specifically based on its demonstrated technical and managerial capability to undertake these activities. This assessment of GAL's capability formed the basis for the bidding process and award of the concession.

b) Scope of Services Already Within Concession Award: The Authority observes that the services described by GHIAL as "Strategic Development," "Operations & Safety," "Regulatory & Compliance," "Commercial & Growth," "Stakeholder & Policy Engagement," and "Talent & Capability Building" are intrinsic to and comprise the core responsibilities for which GAL was evaluated and selected under the concession award.

GAL was not selected as a shareholder provider of advisory services; it was selected as the operating concessionaire responsible for development and operation of the airport. These strategic and operational functions form the essential scope of the concession, not additional advisory services to be compensated separately.

c) Double Compensation Risk: The Authority is of the view that permitting separate Strategic, Management and Technical Service Fees would constitute double compensation for the following reasons:

- Return on Equity Already Incorporates Management Capability: GHIAL recovers Return on Equity (RoE) on the Regulatory Asset Base, which is calculated on nominal equity contribution by shareholders. This RoE is intended to compensate shareholders for capital risk AND management capability applied to that capital. Economic theory and regulatory practice recognize that equity returns encompass compensation for entrepreneurial risk, strategic management, operational oversight, and capability deployment.
- Separate Fees Create Dual Recovery: Permitting SMT fees alongside RoE would mean shareholders recover: Item 1: Return on capital deployed (through RoE) and Item 2: Fees for applying their strategic and management capability to that capital (through SMT fees). This dual recovery is fundamentally duplicative in economic substance. The concession award itself is predicated on GAL's capability to manage strategically and operationally; this capability is compensated through the equity return mechanism, not through separate service fees.

d) Overlap with Existing Expenditure Base: The Authority notes that GHIAL has a separate legal entity structure with its own: Senior management team, Personnel and functional departments, Direct payroll, Employee benefits and administrative overhead, Consultancy arrangements with domain experts

GHIAL currently recovers operating costs for all these functions through the O&M expense allowance, including:

- Personnel costs
- Administrative expenses
- Professional consultancy fees
- Training and development
- Permitting an additional blanket quarterly payment to shareholders for "strategic," "operational," and "management" functions would create substantial risk of overlap between:
- Fees paid to shareholders for these functions

- Salary/benefits paid to GHIAL's own senior management for the same functions
- Consultancy fees paid to external experts for advisory services

Such layering of compensation for essentially the same strategic and management functions represents a duplication risk that the Authority must prevent to protect airport users from double cost recovery.

e) Nature of Services and Market Comparability: The Authority observes that while GHIAL submits certain services "cannot be procured from independent experts," the regulatory question is not whether such services are procurable but whether they are already accounted for in existing cost structures.

GAL's strategic and management services are already reflected in:

- GHIAL's senior management compensation (drawn from GHIAL's O&M budget)
- Board governance arrangements (where GAL's directors provide strategic oversight)
- Shareholder voting and governance rights (inherent to shareholder status)
- These existing arrangements already compensate GAL for strategic value contribution. Additional fees would be duplicative of these existing compensation mechanisms.

f) Performance Linkage Does Not Address Duplicative Nature: The Authority notes GHIAL's submission that SMT fees are performance-linked (based on revenue, EBIDTA, PBT metrics). While performance linkage is a positive feature, it does not address the fundamental duplicative nature of the fees. Even if performance-linked, such fees would still represent additional compensation beyond the equity return already received for the same strategic and management capability.

g) Shareholder Role vs. Service Provider Role: The Authority is of the view that GHIAL's attempt to distinguish "shareholder" status from "service provider" status is not compelling in the regulatory context:

- GAL was selected as the concessionaire operating company, not merely as a passive equity investor.
- The concession agreement explicitly assigns to GHIAL (controlled by GAL) the responsibility for all development, construction, operation and management.
- GAL's strategic management capability was a key factor in its selection through competitive bidding.
- Shareholders in regulated infrastructure do not typically receive separate compensation for strategic management beyond equity returns.
- Paying all shareholders blanket fees makes the arrangement look like a profit distribution scheme rather than a payment for actual/individual work.
- It is statistically improbable that every shareholder provides identical strategic value matching the exact shareholding percentage failing the market value standard.
- There cannot be a blanket approach and standalone agreement with shareholders ought to be executed. Documentary evidence of all meetings, works executed to be maintained to demonstrate actual services were rendered.

The Authority has determined that the distinction between "shareholder" and "strategic service provider" is artificial when the shareholder itself is the selected operating concessionaire responsible for those strategic and management functions.

h) Precedent and Regulatory Consistency: The Authority notes that no other AERA-regulated airport operator has requested for an across-the-board blanket fee to shareholders for "strategic and management services" independent of their role as operating concessionaire.

5.6.308. Accordingly, the Authority maintains its position as set out in Consultation Paper No. 02/2026-27 and does not find merit in GHIAL's request to include Strategic, Management and Technical Service Fees in the Fourth Control Period tariff determination.

Bad Debts, Provision of Bad Debt and Assets Written Off

5.6.309. The Authority has carefully considered GHIAL's submissions on (i) the upfront fee paid to Yes Bank Limited, and (ii) the provision for bad debt, (iii) assets written off, and observes as follows:

A. **Yes Bank Upfront Fee (₹63 Crores):**

5.6.310. The Authority notes that the sanctioning of the YBL credit facility and payment of the associated upfront processing fee were undertaken by GHIAL as part of the financial closure process for the 34 MPPA terminal expansion project. The Authority recognises that securing financial closure constituted a legitimate business requirement at the relevant time.

5.6.311. However, the YBL facility was not drawn or utilised by GHIAL, and the project was subsequently financed through an alternative funding arrangement, namely, Foreign Currency Bonds ("FCBs"). Accordingly, the upfront fee of ₹63 crore was paid in respect of a facility that was ultimately not used for financing the project.

5.6.312. The Authority has considered GHIAL's submission that the subsequent financing through FCBs resulted in a lower effective borrowing cost and that the benefit arising from such lower cost may be considered together with the upfront fee paid to YBL. The Authority notes, however, that the comparison relied upon by GHIAL between the YBL interest rate of 10.42% and the effective rates applicable to the FCBs i.e. 10.10% is not appropriate.

5.6.313. The Authority notes that the interest cost applicable to the YBL facility was recorded at 9.95%, which on annualized basis translates to 10.42%. However, the Authority computes the weighted average cost of debt on the basis of interest cost appearing in the books of accounts which would have considered the actual interest payment on the basis of 9.95% for the YBL facility, had the Airport Operators would have chosen to continue the YBL facility. Accordingly, the comparison of the effective borrowing costs of the FCBs with the YBL rate of 10.42% is not appropriate and does not provide a basis for establishing any financial benefit arising from the subsequent refinancing.

5.6.314. The Authority further notes that GHIAL's decision to refinance the YBL facility appears to have been driven primarily by cash flow management considerations rather than by the cost of debt. In particular, the bond facility enabled GHIAL to retain cash through a bullet repayment of principal at maturity, whereas under the YBL facility, principal repayments would have been required on a regular basis.

5.6.315. The Authority is of the view that permitting recovery of the upfront fee through aeronautical tariffs would result in the pass-through to airport users of a cost associated with a financing facility that was sanctioned but neither drawn nor utilised. The fact that the fee was actually incurred or formed part of GHIAL's financial closure process does not, by itself, establish its prudence or admissibility for regulatory recovery.

5.6.316. In view of the above, the upfront fee of ₹63 crore paid to YBL has not been considered as an efficiently and necessarily incurred cost directly attributable to the actual financing of the airport expansion project. Accordingly, the Authority has retained its proposal to disallow the said upfront fee for the purpose of true-up of the Third Control Period.

B. Provision for Bad Debt:

5.6.317. The Authority observes that the outstanding amount of ₹5.06 crore represents a receivable that is legally due and recoverable by GHIAL from the Nagar Panchayat Committee. This is not a genuine bad debt or an uncollectible amount in the sense of a debtor being unable or unwilling to pay. Rather, the delay in recovery arises from an administrative process, specifically, the pending approval of the State Government for settlement of the balance amount.

5.6.318. While the Authority notes that GHIAL's recognition of a provision for bad debts of ₹5.06 crore in its financial statements may comply with Indian GAAP principles applicable to prudent accounting practices, the Authority observes that regulatory treatment of such provisions for tariff determination purposes operates under a different framework.

5.6.319. The distinction is material: Accounting provisions serve the purpose of presenting a faithful representation of financial position in accordance with accounting standards, whereas regulatory treatment in tariff determination focuses on whether costs are genuinely attributable to airport operations and whether they represent prudent and efficient expenditure incurred for the provision of aeronautical services.

5.6.320. The Authority has examined GHIAL's reliance on paragraphs 338-347 of the Hon'ble TDSAT's judgment dated 29.05.2026 in the matter of Mumbai International Airport (MIAL), wherein the Tribunal is stated to have held that unrecoverable receivables constitute genuine business expenditure and cannot be excluded from O&M costs in the absence of demonstrated inefficiency. However, the Authority observes that the circumstances at Mumbai International Airport, as reflected in the Tribunal's judgment, are materially distinguishable from GHIAL's situation and do not provide a sound basis for treating the MAR receivable as an allowable O&M cost for tariff purposes.

5.6.321. The Authority is of the view that where an amount is legally receivable and the delay in collection is attributable to governmental or administrative processes rather than commercial non-performance or operational inefficiency, the recovery obligation should be pursued and resolved through appropriate channels rather than being passed through to airport users via the tariff base.

C. Assets Written Off:

5.6.322. The Authority notes that in the Consultation Paper, the Authority proposed to disallow expenses associated with assets written off due to the absence of detailed information regarding salvage values recovered on account of the written-off assets. GHIAL has now provided clarification that:

- The assets written off were disposed of through normal asset disposal processes;
- Any recoveries realized from such disposals have already been accounted for in the books of accounts;
- The disposals comprised multiple assets sold on an aggregated scrap basis, making asset-wise attribution difficult;

5.6.323. The Authority notes that GHIAL's clarification addresses the principal concern raised in the Consultation Paper specifically, that salvage values recovered on account of written-off assets had not been documented or cross-verified.

5.6.324. The Authority observes that where assets are written off as part of normal asset disposal processes and deleted from RAB, the corresponding salvage recoveries are legitimately accounted for in the books of accounts, thereby offsetting the book value reduction and resulting in a net expense that represents the true economic loss on disposal.

5.6.325. Accordingly, the Authority decides to consider the expenses associated with assets written off of Rs. 1.60 Crores for true-up of the Third Control Period.

Bank Charges, Forex Fluctuations

5.6.326. The Authority has examined GHIAL's submission regarding the treatment of the Hedge Break Cost of ₹90.77 crores incurred in connection with the refinancing of FCB 2024, FCB 2026 and ECB through domestic NCDs.

5.6.327. The Authority notes that refinancing decisions, including the decision to switch from foreign currency borrowings to domestic NCDs, are legitimate treasury management activities that airport operators may undertake in pursuit of an optimized capital structure. The Authority's concern, however, is centered on whether the specific refinancing decision, evaluated on a cost-benefit basis, resulted in a net benefit or net cost to the entity, and correspondingly, to airport users who ultimately bear financing costs through the tariff framework.

5.6.328. The Authority reiterates its observation that the refinanced instruments were substituted 16 months and 26 months prior to their respective maturity dates (in the case of the FCBs) and 4 months before maturity (in the case of the ECB). This timing is material because:

- Breaking a hedge contract prematurely, i.e., materially ahead of the natural maturity of the underlying exposure, necessarily crystallizes a cost that would not have been incurred had the hedge been allowed to run its natural course to maturity
- The shorter the remaining tenure at the time of breaking the hedge, the smaller the window over which any refinancing benefit can be meaningfully offset against the hedge break cost, when evaluated on a like-for-like basis against the specific hedged exposure that was terminated

5.6.329. The Authority has considered GHIAL's submission that the appropriate comparison is between the overall cost and risk profile of the existing debt structure and the replacement debt structure, with benefits evaluated over the full tenure of the replacement debt (which, per GHIAL's submission, extended tenor by 8-10 years), rather than being restricted to the residual tenure of the original borrowings.

5.6.330. The Authority is unable to fully accept the reasons proposed by GHIAL for the following reasons:

- The hedge break cost is directly and specifically attributable to the termination of a hedge that was protecting a specific, defined foreign currency exposure with a known and finite residual maturity. The cost-benefit analysis for a decision to break a hedge must, as a matter of financial principle, be assessed with reference to what would have happened had the hedge not been broken i.e., the counterfactual of allowing the original instrument and its associated hedge to run to its natural maturity
- Extending the benefit evaluation period to the tenure of an entirely new debt instrument (i.e., the replacement NCDs, which may have a materially longer tenor than the residual life of the original FCBs/ECB) effectively conflates two distinct financial decisions: (i) the decision to break the existing hedge and refinance the specific exposure, and (ii) the broader decision to restructure GHIAL's overall debt maturity profile through a longer-tenor instrument

5.6.331. The Authority has examined GHIAL's submission that the refinancing generated net savings of approximately ₹42 crores even after accounting for hedge break losses, based on an interest cost reduction of 70-150 basis points.

5.6.332. The Authority has also considered GHIAL's submission regarding ancillary benefits, namely, reduction in foreign currency exposure, protection against future exchange-rate volatility, and strengthening of GHIAL's credit profile.

5.6.333. The Authority notes that these are qualitative benefits of prudent treasury management that may incur to GHIAL as a corporate entity. However, the Authority is of the view that:

- Such general corporate financial health benefits, while legitimate considerations for GHIAL's own treasury and risk management strategy, do not automatically translate into a quantifiable and demonstrable benefit to airport users through the tariff mechanism
- The WACC framework and the true-up mechanism provide the applicable regulatory framework for determining the treatment of financing costs, including the impact of foreign exchange movements. However, the specific instrument-level hedging or refinancing decisions undertaken by GHIAL to manage its balance sheet do not, in the absence of demonstrated net cost savings assessed on a comparable basis, by themselves justify the pass-through of hedge break costs to airport users.

5.6.334. The Authority has considered GHIAL's alternative submission that, even if evaluated only over the residual tenure, the hedge break cost and refinancing benefits should be considered together as part of a single financing transaction and treated in a tariff-neutral manner.

5.6.335. The Authority observes that GHIAL's computation of savings over a 5-year evaluation period, when the residual tenures of the underlying exposures were only 16, 26, and 4 months respectively, represents a fundamental mismatch between the temporal scope of the hedge break cost and the temporal scope of the claimed benefits.

5.6.336. Based on GHIAL's submissions and the Authority's recalculation of interest savings for the residual tenure of 16 months for FCB 2024, 26 months for FCB 2026 and 4 months for ECB 2024, the Authority determines that an allowable Hedge Break Cost of ₹24.13 crore is justified. This represents the portion of the hedge break cost offset by interest savings accrued during the remaining tenure of the original hedged exposures.

5.6.337. Based on the above facts and details, the Authority decides to apportion the total allowable Hedge Break Cost of Rs. 24.13 Crores between the aeronautical and non-aeronautical in the ratio of Gross Fixed Assets (GFA), and to allow the aeronautical portion thereof, amounting to Rs. 21.97 Crores, for true-up of the Third Control Period.

GFA Ratio and Aero – Non Aero Ratio

5.6.338. The Authority notes GHIAL's submission regarding the recomputation of the GFA Ratio and Aero–Non-Aero Expense Ratio and its request for detailed asset-wise reconciliations and supporting computations.

5.6.339. The Authority has examined the submission. The methodology for determining and applying the GFA Ratio and the Aero–Non-Aero Expense Ratio has been set out in detail in the relevant AERA tariff orders and Consultation Paper. The methodology includes identification and classification of assets based on their nature and utility, allocation of terminal assets using the approved Terminal Area Ratio, and apportionment of common assets and expenses using the applicable allocation ratios.

5.6.340. The Authority has applied the same regulatory methodology for the true-up of the Third Control Period. The GFA Ratio has been recomputed based on the asset classification adopted by the Authority, including the treatment of Cargo, Ground Handling and Fuel Farm assets as aeronautical, consistent with the applicable regulatory approach. The Aero–Non-Aero Expense Ratio has similarly been determined for allocation of common operating expenses in accordance with the established methodology.

5.6.341. The Authority notes that the ratios are derived from the Fixed Asset Register, the asset classification adopted for regulatory purposes and the relevant financial and operational information submitted by GHIAL. Since the methodology and the basis for classification have already been specified in the applicable Consultation Paper and tariff orders, it is not considered necessary to reproduce a separate detailed asset-wise reconciliation and computation of the ratios in the Consultation Paper.

5.6.342. The Authority further notes that the differences between the ratios submitted by GHIAL and those determined by the Authority primarily arise from the reclassification of certain assets and the treatment of CGF assets. These differences have been addressed through the application of the established methodology and do not represent a change in the underlying regulatory principles.

5.6.343. Accordingly, the Authority retains the methodology and allocation ratios proposed for the purpose of determining the aeronautical RAB, depreciation, operating expenditure and other relevant regulatory building blocks for the Third Control Period true-up. The final computation shall be undertaken in accordance with the applicable methodology, asset classification and supporting regulatory records.

Manpower Hire Charges

5.6.344. The Authority notes IATA's submission and GHIAL's counter comments regarding the Third Control Period true-up of aeronautical O&M expenses, specifically the substantial variance between approved and actual manpower hire costs.

5.6.345. The Authority notes that a 68.6% variance between approved and actual manpower hire expenses is material and warrants regulatory scrutiny to understand the underlying drivers. The Authority's assessment of this variance forms part of the Third Control Period true-up determination and informs projections for the Fourth Control Period.

5.6.346. As mentioned in para 5.6.116 of this tariff order, the resultant variation is not only attributable to statutory minimum wages, other legitimate drivers such as terminal expansion requiring additional personnel, implementation of Digi Yatra Services pursuant to MoCA Mandate and operational complexity are genuine costs that should not be arbitrarily disallowed.

5.6.347. IATA correctly observes that productivity improvements from digitalization (Digi Yatra) and process improvement should offset headcount growth. However, the Authority's examination confirms:

a. Digi Yatra was implemented during third control period but achieved partial deployment affecting only certain passenger flows

b. Full productivity benefit was not realized during CP-3 execution period because implementation was phased and gradual, not immediate

c. Operational redundancy required during transition period necessitated maintenance of existing headcount even as new technology was being deployed

5.6.348. The Authority notes IATA's concern regarding the 16 personnel deployed for "general capex monitoring" at ₹5.4 crore annual cost. The Authority's analysis of this cost reveals that the said expenditure was in addition to the Project Management Consultancy ("PMC") deployed for the Southern Precinct Expansion project. The Authority further observes that this expenditure was not directly attributable to any specific asset/project capitalized during the Third Control Period. The deployment of dedicated personnel for general monitoring, technical oversight and execution coordination was in the nature of enhanced project governance and execution oversight.

5.6.349. The Authority notes IATA's foundational concern that not all legal expenses incurred by an airport operator are necessarily recoverable through regulated aeronautical tariffs. The Authority notes IATA's specific concern that GHIAL has declined to provide detailed information regarding the nature of legal matters, citing confidentiality concerns. IATA's point is that transparency regarding the types of legal matters (not case details or privileged information) should be achievable without breaching confidentiality.

5.6.350. The Authority agrees that the burden of proof rests with the airport operator to justify why costs should be recovered from airport users.

5.6.351. The Authority notes IATA's concluding submission expressing support for the Authority's enhanced scrutiny of Operating and Maintenance (O&M) costs, particularly regarding the exclusion of Corporate Social Responsibility (CSR) expenses and the rejection of the newly proposed Strategic, Management and Technical (SMT) Service Fees. The Authority also notes IATA's encouragement to continue applying robust prudence review principles.

5.6.352. Considering the above, the Authority finds that the increase in manpower and related O&M costs is attributable to operational requirements arising from airport expansion, phased implementation of Digi Yatra, enhanced oversight needs, and other legitimate business drivers. Accordingly, the Authority has considered only those costs that are adequately justified and supported by evidence, while continuing to apply prudence checks to ensure that airport users bear only efficient and reasonable expenditures through aeronautical tariffs.

5.6.353. The Authority agrees with and endorses Lufthansa's submission. The Authority reiterates that the Authority's approach to operating expenses is based on a rigorous efficiency review framework that includes:

- Examination of whether claimed operating expenses represent reasonable costs for delivering the scope of services contemplated at the airport;
- Comparative analysis of unit costs (cost per passenger, cost per square meter, cost per employee, etc.) against comparable Indian and international airports to assess whether GHIAL's costs are aligned with or diverge from industry norms;
- Assessment of whether expenses are directly necessary for airport operations and genuinely attributable to regulated aeronautical activities;
- Identification and disallowance of costs that are discretionary, avoidable, or incurred due to inefficient management decisions

5.6.354. Based on the changes decided to be considered by the Authority in the various regulatory building blocks (particularly in Capex and O&M) for the True-up of the Third Control Period, the revised GFA and Aero-Non Aero Expense ratio decided to be considered by the Authority for the Third Control Period is shown in the table below:

Table 145: GFA and Aero-Non Aero Expense ratio decided to be considered by the Authority for the Third Control Period

Particulars	FY22	FY23	FY24	FY25	FY26
Aero Non-Aero Expense ratio	93.85%	90.74%	93.38%	92.21%	93.39%
Asset Ratio	91.56%	91.03%	90.53%	90.50%	90.47%

5.6.355. Thus, based on the above changes and allocation ratio, 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 146: Aeronautical O&M decided by the Authority for True-up of the Third Control Period

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Staff Cost	97.21	102.34	137.85	161.42	147.95	646.78
Rates & Taxes (incl. Property Tax)	4.11	11.10	6.81	7.25	7.37	36.66
Community development						0.00
Assets written Off	0.05	0.67	0.88	0.00	0.00	1.60
Bank Charges, Exchange Fluctuations, etc.	27.93	61.24	13.75	24.35	12.09	139.37
Security Cost	13.02	18.81	19.46	18.70	16.52	86.51
Repairs and Maintenance	56.74	81.53	106.02	114.49	113.83	472.60
Stores & Spares	4.13	11.68	15.74	14.04	13.15	58.74
Insurance Cost	5.09	5.46	6.52	6.93	8.30	32.30
Land Lease Rent to GoT	6.77	11.07	10.62	15.20	15.92	59.58
Manpower Outsourcing (Technical Service) Expenses	46.61	41.41	53.62	85.74	87.65	315.03
Housekeeping Cost	14.17	16.72	26.64	34.94	51.95	144.42
CGF (Fuel Farm) Cost	18.03	21.06	20.84	23.63	27.77	111.32
Operating Expenses	6.59	4.52	5.92	4.59	2.85	24.47
Collection charges	1.97	3.52	5.90	4.76	5.92	22.05
General Admin Cost						
• Advertisement & Business Promotion	4.52	6.19	10.59	12.29	13.21	46.81
• Legal and Professional Charges	13.48	34.22	32.97	42.22	33.98	156.86
• Corporate Cost allocation	31.93	31.97	45.68	56.97	72.72	239.27
• Communication Costs	2.10	2.07	1.74	1.91	1.98	9.79
• Printing and Stationery	0.36	0.43	0.96	0.60	0.64	2.99
• Recruitment Charges	0.38	2.22	2.58	5.53	4.54	15.25
• Travelling and Conveyance	14.36	20.15	23.73	25.15	23.89	107.28
• Directors Sitting Fees	0.16	0.23	0.23	0.17	0.20	0.99
• Payment to Auditors	0.56	0.71	0.69	0.74	1.14	3.84
• Other Admin Expenses	2.66	2.59	3.62	4.67	5.97	19.51
Utility Expense	11.36	13.91	52.27	50.31	47.86	175.70
Concession Fee	15.57	30.75	49.74	61.69	66.54	224.28
Strategic, Management & Technical Service Fee	0	0	0	0	0	0
Total	**399.82**	**536.57**	**655.39**	**778.29**	**783.92**	**3153.98**

5.6.356. In view of the above, the Aeronautical Operating Expenses of ₹3153.98 crores, for the true-up of the Third Control Period is decided by the Authority as against ₹3,090.14 crores proposed at the Consultation Stage. The main reasons for variance are:

i. Consideration of Hedge Break Cost of ₹21.97 crores. (Refer Para 5.6.337)

ii. Allocation of common Advertisement & Sales Expenses using the Aero-Non Aero Expense ratio instead of 50:50 (Refer Para 5.6.305)

iii. Inclusion of ₹1.60 crore towards Assets written Off, the salvage value of which being recognized under Non-Aeronautical revenue. (Refer Para 5.6.325)

5.7. True-up of Non-Aeronautical Revenue for the Third Control Period

GHIAL's Submission regarding True-up of Non-Aeronautical Revenue for the Third Control Period

5.7.1 GHIAL, in its MYTP for the Fourth Control Period submitted the following key positions for True-up of NAR for the Third Control Period:

a) CGF Services: Revenue from Cargo, Ground Handling and Fuel Farm (CGF) classified as Non-Aeronautical Revenue;

b) Revenue from Real Estate: Revenue from Real Estate considered as Non-Airport and excluded from the computation of NAR;

c) Other Income: Interest income excluded from the computation of NAR;

d) Rentals from Township: Rentals from Township excluded from the computation of NAR;

e) Rentals from ATC: Rentals from ATC considered as NAR

5.7.2 Accordingly, the NAR submitted by GHIAL for true-up of the Third Control Period is set out below:

Table 147: Non-Aeronautical Revenue submitted by GHIAL for True-up for the Third Control Period

(Rs. In Crores)

Particulars	FY22	FY23	FY24	FY25	FY26*	Total
In-Flight Kitchen	7.23	12.86	15.32	18.62	21.25	75.28
Duty Free	23.65	68.08	94.27	121.63	151.25	458.88
Forex	4.16	10.4	13.2	13.12	10.84	51.72
Lounge	11.59	36.7	42.1	62.12	76.19	228.7
Retail	32.95	70.85	83.77	80.1	84.03	351.7
Food & Beverage	20.49	40.76	53.37	71.81	84.72	271.15
Rental Income	49.67	55.09	53.07	68.05	106.26	332.14
Advertisement & Promotions	21.86	43	64.13	81.31	101.4	311.7
Car Parking + Radio Taxi	46.94	93.29	108.01	82.83	88.54	419.61
Public Admission Fee	1.36	8.07	4.44	1.8	1.31	16.98
Miscellaneous Income	45.31	14.39	15.35	17.3	19.67	112.02
Fuel Farm	57.81	85.86	93.59	91.83	82.18	411.27
Cargo revenue	18.15	20.25	30.76	43.08	56	168.24
ICT & GH	62.22	52.07	50.72	60.44	85.59	311.04
Total	**403.39**	**611.67**	**722.1**	**814.04**	**969.23**	**3520.43**

***FY26 actuals was submitted via email dated 2nd May 2026**

Recap of decisions taken by the Authority regarding Non-Aeronautical Revenue for the Third Control Period

5.7.3 Decision No. 8.6.1: *"To treat revenues from Cargo, Ground Handling, Fuel Farm, Ground Power Unit, and ICT services (CUTE, CUSS, BRS and IT services) as aeronautical in nature (refer para 8.2.6) "*

5.7.4 Decision No. 8.6.3: *"To treat other income, comprising interest income and dividend income, under the regulatory purview based on the nature of the service. (refer para 8.5.3)"*

5.7.5 Decision No. 8.6.4: *"To treat revenue from real estate development as non-aeronautical in nature. (refer para 8.5.4)"*

5.7.6 The Non-Aeronautical Revenue considered by the Authority in the Tariff Order of the Third Control Period is shown in the table below:

Table 148: Non-Aeronautical Revenue decided by the Authority in the Third Control Period Tariff Order

Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
In-Flight Kitchen	8.55	13.71	15.42	17.4	20.66	75.74
Duty Free	12.08	45.75	66.11	74.29	82.89	281.12
Forex	2.24	7.63	10.65	12.03	13.51	46.06
Lounge	7.08	24.16	33.7	38.07	42.77	145.78
Retail	36.15	62.83	71.37	81.31	97.93	349.59
Food & Beverage	21.63	37.6	42.71	48.65	58.6	209.19

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Rental Income	65.33	70.6	74.13	77.83	81.73	369.62
Advertisement & Promotions	20.29	35.26	40.05	45.63	54.96	196.19
Radio Taxi	4.19	7.28	8.27	9.42	11.35	40.51
Car Parking	36.23	62.98	71.54	81.49	98.16	350.4
Public Admission Fee	0.47		2.22	2.51	2.82	8.02
Miscellaneous Income	8.58	8.97	9.38	9.82	10.27	47.02
Interest & Dividend from Duty Free Subs	110.63	110.63	110.63	110.63	110.63	553.15
Real Estate Income	30.25	31.77	33.36	35.02	36.77	167.17
Vehicle Fueling Service Landside	0.47	0.49	0.52	0.54	0.57	2.59
Total	**364.2**	**519.7**	**590.1**	**644.6**	**723.6**	**2842.15**

Authority's examination regarding Non-Aeronautical Revenue for True-up of Third Control Period at the Consultation Stage

5.7.7 The Authority examined the gross Non-Aeronautical Revenue submitted by GHIAL for the Third Control Period through its Independent Consultant, in the following Period:

I. Reconciliation of the gross NAR submitted by GHIAL with the audited financial statements for FY 2022–FY 2025 and the unaudited actuals for FY 2026;

II. Review of underlying contracts, concessionaire agreements and other supporting documents furnished by GHIAL; and

III. Analysis of the variance between the NAR considered in the Third Control Period Tariff Order and the actual NAR submitted by GHIAL, along with the underlying reasons

5.7.8 The line-item variance analysis between the NAR considered in the Third Control Period Tariff Order and the actuals submitted by GHIAL are set out here in below tables:

Table 149: Comparison of NAR as approved in the Third Control Period Order and as submitted by GHIAL for True-Up of the Third Control Period

(Rs. In crores)

Particulars	3rd CP Order (A)	GHIAL's Submission (B)	Variance (C=B–A)	Reason for Variation
In-Flight Kitchen	75.74	75.28	(0.46)	Broadly aligned with projections.
Duty Free	281.12	458.88	177.76	• Expansion of arrival store by 1,324 sq.m.; • Addition of last-minute departure store; and • Introduction of new lifestyle categories (perfumes, cosmetics, confectionery, etc.).
Forex	46.06	51.72	5.66	Higher actual international passenger footfall vis-à-vis projections.
Lounge	145.78	228.70	82.92	• Change in lounge operator with revenue share rising from 31% to 32%, • Minimum Monthly Guarantee (MMG) increased from ₹4 Mn to ₹12 Mn (Q4 FY23 onwards), • Operational area expanded by 1,429 sq.m.
Retail	349.59	351.70	2.11	Higher actual passenger throughput vis-à-vis projections.
Food & Beverage	209.19	271.15	61.96	Expansion of F&B area from 4,647 sq.m. to 8,767 sq.m. and addition of new outlets.
Rental Income	369.62	332.14	(37.48)	While the 3rd Control Period Order factored in a 25% reduction in FY21 rental income (to

Particulars	3rd CP Order (A)	GHIAL's Submission (B)	Variance (C=B–A)	Reason for Variation
				account for COVID-related deferments) and assumed a return to normal levels in FY22, the actual recovery trajectory differed from these projections.
Advertisement & Promotions	196.19	311.70	115.51	Post-COVID recovery coupled with aggressive advertising strategies.
Car Parking & Radio Taxi	390.91	419.61	28.70	Higher net realizations on account of car parking operating at maximum efficiency.
Public Admission Fee	8.02	16.98	8.96	Higher actual international passenger footfall vis-à-vis projections.
Miscellaneous Income	47.02	112.02	65.00	Predominantly attributable to non-recurring COVID testing income of ₹33.99 Crores.

5.7.9 The table below illustrates the CGF revenue considered by the Operator for True-up of NAR for the Third Control Period

Table 150: Revenue from CGF, ICT submitted by GHIAL for True-Up of the Third Control Period

(Rs. In crores)

S. No	Particulars	GHIAL's Submission	Remarks
1	Cargo Revenue	168.24	GHIAL classified Cargo Revenue as NAR in line with the TDSAT Order. The Authority, however, proposed to reclassify the same as Aeronautical Revenue.
2	Fuel	411.27	Same as above — proposed to be reclassified as Aeronautical Revenue
3	ICT & GH	311.04	Proposed to be reclassified as Aeronautical Revenue, consistent with the treatment adopted in the Third Control Period Tariff Order.

5.7.10 The Authority observed that the actual NAR for the Third Control Period, on an aggregate basis, surpassed the projections considered in the Third Control Period Tariff Order. The line-item variance analysis above demonstrates that the variance was primarily attributable to:

(i) Substantial Expansion of Commercial Footprint: The Authority observed that the commissioning of the 34 MPPA terminal expansion at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), enabled GHIAL to substantially augment its commercial footprint across multiple revenue streams,:

(a) Duty Free – expansion of the arrival store by 1,324 sq.m., addition of a last-minute departure store, and introduction of new lifestyle categories (perfumes, cosmetics, confectionery, etc.);

(b) Lounge – expansion of the operational area by 1,429 sq.m.; and

(c) Food & Beverage – expansion of the F&B operational area from 4,647 sq.m. to 8,767 sq.m., with the addition of new outlets.

(ii) Lounge concession – change of lounge operator, with the revenue share rising from 31% to 32%, accompanied by an increase in the Minimum Monthly Guarantee ("MMG") from ₹4 Million to ₹12 Million with effect from Q4 of FY 2022-23.

(iii) Post-Pandemic Traffic Recovery and Surge in International Footfall: The Authority observed that the post-pandemic recovery and subsequent acceleration of passenger traffic at RGIA — particularly international passenger footfall, which registered a 3-year CAGR of 16.9%

(iv) Advertisement & Promotions – realisation of higher revenues on account of the post-pandemic recovery in advertising demand, coupled with aggressive advertising and brand-positioning strategies adopted by GHIAL; and

(v) Car Parking & Radio Taxi – higher net realisations on account of car parking operating at maximum efficiency.

Treatment of Revenue Streams

5.7.11 The Authority further noted that GHIAL reclassified revenue from Cargo, Ground Handling and Fuel Farm services as Non-Aeronautical Revenue and included the same in the computation of Non-Aeronautical Revenue for the purpose of true-up of the Third Control Period.

5.7.12 The Authority also noted that GHIAL excluded other income, income from real estate and rentals from township from Non-Aeronautical Revenue for the purpose of True-up of the Third Control Period.

5.7.13 The Authority in line with the treatment adopted during Tariff determination of the Third Control Period proposed the following treatment for the issues raised by GHIAL:

- The Authority proposed to treat CGF services as aeronautical service and consequently the income from these services including cargo, ground handling and fuel farm including CSB and GPU as aeronautical revenue.
- The Authority proposed to treat income from ICT as aeronautical revenue.
- The Authority in the Tariff Order for the Third Control Period evaluated that the township housed both critical and non-critical employees. Critical employees were typically employed for handling aeronautical related services such as CISF, critical airport operations, airport fire safety services, security services etc. Hence, the building blocks pertaining to Township were proposed to be treated based on critical staff ratio as aeronautical and remaining as non-aeronautical for the purpose of tariff determination in this Tariff Order. This ratio was calculated every year based on actual occupancy and the Authority decided to continue with the same treatment for the purpose of this Tariff Order. The Authority hence proposed to consider rental from township in the ratio of critical to non-critical staff (i.e. 85.7 % aero and 14.3% non-aero).
- The Authority, in the Tariff Order for the Third Control Period, duly considered the submissions made by GHIAL with respect to the treatment of dividend income and interest income earned on investments, and was unable to accept the Operator's contention that revenue considered for the determination of the Aggregate Revenue Requirement (ARR) must invariably arise from assets forming part of the Regulatory Asset Base (RAB), the said contention being unsupported by any established regulatory principle. The Authority reiterated that, consistent with the classification adopted under the regulatory framework, the treatment of incidental income should follow the classification of the underlying activity. Accordingly, cargo operations being classified as aeronautical, the income incidental thereto shall be treated as aeronautical, while duty-free operations being classified as non-aeronautical (as concurred with by GHIAL), the income incidental thereto shall be treated as non-aeronautical and reckoned for the purpose of computation of cross-subsidisation under the Shared Till framework. The Authority further proposed to treat Other Income and Income from Real Estate as non-aeronautical revenue.
- The Authority in the Tariff Order for the Third Control after giving due consideration to GHIAL's comments decided to treat the fueling station on landside (city side) as common in the ratio of 50:50

(aeronautical: non-aeronautical) as this service was used by both airport users and other users as stated by GHIAL.

5.7.14 Based on the above treatment, the Non-Aeronautical Revenue proposed to be considered by the Authority for cross-subsidisation during the Third Control Period is shown in table below:

Table 151: Non-Aeronautical Revenue proposed to be considered by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
In-Flight Kitchen	7.23	12.86	15.32	18.62	21.25	75.29
Duty Free	23.65	68.08	94.27	121.63	151.25	458.88
Forex	4.16	10.40	13.20	13.12	10.84	51.72
Lounge	11.59	36.70	42.10	62.12	76.19	228.69
Retail	32.95	70.85	83.77	80.10	84.03	351.69
Food & Beverage	20.49	40.76	53.37	71.81	84.72	271.15
Rental Income	48.88	54.80	52.97	67.97	90.62	315.25
Advertisement & Promotions	21.86	43.00	64.13	81.31	101.40	311.71
Car Parking & Radio Taxi	46.94	93.29	108.01	82.83	88.54	419.62
Public Admission Fee	1.36	8.07	4.44	1.80	1.31	16.98
Real Estate Revenue	7.88	14.09	21.09	12.66	31.39	87.11
Miscellaneous Income	45.31	14.39	15.35	17.30	19.67	112.02
Vehicle Fuel - Landside	0.23	0.43	0.49	0.08	0.42	1.65
Other income	97.22	128.87	262.97	158.67	133.40	781.13
Total	**369.75**	**596.60**	**831.49**	**790.01**	**895.03**	**3,482.87**

5.7.15 In view of the above, the Authority proposed to consider Non-Aeronautical Revenue of Rs. 3,482.87 Crores as per Table 151 for True-up of the Third Control Period as against GHIAL's submission of Rs. 3,520.43 Crores (as per Table 147) that includes Cargo, Ground Handling & Fuel Farm revenue as NAR.

5.7.16 In fact, the above variation was on account of:

- CGF (Cargo, Ground Handling, Fuel Farm — including CSB and GPU) and ICT income excluded from Non Aeronautical Revenue and included in Aeronautical Revenue.
- Township rental income apportioned as 85.7% Aero : 14.3% Non-Aero, based on critical to non-critical staff ratio.
- Consideration of Dividend & Interest income as Non-Aeronautical Revenue
- ATC Rental income considered as Aeronautical Revenue.
- Real Estate Income treated as Non-Aeronautical revenue.
- Landside Fueling Station treated as common (50:50), being availed by both airport and non-airport users.

Stakeholders' comments regarding True-up of Non-Aeronautical Revenue for the Third Control Period

5.7.17 During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL, in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding True-up of Non-Aeronautical Revenue for the Third Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up of Non-Aeronautical Revenue for the Third Control Period

5.7.18 GHIAL's comment with regards to the True-up for Non-Aeronautical Revenue for the Third Control Period for RGIA, Hyderabad

"Proposal from Authority

5.7.13 The Authority in line with the treatment adopted during Tariff determination of the Third Control Period proposes the following treatment for the issues raised by GHIAL:

• The Authority proposes to treat CGF services as aeronautical service and consequently the income from these services including cargo, ground handling and fuel farm including CSB and GPU as aeronautical revenue.

• The Authority proposes to treat income from ICT as aeronautical revenue.

• The Authority in the Tariff Order for the Third Control has evaluated that township is housing both critical and non-critical employees. Critical employees are typically employed for handling aeronautical related services such as CISF, critical airport operations, airport fire safety services, security services etc. Hence the building blocks pertaining to Township are proposed to be treated based on critical staff ratio as aeronautical and remaining as non-aeronautical for purpose of tariff determination in this consultation Paper. This ratio is calculated every year based on actual occupancy and the Authority has decided to continue with the same treatment for the purpose of this Tariff Order. The Authority hence proposes to consider rental from township in the ratio of critical to non-critical staff (i.e. 85.7 % aero and 14.3% non-aero).

• The Authority, in the Tariff Order for the Third Control Period, has duly considered the submissions made by GHIAL with respect to the treatment of dividend income and interest income earned on investments, and is unable to accept the Operator's contention that revenue considered for the determination of the Aggregate Revenue Requirement (ARR) must invariably arise from assets forming part of the Regulatory Asset Base (RAB), the said contention being unsupported by any established regulatory principle. The Authority reiterates that, consistent with the classification adopted under the regulatory framework, the treatment of incidental income shall follow the classification of the underlying activity accordingly, cargo operations being classified as aeronautical, the income incidental thereto shall be treated as aeronautical, while duty-free operations being classified as non-aeronautical (as concurred with by GHIAL), the income incidental thereto shall be treated as non-aeronautical and reckoned for the purpose of computation of cross-subsidisation under the Shared Till framework. The Authority further proposes to treat Other Income and Income from Real Estate as non-aeronautical revenue.

• The Authority in the Tariff Order for the Third Control after giving due consideration to GHIAL's comments has decided to treat the fuelling station on landside (city side) as common in the ratio of 50:50 (aeronautical: non-aeronautical) as this service is used by both airport users and other users as stated by GHIAL.

GHIAL's Response:

Interest Income and Dividend

It is respectfully submitted that dividend income, interest income, treasury income and other similar receipts arising from investment or treasury management activities ought not to be considered as Non-Aeronautical Revenue ("NAR") for the purpose of tariff determination and cross-subsidisation under the Aggregate Revenue Requirement ("ARR") framework.

At the outset, it is submitted that the regulatory framework for tariff determination is premised on revenues arising from airport-related activities. The ARR formula is structured as follows:

$$ARR = (FRoR \times RAB) + D + O + T - NAR$$

The purpose of deducting NAR under the above formula is to ensure that revenues generated from non-aeronautical activities carried out at the airport are appropriately considered while determining the aeronautical tariff. Therefore, only those revenues which have a direct and proximate nexus with the provision of airport services, airport assets, or airport operations can be considered as NAR for the purpose of cross-subsidisation.

In this context, it is submitted that interest income, dividend income, treasury income and similar investment-related receipts do not arise from the rendering of any aeronautical or non-aeronautical service at the airport. Such income is not earned from passengers, airlines, concessionaires, cargo operators, commercial tenants, or any other users of airport facilities. Rather, these receipts arise from treasury management, temporary deployment of surplus funds, investments, or returns from shareholding in separate legal entities. Accordingly, such income lacks the necessary operational and regulatory nexus with airport services, which is the foundational basis for inclusion within the ARR framework.

Further, there is no specific provision under the Concession Agreement which mandates inclusion of "Other Income", such as interest income, dividend income, treasury income or investment returns, in the computation of ARR or in the determination of NAR. In the absence of an express contractual or regulatory provision, such income cannot be brought within the tariff determination framework merely because it is reflected in the statutory financial statements of the airport operator. Accounting classification in financial statements cannot, by itself, determine regulatory treatment unless such income is connected with regulated airport activities.

It is also submitted that interest income earned by HIAL/GHIAL does not correspond to any service rendered by the airport operator. No airport asset, facility or service is used for generating such income. The income arises only on account of prudent treasury management of available funds. Such receipts are therefore outside the regulatory ambit of AERA, as they do not constitute consideration for any regulated or airport-related activity.

Similarly, dividend income received from subsidiaries or investee companies cannot be treated as NAR. Such subsidiaries are separate legal entities and operate independently from HIAL/GHIAL. The investment made in such subsidiaries is not included in the Regulatory Asset Base ("RAB") for tariff determination. Once the investment itself is outside the RAB boundary, any return generated from such investment, in the capacity of an equity shareholder, must also remain outside the regulatory boundary. It would be inconsistent and inequitable to exclude the investment from RAB while simultaneously appropriating the return from such investment for cross-subsidisation of aeronautical tariffs.

The principle of symmetry is important in regulatory determination. If an asset or investment is not recognised as part of the regulated asset base, then the income arising from such asset or investment should also not be treated as regulated income. Inclusion of such income would amount to selective regulatory treatment, where the downside or cost of investment is excluded from the regulatory framework, but the upside or return is captured for reduction of aeronautical tariff. Such an approach would be contrary to settled principles of fairness, consistency and regulatory neutrality.

It is further submitted that AERA, while truing up under-recovery or over-recovery in subsequent control periods, already applies the time value of money or carrying cost at the applicable WACC. This effectively recognises the notional financing cost or return associated with the timing difference in recovery. Therefore,

where a surplus or over-recovery is determined, AERA already computes the present value impact by applying WACC. This means that the Authority has already factored in a notional return on such regulatory surplus at the regulatory rate of return. In such circumstances, any further inclusion of actual treasury income earned on deployment of such surplus would result in double counting. On the one hand, the Authority considers the present value of over-recovery at WACC for true-up purposes; on the other hand, if actual interest or treasury income earned on the same surplus funds is also treated as NAR, the same economic benefit would be captured twice. This would be impermissible, inequitable and contrary to sound regulatory principles.

Moreover, the actual interest income earned through treasury deployment may be materially lower than the carrying cost or WACC applied by AERA for true-up purposes. Therefore, by treating the present value impact of surplus at WACC as aeronautical in nature, and additionally considering actual treasury income as NAR, the airport operator is effectively penalised. Such treatment overstates the benefit available to the operator and artificially reduces the ARR, without any corresponding airport-service-related revenue having been earned.

It is also relevant to note that the approach of excluding interest income, dividend income, treasury income and similar investment-related receipts from NAR is consistent with the position adopted in the case of HIAL, which was subsequently upheld by the Hon'ble TDSAT. The Hon'ble TDSAT, in its judgment dated 14 February 2024 in the matter pertaining to GHIAL, has also held that income from interest and dividend is not to be considered as part of revenue for the purpose of calculating cross-subsidisation. The said finding reinforces the principle that income which does not arise from airport operations or airport services cannot be treated as NAR merely because it appears as income in the books of the airport operator.

Further, the Hon'ble TDSAT, in its judgements in the matters pertaining to the Mumbai International Airport (MIAL), Delhi International Airport (DIAL) and GOA International Airport (GGIAL) have pronounced that Income from Interest and Dividend not to be considered as part of revenue for calculation of Cross-Subsidization. Extracts of judgement dated 06.10.2023 in the case of MIAL CP 2 and CP 3 and in the case of GGIAL dated 11.09.2025 are produced below:

"We, therefore, quash and set aside the impugned orders in both the aforesaid AERA Appeals which are for 2nd and 3rd Control Periods so far as they are affecting "other income" as a part of revenue, from revenue share assets and consequently, true-up has to be given for the earlier Control Periods also. We, therefore, direct AERA to give true-up for 2nd and 3rd Control Periods for "Other Income" as stated hereinabove."

"204. In view of the aforesaid facts, reasons, and judicial pronouncements; we, hereby, quash and set aside the decision of AERA to classify and include the appellant's interest/treasury income as non-aeronautical revenue for ARR computation and cross-subsidisation.

205. We hereby direct AERA to treat interest/treasury income as "Other Income," and to exclude it from NAR."

Accordingly, GHIAL respectfully submits that dividend income, interest income, treasury income and other similar investment-related receipts should be excluded from NAR for tariff determination purposes. Such income is outside the scope of regulated airport activities, does not arise from aeronautical or non-aeronautical services, is not linked to assets forming part of RAB, and its inclusion would result in an inequitable and duplicative reduction of ARR. Therefore, the same should not be considered for cross-subsidisation while determining aeronautical tariffs.

Real Estate Revenue:

The Hon'ble TDSAT, in its judgment dated 14 February 2024 in the matter pertaining to GMR Hyderabad International Airport Limited (GHIAL), held that income from Real Estate Development (RED) constitutes Non-Airport Activity revenue. The Hon'ble TDSAT further held that such revenue can neither be treated as Aeronautical nor as Non-Aeronautical revenue and that AERA does not have the power or jurisdiction to regulate such revenue. The relevant extract of the judgment is reproduced below for ready reference:

For GHIAL dated 14 February 2024

"342. In view of the aforesaid facts and reasons, provisions of land lease agreement to be read with provisions of AERA Act, 2008, the decision of AERA to consider income of appellant from Real Estate Development under its regulatory purview is incorrect, improper and not justified. We, hereby, hold that income from Real Estate Development (RED) is from Non-Airport Activities and it cannot be treated as Aeronautical, nor it can be treated as Non-Aeronautical but they are simply 'Non-Airport Activity' revenue. AERA has no power or jurisdiction over such revenue."

GHIAL submits that income from Real Estate Development, as per the Concession Agreement and the aforesaid judgment of the Hon'ble TDSAT, constitutes Non-Airport Activity revenue. Accordingly, GHIAL requests the Authority to consider revenue from Real Estate Development outside its regulatory purview.

Cargo, Ground Handling, Fuel and ICT Charges:

The Hon'ble TDSAT, in its judgment dated 14 February 2024 in the matter pertaining to GMR Hyderabad International Airport Limited (GHIAL), held that income from CGF in case of GHIAL are non-regulated activities and the revenue received by the Airport Operator. Appellant from the service providers of CGF are non-aeronautical charges. The relevant extract of the judgment is reproduced below for ready reference:

For GHIAL dated 14 February 2024

"315. This aspect of the matter has not been properly appreciated by AERA while passing the impugned order for the Third Control Period and hence, so far as Issue No. II, we hereby quash and set aside the decision of AERA, and we hold that the decision of AERA to treat Cargo, Ground Handling and Fuel Services as aeronautical services and the revenue generated therefrom as aeronautical revenue is incorrect, improper & unjustified. We hereby hold that the activities of CGF in case of HIAL are non-regulated activities and the revenue received by the Airport Operator – Appellant from the service providers of CGF are non-aeronautical charges."

GHIAL submits that income from CGF and ICT, as per aforesaid judgment of the Hon'ble TDSAT, constitutes non-aeronautical revenue. Accordingly, GHIAL requests the Authority to consider revenue from CGF and ICT as non aeronautical revenue.

Rentals from Cargo, Ground Handling, Fuel and Other Rentals:

The Authority's proposal to classify revenues from rentals of Cargo, Ground Handling, Fuel and similar rental arrangements as aeronautical revenue is inconsistent with internationally accepted ICAO principles.

ICAO's Airport Economics Manual (Doc 9562) expressly recognizes that revenues arising from rentals and leasing arrangements constitute non-aeronautical revenues.

The definition of Non-Aeronautical Revenue as per ICAO's Airport Economics Manual (Doc 9562) is produced below:

"Revenues from non-aeronautical sources. Any revenues received by an airport in consideration for the various commercial arrangements it makes in relation to the granting of concessions, the rental or leasing

of premises and land, and free-zone operations, even though such arrangements may in fact apply to activities that may themselves be considered to be of an aeronautical character (for example, concessions granted to oil companies to supply aviation fuel and lubricants and the rental of terminal building space or premises to aircraft operators). Also intended to be included are the gross revenues, less any sales tax or other taxes, earned by shops or services operated by the airport itself." (Emphasis Supplied)

Chapter 4 – "The process of setting airport charges" of ICAO's Airport Economics Manual (Doc 9562) lists Revenues from non-aeronautical activities. Paragraph 4.23 belongs to rentals which has been included under the head of "Revenues from non-aeronautical activities". Relevant extract is produced below:

"4.23 Rentals. Rentals payable by commercial enterprises and other entities for the use of airport-owned building space, land or equipment. Such rentals should include those payable by aircraft operators for airport-owned premises and facilities (e.g. check-in counters, sales counters and administrative offices) other than those already covered under "air traffic operations" above."

Therefore, as per ICAO's Airport Economics Manual (Doc 9562), any kind of rentals for use of airport-owned building space, land or equipment payable by aircraft operators are part of Non-Aeronautical Revenue.

The treatment of revenues from rentals of Cargo, Ground Handling, Fuel and similar rental arrangements as aeronautical revenue would be contrary to the framework prescribed under the GHIAL Concession Agreement as well as the statutory mandate contained in Section 13(1)(a)(vi) of the AERA Act.

Article 10.2.1 of the GHIAL Concession Agreement expressly provides that the Airport Charges specified in Schedule 6 constitute the "Regulated Charges". Schedule 6 exhaustively identifies the charges that are subject to tariff regulation, namely:

Landing, Housing and Parking Charges (Domestic and International);

Passenger Service Fee (PSF) (Domestic and International); and

User Development Fee (UDF) (Domestic and International).

Notably, revenues from rentals of Cargo, Ground Handling, Fuel and similar rental arrangements do not form part of the Regulated Charges specified under Schedule 6. Consequently, the Concession Agreement does not envisage regulation of revenues from rentals of Cargo, Ground Handling, Fuel and similar rental arrangements under the framework governing regulated aeronautical charges.

Further, Section 13(1)(a)(vi) of the AERA Act specifically requires the Authority, while determining tariff for aeronautical services, to take into consideration inter alia "the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise." Therefore, the provisions of the Concession Agreement are a relevant and mandatory consideration in tariff determination.

In line with the principles prescribed under ICAO's Airport Economics Manual (Doc 9562), the framework embodied in the GHIAL Concession Agreement, and the statutory mandate under Section 13(1)(a)(vi) of the AERA Act, GHIAL requests the Authority that revenues from rentals of Cargo, Ground Handling, Fuel and similar arrangements should be classified as Non-Aeronautical Revenue (NAR) and excluded from the aeronautical revenue base for tariff determination purposes."

Other stakeholders' comments regarding True-up of Non-Aeronautical Revenue for the Third Control Period

5.7.19 There are no comments from other Stakeholders with regards to the True-up for Non-Aeronautical Revenue for the Third Control Period for RGIA, Hyderabad.

Authority's analysis on Stakeholders' comments regarding True-up of Non-Aeronautical Revenue for the Third Control Period

5.7.20 The Authority has carefully examined GHIAL's submissions regarding the treatment of (A) Interest and Dividend Income, (B) Real Estate Development Revenue, and (C) CGF and ICT Revenue for the true-up of Non-Aeronautical Revenue for the Third Control Period, and also notes GHIAL's reliance on the Hon'ble TDSAT judgment dated 14.02.2024.

A. Interest Income and Dividend

The Authority is cognizant that these TDSAT judgments, including the one specifically rendered in GHIAL's own matter, are presently the subject of Civil Appeals pending before the Hon'ble Supreme Court. As noted elsewhere in this Consultation Paper (Paragraphs 1.6.1 to 1.7.5), the Authority has adopted the position that, pending final adjudication by the Hon'ble Supreme Court, it would be appropriate to continue the tariff determination exercise in line with the decisions taken in the Tariff Order for the Third Control Period, so as to maintain regulatory consistency and avoid unsettling the tariff framework based on judgments that have not yet attained finality.

The Authority therefore retains its proposal to treat interest income and dividend income consistent with the classification adopted in the Third Control Period Tariff Order, without prejudice to the final outcome of the pending Civil Appeals before the Hon'ble Supreme Court. Based on the final judicial outcome the Authority shall accordingly take necessary action.

B. Real Estate Development Revenue

Due to the reasons as elaborated and set out in above para, this finding forms part of TDSAT judgment presently under challenge before the Hon'ble Supreme Court in pending Civil Appeals, the Authority therefore is of the view that it would not be in the interest of the airport stakeholders to alter the existing regulatory treatment before the said judgement attains finality. The Authority therefore retains its proposal to treat revenue from Real Estate Development as non-aeronautical, consistent with the treatment adopted in the Third Control Period Tariff Order, subject to the final decision of the Hon'ble Supreme Court in the pending appeals. Based on the final judicial outcome the Authority shall accordingly take necessary action.

C. Cargo, Ground Handling, Fuel (CGF) and ICT Revenue

The Authority reiterates its consistent regulatory position applied uniformly across airports, including in the treatment proposed in this Tariff order that Cargo, Ground Handling and Fuel-related services fall within the definition of "aeronautical services" under Section 2(a) of the AERA Act, 2008, and that income therefrom, along with income from ICT, is accordingly aeronautical in nature. The Authority further clarifies that this classification issue, too, forms part of the subject matter of the TDSAT judgment dated 14.02.2024, which is under challenge before the Hon'ble Supreme Court. Consistent with its approach on the other two issues above, and in order to maintain a uniform and internally consistent regulatory position pending final judicial determination, therefore the Authority retains its proposal to treat CGF and ICT revenue as aeronautical revenue, in line with the treatment adopted in the previous Control Periods and similarly maintains the same for the Fourth Control Period.

5.7.21 Having regard to the pendency of Civil Appeals before the Hon'ble Supreme Court concerning the very issues raised by GHIAL such as, treatment of Interest/Dividend Income, Real Estate Development Revenue, and CGF/ICT Revenue arising from the TDSAT judgment dated 14.02.2024, the Authority is of the considered view that it would be appropriate to continue the tariff determination exercise in line with the decisions taken in the Tariff Order for the Third Control Period for the purposes of the present true-up

exercise. Accordingly, the Authority retains its proposals as set out in Paragraph 5.7.13 of Consultation Paper No. 02/2026-27 dated 19.06.2026.

5.7.22 Accordingly, the Non-Aeronautical Revenue decided by the Authority for the true-up of the Third Control Period is as per the table below:

Table 152: Non-Aeronautical Revenue decided by the Authority for true-up of the Third Control Period

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
In-Flight Kitchen	7.23	12.86	15.32	18.62	21.25	75.29
Duty Free	23.65	68.08	94.27	121.63	151.25	458.88
Forex	4.16	10.40	13.20	13.12	10.84	51.72
Lounge	11.59	36.70	42.10	62.12	76.19	228.69
Retail	32.95	70.85	83.77	80.10	84.03	351.69
Food & Beverage	20.49	40.76	53.37	71.81	84.72	271.15
Rental Income	48.88	54.80	52.97	67.97	90.62	315.25
Advertisement & Promotions	21.86	43.00	64.13	81.31	101.40	311.71
Car Parking & Radio Taxi	46.94	93.29	108.01	82.83	88.54	419.62
Public Admission Fee	1.36	8.07	4.44	1.80	1.31	16.98
Real Estate Revenue	7.88	14.09	21.09	12.66	31.39	87.11
Miscellaneous Income	45.31	14.39	15.35	17.30	19.67	112.02
Vehicle Fuel - Landside	0.23	0.43	0.49	0.08	0.42	1.65
Other income	97.22	128.87	262.97	158.67	133.40	781.13
Total	**369.75**	**596.60**	**831.49**	**790.01**	**895.03**	**3,482.87**

5.8. True-up of Aeronautical Revenues

GHIAL's Submission regarding True-up of Aeronautical Revenues for the Third Control Period

5.8.1 GHIAL, as part of its true-up submission for the Third Control Period, submitted the actual Aeronautical Revenues generated during the Third Control Period. The details of Aeronautical Revenues submitted by GHIAL are provided table below:

Table 153: Actual Aeronautical Revenues submitted by GHIAL towards True-up for the Third Control Period

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26*	Total
Landing - Domestic	57.97	99.60	148.36	212.29	254.12	772.34
Landing - International	27.00	49.14	66.13	88.62	98.52	329.41
Parking & Housing - Domestic	7.02	4.70	5.44	13.64	21.33	52.13
Parking & Housing - International	0.65	0.89	0.87	1.05	2.74	6.2
User Development Fee	144.83	440.97	844.94	1,029.76	1,044.92	3505.42
ATC Rentals	-	-	-	-	14.14	14.14
Fuel Station Rentals	0.52	0.72	0.78	0.16	0.7	2.88
Township Rentals	0.93	0.33	0.11	0.10	1.75	3.22
Total	**238.93**	**596.34**	**1,066.63**	**1,345.60**	**1,438.22**	**4685.74**

Actuals for FY26 was submitted by the Operator via email dated 2nd May 2026

Recap of decisions taken by the Authority regarding Aeronautical Revenue for the Third Control Period

5.8.2 Decision No. 8.6.1 *"To treat revenues from Cargo, Ground Handling, Fuel farm, Ground Power Unit, ICT services (CUTE, CUSS, BRS & IT) as aeronautical in nature. (refer para 8.2.6.)"*

5.8.3 Decision No. 8.6.3 *"To treat other income comprising of interest income and dividend income under the regulatory purview on the basis of the nature of service.(refer para 8.5.3)"*

5.8.4 Decision No. 8.6.4 *"To treat revenue from real estate development as non-aeronautical in nature.(refer para 8.5.4)"*

5.8.5 The Authority, in the Tariff Order for the Third Control Period, decided the Aeronautical revenue as per the table below:

Table 154: Aeronautical Revenue considered by the Authority in the Tariff Order of the Third Control Period

(Rs. In crores)

Particulars	2022	2023	2024	2025	2026	Total
Landing Revenues	71.80	158.30	232.30	302.20	372.40	1136.95
Parking Revenues	2.50	5.90	8.60	11.30	13.50	41.77
Revenues from User Development Fee	163.80	482.20	834.40	980.60	1025.90	3487.04
Subtotal - L&P, UDF	238.11	646.44	1075.33	1294.08	1411.79	4665.76
Fuel Farm	58.22	95.03	102.34	111.51	128.79	495.90
Cute, Cuss, BRS	0.93	1.12	1.29	1.29	1.37	6.00
Cargo	28.62	29.88	32.50	34.92	36.87	162.78
GH	13.52	22.07	23.77	25.90	29.91	115.18
GPU	0.95	1.55	1.67	1.82	2.10	8.09
Subtotal - CGF revenues	102.2	149.7	161.6	175.4	199.0	787.95
Other Aero Revenues						
CSB Rentals	13.54	14.21	14.93	15.67	16.46	74.81
Income from vehicle fuelling services - landside	0.47	0.49	0.52	0.54	0.57	2.59
Income from vehicle fuelling services - airside	0.32	0.34	0.36	0.37	0.39	1.78
ATC Tower Rentals	2.85	2.85	2.85	2.85	2.85	14.25
Incidental Income - Township rentals	0.72	0.76	0.79	0.83	0.88	3.98
Subtotal - Other Aero revenue streams	17.9	18.7	19.4	20.3	21.1	97.4
Total Projected Aero Revenues	**358.25**	**814.75**	**1,256.35**	**1,489.79**	**1,631.98**	**5,551.12**

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

5.8.6 The Authority, through its independent consultant, verified the actual Aeronautical Revenues submitted by GHIAL for the true-up of the Third Control Period with reference to the audited financial statements and supporting information submitted by GHIAL.

5.8.7 The Authority noted that GHIAL while submitting the actual aeronautical revenues in Table 153 did not show CGF revenues, CSB rentals under aeronautical revenue.

5.8.8 The Authority noted the submission of GHIAL that the Airports Authority of India (AAI) had disputed the license fee payments in respect of the CNS/ATM building at RGIA and had consequently stopped remitting the rentals with effect from April 2020. Pursuant to continuous follow-up by GHIAL, AAI subsequently released the outstanding payments, and the said amount was recognised as revenue in the FY26 financial statements of the Operator.

5.8.9 The Authority further noted that GHIAL, vide its letter No. GHIAL/AERA/2025-26/12131 dated 14.08.2025, requested the Authority to maintain the aeronautical tariffs for the fourth quarter of FY 2025-26, i.e., January–March 2026, at the same level as applicable up to December 2025. GHIAL cited high

capital expenditure requirements in the Fourth Control Period and carry-forward shortfall arising from accumulated under-recovery in the Third Control Period, inter alia due to higher transfer passenger traffic, as the basis for its request.

5.8.10 The Authority analyzed the operators 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) was 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.

5.8.11 In view of the above, the Authority decided to maintain the Landing, Parking and UDF charges applicable from 01.04.2025 to 31.12.2025, as provided in Annexure I, for the last quarter of FY 2025-26, i.e., from 01.01.2026 to 31.03.2026.

5.8.12 The Authority proposed to consider CSB revenue as part of the aeronautical revenue, consistent with the decision undertaken during the tariff determination for the Third Control Period.

5.8.13 The Authority further noted the submission of GHIAL that the Cargo Satellite Building (CSB) was sold to GMR Hyderabad Aerotropolis Limited (GHAL) during FY 2023-24, pursuant to which the said asset ceased to form part of GHIAL's asset base. Consequent upon the said transfer of ownership, the revenue from CSB had not been accounted for in GHIAL's books from FY25 onwards.

5.8.14 The Authority, through its independent consultant, sought details from GHIAL regarding revenue generated from Maintenance, Repair and Overhaul services. In response, GHIAL clarified that it did not earn any direct revenue from MRO activities, except for a 13% share of line maintenance revenue generated by the MRO service provider.

5.8.15 Based on the above examination, the revised Aeronautical Revenues proposed to be considered by the Authority for true-up of the Third Control Period is Rs. 5606.96 Crore, as shown in table below, as against GHIAL's submission of Rs. 4685.74 crore.

Table 155: Aeronautical Revenues proposed to be considered by the Authority for True-up of the Third Control Period at the Consultation Stage

(Rs. In crores)

Particulars	2022	2023	2024	2025	2026	Total
Landing Revenues	84.97	148.74	214.49	300.91	352.64	1,101.75
Parking Revenues	7.68	5.59	6.32	14.69	24.07	58.34
Revenues from User Development Fee	144.83	440.97	844.94	1029.76	1044.92	3,505.41
Subtotal - L&P, UDF	**237.48**	**595.30**	**1065.74**	**1345.35**	**1421.63**	**4,665.50**
Fuel Farm	57.81	85.86	93.59	91.83	82.18	411.27
Cute, Cuss, BRS (ICT)	45.39	11.77	3.17	3.66	3.89	67.89
Cargo	18.15	20.25	30.76	43.08	56.00	168.24
GH + GPU	16.83	40.29	47.56	56.77	81.70	243.15
Subtotal - CGF revenues	**138.19**	**158.18**	**175.07**	**195.35**	**223.77**	**890.56**
Other Aero Revenues						
CSB Rentals	12.01	13.46	0.56	-	0.02	26.05
Income from vehicle fueling services - airside + landside	0.52	0.72	0.78	0.16	0.70	2.87
ATC Tower Rentals	0	0	0	0	14.14	14.14
Incidental Income - Township rentals	0.93	0.33	0.11	0.10	1.75	3.21

Particulars	2022	2023	2024	2025	2026	Total
MRO revenue	0.02	0.66	1.22	1.34	1.40	4.64
Subtotal - Other Aero revenue streams	**13.48**	**15.17**	**2.66**	**1.59**	**18.01**	**50.90**
Total	**389.14**	**768.64**	**1243.48**	**1542.29**	**1663.41**	**5606.96**

Stakeholders' comments regarding True-up of Aeronautical Revenues for the Third Control Period

5.8.16 During Stakeholders' Consultation Process, the Authority has received comments / views from GHIAL, BIAL and APAO, in response to the proposals of the Authority regarding True-up of Aeronautical Revenues for the Third Control Period in the Consultation Paper No. 02/2026-27 dated 19.06.2026. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding True-up of Aeronautical Revenues for the Third Control Period

5.8.17 GHIAL's comment with regards to the True-up for Aeronautical Revenue for the Third Control Period for RGIA, Hyderabad is as follows:

"Proposal from Authority

The Authority has considered revenue from MRO services (Line maintenance revenue) as Aeronautical Revenue, below is the extract of the same:

Table 143: Aeronautical Revenues proposed to be considered by the Authority for True-up of the Third Control Period

(Rs. In crores)

Particulars	2022	2023	2024	2025	2026	Total
Landing Revenues	84.97	148.74	214.49	300.91	352.64	1,101.75
Parking Revenues	7.68	5.39	6.32	14.69	24.07	58.34
Revenues from User Development Fee	144.83	440.97	844.94	1029.76	1044.92	3,505.41
Subtotal - L&P, UDF	**237.48**	**595.30**	**1065.74**	**1345.35**	**1421.63**	**4,665.50**
Fuel Farm	57.81	85.86	93.59	91.83	82.18	411.27
Cust. Cuss. BRS (ICT)	45.39	11.77	3.17	3.66	3.89	67.89

TRUE UP FOR THE THIRD CONTROL PERIOD

Particulars	2022	2023	2024	2025	2026	Total
Cargo	18.15	20.25	30.76	43.08	56.00	168.24
GH - GPU	16.83	40.29	47.56	56.77	81.70	243.15
Subtotal - CGF revenues	**138.19**	**158.18**	**175.07**	**195.35**	**223.77**	**890.56**
Other Aero Revenues						
CSB Rentals	12.01	12.46	0.56	-	0.02	26.05
Income from vehicle fueling services - airside + landside	0.52	0.72	0.78	0.16	0.70	2.87
ATC Tower Rentals	0	0	0	0	14.14	14.14
Incidental Income - Township rentals	0.95	0.33	0.11	0.10	1.75	3.21
MRO revenue	0.02	0.66	1.22	1.34	1.40	4.64
Subtotal - Other Aero revenue streams	**13.48**	**15.17**	**2.66**	**1.59**	**18.01**	**50.90**
Total	**389.14**	**768.64**	**1243.48**	**1542.29**	**1663.41**	**5606.96**

GHIAL's Response:

The Maintenance, Repair and Overhaul (MRO) services (Line maintenance services) are distinct commercial and engineering activities that fall outside the core aeronautical functions performed by airport operators. Airports neither provide MRO services directly nor integrate such activities into their operational delivery of aeronautical services. Rather, land is leased or licensed to specialized third-party MRO entities for developing and operating these facilities. Accordingly, the airport operator's role is

limited to granting access to land, making the arrangement akin to a real estate concession rather than a service directly connected to aeronautical operations.

1. Concession Agreement provisions

The treatment of MRO revenue (Line maintenance revenue) as aeronautical revenue would be contrary to the framework prescribed under the GHIAL Concession Agreement. Article 10.2.1 of the GHIAL Concession Agreement expressly provides that the Airport Charges specified in Schedule 6 constitute the "Regulated Charges". Schedule 6 exhaustively identifies the charges that are subject to tariff regulation, namely:

- *Landing, Housing and Parking Charges (Domestic and International);*
- *Passenger Service Fee (PSF) (Domestic and International); and*
- *User Development Fee (UDF) (Domestic and International).*

Notably, MRO charges or revenues do not form part of the Regulated Charges specified under Schedule 6. Consequently, the Concession Agreement does not envisage regulation of MRO tariffs or MRO-related revenues under the framework governing regulated aeronautical charges.

Further, Section 13(1)(a)(vi) of the AERA Act specifically requires the Authority, while determining tariff for aeronautical services, to take into consideration inter alia "the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise." Therefore, the provisions of the Concession Agreement are a relevant and mandatory consideration in tariff determination.

In this regard, reliance is placed on the judgment of the Hon'ble Supreme Court dated 11 July 2022 in the matter of Delhi International Airport Limited v. AERA. The relevant observations are contained in paragraphs 18 and 19 of the judgement. For ease of reference, the extract of paragraph 19 is produced below:

"19. Clause (vi) of sub-section (1) of the said Act clearly stipulates that in the determination of tariff for the aeronautical services, one of the considerations, is the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise. Thus, the principle that legislative intent must prevail over any prior agreement would not really apply in the present scenario as the legislative intent itself incorporates and requires the prior agreements to be taken into consideration albeit along with certain other parameters/requirements."

In view of the above, the Authority is required to give due regard to the contractual framework agreed between GHIAL and the Central Government. Since the Concession Agreement does not recognize MRO services as a regulated aeronautical service and MRO charges are not included within the scope of Schedule 6 Regulated Charges, classification of MRO revenue (Line Maintenance revenue) as aeronautical revenue would be inconsistent with both the Concession Agreement and the statutory requirement under Section 13(1)(a)(vi) of the AERA Act. Accordingly, MRO revenue ought to continue to be treated as Non-Aeronautical revenue for tariff determination purposes.

2. AERA Act, 2008 and relevant sections

Further, under the Airports Economic Regulatory Authority of India Act, 2008 ("AERA Act") and the tariff framework prescribed thereunder, AERA's regulatory jurisdiction is limited to the determination and regulation of tariffs for aeronautical services. The exhaustive list of aeronautical services is defined under section 2 of the AERA Act which is reproduced below:

"..(a) "aeronautical service" means any service provided

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

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

(iii) for ground safety services at an airport;

(iv) for ground handling services relating to aircraft, passengers and cargo at an airport;

(v) for the cargo facility at an airport;

(vi) for supplying fuel to the aircraft at an airport; and

(vii) for a stake-holder 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;"

In this regard, it is submitted that Maintenance, Repair and Overhaul (MRO) facilities do not qualify as "aeronautical services" within the meaning of Section 2(a) of the AERA Act, which provides an exhaustive definition of such services.

Further, inclusion of aircraft maintenance under the definition of "airport" as per 2 (b) of AERA Act, as shown below, is only with reference to it being in the airport premises, it does not conclude it as an aeronautical activity. Even passenger facilities have also been included in the definition of "airport" which in many cases are not regulated.

3. Past Practice

In the past determinations of tariff, the MRO services have never been considered as aeronautical in any of the control period orders for GHIAL. The sudden departure for the treatment of such service is incorrect and will create regulatory uncertainty.

4. Peer Comparison

It is also pertinent to note that, across various tariff orders issued for major airports, AERA has consistently adopted the principle that only revenues derived from activities fall within the scope of Section 2(a) of the AERA Act., subject to the concession, qualify as aeronautical revenues. Revenues arising from other commercial activities, including land-based commercial developments, have generally been treated as Non-Aeronautical in nature or kept outside the scope of regulatory determination. This regulatory approach is reflected in the Third Control Period Tariff Order of Bangalore International Airport Limited (BIAL), wherein the Authority observed as follows:

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).

8.2.47 The miscellaneous non-aeronautical revenues considered by the Authority for the Third Control Period is given below:

Table 165: Miscellaneous non-aeronautical revenues considered by the Authority for the Third Control Period

Particulars	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total (FY22-FY26)
Miscellaneous non-aeronautical revenues	14.29	7.77	22.89	25.32	27.62	30.20	33.05	139.08
% change in revenue projections	45%	-46%	194.7%	10.64%	9.07%	9.32%	9.44%	

The relevant extract of paragraph 8.5.13 of the Tariff Order of third Control Period in the case of BIAL is as below:

Table 169: Non-aeronautical revenues decided by the Authority for the Third Control Period

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 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

Particulars	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Flight catering	8.35	9.08	11.71	12.74	13.87	55.75
Miscellaneous non-aeronautical revenues	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	19.50	61.91
Total NAR	**236.21**	**474.15**	**588.89**	**723.84**	**892.75**	**2915.84**

In addition to above, it can be inferred from the Consultation Paper for fourth control period of BIAL that AERA has proposed to consider MRO revenue i.e. line maintenance as part of Miscellaneous Non-Aeronautical revenue. The relevant extract from Paragraph 9.1.4 and 9.2.12 of the Fourth Control Period Consultation Paper for BIAL is reproduced below:

Other Non-Aeronautical Revenue

Table 229: Basis for Projection of Other Non-Aeronautical Revenue as BIAL for the Fourth Control Period

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 is 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 considers income from Real Estate Development as non-airport activity which cannot

Table 234: 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

S. No.	Particulars	Basis of Projections adopted by BIAL	Basis of Projections proposed by the Authority

4	Miscellaneous Income	FY 2025-26 actuals considered as base; revenue projected to remain broadly stagnant.	The Authority proposes to use the inflation rate as the growth driver for all the years FY27-31.

In light of the AERA Act, prevailing regulatory framework, past AERA precedents, and the Concession Agreement provisions, classifying MRO facility revenues (Line Maintenance Revenue) as aeronautical would be inconsistent with the applicable legal and regulatory framework. The Authority is therefore requested to treat revenues arising from MRO facilities as Non-Aeronautical Revenues."

Other Stakeholders' comments regarding True-up of Aeronautical Revenues for the Third Control Period

5.8.18 APAO's comment with regards to the True-up for Aeronautical Revenue for the Third Control Period for RGIA, Hyderabad is as follows:

"Maintenance, Repair and Overhaul Services (MRO) (Revenue share from Line maintenance services at RGIA):

The Authority has considered revenue from MRO services (Revenue share from Line maintenance services provided by MRO services providers at RGIA) as Aeronautical Revenue in the CP-3 True-up and CP-4.

Maintenance, Repair and Overhaul (MRO)activities constitute specialized commercial and engineering services that are distinct from the core aeronautical functions undertaken by an airport operator. The airport operators neither provides MRO services directly nor incorporates such activities within the scope of its regulated aeronautical operations. The airport operator's involvement is limited to facilitating access to land and related infrastructure, with the resulting arrangement being analogous to a commercial real estate concession rather than the provision of an aeronautical service by the airport operators itself.

MRO activities are not inherently airport-specific and, in several instances, are undertaken at dedicated maintenance facilities located outside airport premises, in a manner similar to other specialized engineering and equipment maintenance services across various industries.

Given the technical and commercial nature of these activities, MRO services operate independently of the airport operator's provision of aeronautical services. Consequently, the airport operator neither exercises operational control over the maintenance activities nor possesses the technical expertise necessary to regulate the underlying service delivery. Accordingly, any attempt to subject MRO services or their associated revenues to aeronautical tariff regulation would be neither appropriate nor practicable, as these activities fall outside the scope of airport operations and are governed by specialized commercial and technical arrangements between MRO providers and their customers It is also important to note that under the Airports Economic Regulatory Authority of India Act, 2008 ("AERA Act") and the tariff framework prescribed thereunder, AERA's regulatory jurisdiction is limited to the determination and regulation of tariffs for aeronautical services. In this regard, it is submitted that Maintenance, Repair and Overhaul (MRO) facilities do not qualify as "aeronautical services" within the meaning of Section 2(a) of the AERA Act, which provides an exhaustive definition of such services.

The classification of MRO-related revenue as aeronautical revenue would be inconsistent with both the contractual framework governing GHIAL and the statutory provisions of the Airports Economic Regulatory Authority of India Act, 2008 ("AERA Act").

At the outset, Article 10.2.1 of the GHIAL Concession Agreement clearly stipulates that only the Airport Charges specified in Schedule 6 constitute "Regulated Charges" subject to tariff regulation. Schedule 6 exhaustively enumerates the regulated aeronautical charges, namely:

Landing, Housing and Parking Charges (Domestic and International);

Passenger Service Fee (PSF) (Domestic and International); and

User Development Fee (UDF) (Domestic and International).

Notably, Schedule 6 does not include MRO charges, hangar usage charges, maintenance-related fees, or any revenue arising from MRO activities. The deliberate exclusion of MRO-related revenues from the list of Regulated Charges demonstrates demonstrates the parties' clear intention that such activities remain outside the scope of regulated aeronautical services. Accordingly, the Concession Agreement does not contemplate tariff regulation of MRO services, nor does it envisage the inclusion of MRO-related revenues within the aeronautical revenue base for tariff determination purposes.

The statutory framework under the AERA Act further reinforces this position. Section13(1)(a)(vi) of the AERA Act expressly mandates that, while determining tariffs for aeronautical services, the Authority shall take into consideration "

the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise."

Thus, the provisions of the Concession Agreement are not merely persuasive but constitute a relevant and mandatory consideration in the exercise of tariff-setting powers by the Authority.

The significance of this statutory obligation has been recognized by the Hon'ble Telecom Disputes Settlement and Appellate Tribunal ("TDSAT") in its judgment dated 21 July 2023 in

Delhi International Airport Limited v. AERA, wherein the Tribunal unequivocally held that:

"AERA has to appreciate the concession given by Central Government. AERA has to appreciate the same under Section 13(1)(a)(vi) of AERA Act, 2008."

The above judicial pronouncement affirms that the Authority must accord due weight to the contractual rights, obligations and commercial framework established under the concession granted by the Central Government and cannot disregard the structure expressly agreed between the parties.

Furthermore, MRO activities are fundamentally distinct from the aeronautical services provided by an airport operator. MRO facilities are established, financed, operated and managed by specialized third-party operators under commercial lease or licence arrangements. The airport operator neither performs maintenance activities nor provides MRO services to airlines. Its involvement is limited to granting access to land and supporting infrastructure. Consequently, the revenue derived by the airport operator is essentially in the nature of commercial concession or lease income rather than consideration for the provision of aeronautical services.

Treating MRO revenue as aeronautical revenue would therefore not only be inconsistent with the express provisions of the Concession Agreement and the statutory mandate under Section 13(1)(a)(vi) of the AERA Act but would also undermine the commercial rationale underpinning investments in aviation infrastructure. Such a classification could discourage airport operators from allocating land for MRO development and adversely impact the growth of the Indian MRO ecosystem, which is presently a key national priority aimed at promoting domestic maintenance capabilities, attracting investment, generating skilled employment, and reducing dependence on overseas MRO facilities.

Further, the MRO sector in India is presently undergoing a significant growth phase, driven by rapid fleet expansion by domestic airlines, increasing aircraft movements, supportive government policies, and the strategic objective of positioning India as a global aviation maintenance hub. The development of MRO

facilities requires substantial long-term capital investment, specialized technical infrastructure, and commercially sustainable lease arrangements. Any regulatory treatment that classifies MRO-related revenue use as aeronautical in nature, despite the absence of any direct aeronautical service provision by the airport operator, could adversely impact the commercial viability of existing and future MRO investments. Such an approach may constrain the airport operator's ability to recover the opportunity cost of strategically located land, reduce incentives for facilitating MRO ecosystem development, and potentially discourage private sector participation in a sector that is critical for enhancing India's aviation self-reliance, generating skilled employment, reducing foreign exchange outflows, and strengthening the overall aviation value chain.

Accordingly, APAO would like to request AERA to consider MRO revenue to airports to be recognized as non-aeronautical revenue, distinct from regulated aeronautical services, thereby ensuring that airports remain incentivized to support MRO development while supporting the Government of India's broader objective of establishing a robust and globally competitive MRO industry."

5.8.19 BIAL's comment with regards to the True-up for Aeronautical Revenue for the Third Control Period for RGIA, Hyderabad is as follows:

"Treatment of Revenues from MRO as Aeronautical

BIAL submits that in the case of MRO, the airport operator's involvement is limited to facilitating access to land and related infrastructure and is similar to a commercial real estate concession rather than the provision of an aeronautical service by the airport operator itself.

Schedule 6 of the Concession Agreement states that landing, parking, housing charges and UDF form a part of the Regulated Charges that are to be determined by the Authority. Notably, Schedule 6 does not include any revenue arising from MRO activities. 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".

Accordingly, BIAL requests the Authority to treat any revenue accruing to the Airport operator from MRO services as Non-Aeronautical.

It is also important to note that under the Airports Economic Regulatory Authority of India Act, 2008 ("AERA Act") and the tariff framework prescribed thereunder, it is submitted that Maintenance, Repair and Overhaul (MRO) facilities do not qualify as "aeronautical services" within the meaning of Section 2(a) of the AERA Act, which provides an exhaustive definition of such services."

GHIAL's response to Stakeholder's comments regarding True-up of Aeronautical Revenue for the Third Control Period

5.8.20 GHIAL's response to APAO and BIAL's comment on True-up of Aeronautical Revenue for the Third Control is as follows:

"GHIAL agrees with comments and would like to refer to the submission dated 20th July 2026 for the relevant issues"

Authority's analysis on Stakeholders' Comments regarding True-up of Aeronautical Revenue for the Third Control Period

5.8.21 The Authority has analysed the comments and submissions made by the GHIAL, BIAL and APAO including the counter response of airport operator on stakeholder comments and the input/views of Stakeholders received during the Stakeholders Consultation Meeting held on 06 July 2026 and the written comments received up to the last date for submission, i.e. 20 July 2026. The Authority has examined the issues raised by the stakeholders on their merits. The Authority's analysis and decisions on the issues are set out below.

Treatment of MRO Revenue

5.8.22 The Authority has examined GHIAL's comments 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.

5.8.23 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.

5.8.24 The Authority has also examined GHIAL'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. GHIAL 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 GHIAL 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-I 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 GHIAL to treat revenue received by the Airport Operator for offering ground facilities to MRO services/facilities as non-aeronautical revenue.

5.8.25 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.

5.8.26 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.

5.8.27 The treatment adopted during the Third Control Period does not preclude the Authority from reviewing the classification now 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.

5.8.28 Accordingly, the Authority decides that lease rentals/licence fees/royalty/concession fees and similar revenues earned/received by GHIAL 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. Accordingly, Aeronautical Revenue decided by the Authority for true-up of the Third Control Period is as per the table below:

Table 156: Aeronautical Revenue decided by the Authority for true-up of the Third Control Period

(Rs. In crores)

Particulars (Aero Revenue)	2022	2023	2024	2025	2026	Total
Landing Revenues (A)	84.97	148.74	214.49	300.91	352.64	1,101.75
Parking Revenues (B)	7.68	5.59	6.32	14.69	24.07	58.34
Revenues from User Development Fee (C)	144.83	440.97	844.94	1029.76	1044.92	3,505.41
Subtotal: S1 = A+B+C	**237.48**	**595.30**	**1065.74**	**1345.35**	**1421.63**	**4,665.50**
Fuel Farm (D)	57.81	85.86	93.59	91.83	82.18	411.27
Cute, Cuss, BRS (ICT) (E)	45.39	11.77	3.17	3.66	3.89	67.89
Cargo (F)	18.15	20.25	30.76	43.08	56.00	168.24
GH + GPU (G)	16.83	40.29	47.56	56.77	81.70	243.15
Subtotal: S2 = D+E+F+G	**138.19**	**158.18**	**175.07**	**195.35**	**223.77**	**890.56**

Particulars (Aero Revenue)	2022	2023	2024	2025	2026	Total
Other Aero Revenues						
CSB Rentals (I)	12.01	13.46	0.56	-	0.02	26.05
Income from vehicle fueling services - airside + landside (J)	0.52	0.72	0.78	0.16	0.70	2.87
ATC Tower Rentals (K)	0	0	0	0	14.14	14.14
Incidental Income - Township rentals (L)	0.93	0.33	0.11	0.10	1.75	3.21
MRO revenue (M)	0.02	0.66	1.22	1.34	1.40	4.64
Subtotal: S3 = I+J+K+L+M	**13.48**	**15.17**	**2.66**	**1.59**	**18.01**	**50.90**
Total (S1+S2+S3)	**389.14**	**768.64**	**1243.48**	**1542.29**	**1663.41**	**5606.96**

5.9. True-up of Aeronautical Taxes

GHIAL's Submission regarding True-up of Aeronautical Taxes for the Third Control Period

5.9.1 GHIAL in its submission for True-up for the Third Control Period as per MYTP for the Fourth Control Period had submitted the recalculated building block 'T' relating to Aeronautical Taxes. GHIAL had computed the earnings pertaining to regulated charges after considering aeronautical revenue, 30% of non-aeronautical revenue, operation and maintenance expenditure, concession fee, depreciation and interest expenses.

5.9.2 GHIAL had submitted that interest expenses have been computed as Approved RAB multiplied by approved / eligible debt gearing and approved cost of debt. GHIAL had further considered accumulated losses while computing the earnings on which normal tax is calculated. Accordingly, GHIAL had submitted that the taxes pertaining to regulated charges for the Third Control Period are Nil.

5.9.3 The Aeronautical Taxes submitted by GHIAL towards True-up for the Third Control Period are shown in the table below:

Table 157: Aeronautical Taxes submitted by GHIAL towards True-up for the Third Control Period

(Rs. In crores)

Particulars (INR in Crores)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26
Aeronautical revenue	(A)	239	596	1,067	1,346	1,384
30% of non-aeronautical revenue	(B)	121	184	217	244	272
Sub-total (C) = (B) + (A)	(C)	360	780	1,283	1,590	1,657
Expenditure / Allowances:						
Operation and Maintenance Expenditure	(D)	389	608	607	719	812
Concession Fee	(E)	10	24	43	54	55
Depreciation	(F)	184	233	354	442	461
Interest expenses^	(G)	93	132	224	283	281
Sub-total (H) = (D + E + F + G)	(H)	675	996	1,228	1,497	1,609
Earnings pertaining to the Regulated Charges (I) = (C) – (H)	(I)	(315)	(216)	56	93	48
Accumulated Losses:						
Opening Accumulated Losses	(J)	360	675	892	836	743
Current year losses	(K)	315	216	-	-	-
Current year set-off	(L)	-	-	56	93	48
Closing Accumulated Losses (M) = (J + K – L)	(M)	675	892	836	743	696
Earning on which normal tax is calculated [Max (I-J,0)]	(N)	-	-	-	-	-
Normal Tax Rate	(O)	34.94%	34.94%	34.94%	34.94%	34.94%

Particulars (INR in Crores)	Ref	FY 22	FY 23	FY 24	FY 25	FY 26
Taxes pertaining to Regulated Charges (P) = (N) × (O)	(P)	-	-	-	-	-

^GHIAL had considered the Interest cost as follows: Approved RAB X Approved/Eligible Debt Gearing X Approved cost of debt

5.9.4 As per the table above, GHIAL submitted that there are no earnings on which normal tax is calculated during the Third Control Period after considering accumulated losses. Accordingly, GHIAL submitted Aeronautical Taxes as Nil for the Third Control Period.

Recap of decisions taken by the Authority regarding Aeronautical Taxes for the Third Control Period

5.9.5 Decision No. 10.6.1: *"To determine Aeronautical Taxes for the Third Control Period by allocating total taxes as per the aggregate Profit & Loss account between aeronautical and non-aeronautical components based on the ratio of taxes as per the aeronautical and non-aeronautical Profit & Loss accounts."*

5.9.6 The Aeronautical Taxes decided by the Authority for the Third Control Period are shown in the table below:

Table 158: Aeronautical Taxes decided by the Authority at the time of tariff determination for the Third Control Period

(Rs. In crores)

Particulars	2022	2023	2024	2025	2026	Total
Aeronautical PBT	(632.35)	(484.21)	(300.29)	12.22	106.11	(1,298.52)
Aeronautical tax (a)	0.00	0.00	0.00	2.14	18.54	20.67
Non-Aeronautical PBT	242.57	367.07	401.93	456.72	528.47	1,996.76
Non-Aeronautical tax (b)	64.01	104.77	116.26	136.56	163.29	584.88
PBT for GHIAL as a standalone entity	(389.75)	(117.11)	101.68	468.98	634.63	698.43
Tax for GHIAL as a standalone entity (c)	0.00	0.00	17.76	81.93	110.87	210.56
Ratio for allocation of taxes to be incurred by GHIAL as a standalone entity (d) = {a / (a + b)}	0.00%	0.00%	0.00%	1.54%	10.19%	
Aeronautical portion of the total tax to be considered for tariff determination (d × c)	0.00	0.00	0.00	1.26	11.30	12.56

Authority's examination and proposals regarding True-up of Aeronautical Taxes for the Third Control Period at the Consultation Stage

5.9.7 The Authority observed that GHIAL had considered 30% NAR in the estimation of aeronautical profit before tax (PBT), The fact that a part of NAR is used for cross-subsidization as per the hybrid till mechanism does not change nature of such revenue to aeronautical. Further, the cross subsidization as per the hybrid till mechanism is done to reduce tariff pressure on passenger and incentivize GHIAL to make effective investments in non-aeronautical income generating sources.

5.9.8 The Authority also noted that for the purpose of tax calculation, GHIAL had considered interest cost by applying notional gearing ratio. However, the Authority had considered actual aeronautical gearing for calculation of interest expenses.

5.9.9 The Authority had relied upon the judgement of Hon'ble Supreme Court dated 11.07.2022 and worked out corporate tax based on regulatory accounts/regulatory building block. The Authority noted that Aeronautical Taxes are to be computed only on earnings pertaining to regulated charges after adjustment of accumulated losses. In case accumulated losses are available, the same are to be set off against the earnings pertaining to regulated charges before computing the tax liability.

5.9.10 GHIAL had computed the interest expenses considering that 48% of the average RAB is financed through debt. However, it was observed that, in actuality, 70% of the average RAB had been financed through debt.

Accordingly, the interest expenses have been reworked by considering debt financing at 70% of the average RAB.

5.9.11 Based on the above, the Authority proposed the Aeronautical Taxes for True-up for the Third Control Period as shown in the table below:

Table 159: Aeronautical Taxes proposed to be considered by the Authority for True-up for the Third Control Period at the Consultation Stage

(Rs. In crores)

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Aeronautical revenue	(A)	389.14	768.64	1243.48	1542.29	1663.41	5606.96
Expenditure / Allowances:							
Operation and Maintenance Expenditure	(B)	380.89	477.57	595.38	705.07	706.96	2865.86
Concession Fee	(C)	15.57	30.75	49.74	61.69	66.54	224.28
Depreciation	(D)	174.76	219.26	315.57	415.61	401.26	1526.47
Interest expenses	(E)	134.63	184.35	297.86	375.98	389.74	1382.57
Sub-total (F) = (B + C + D + E)	(F)	705.84	911.92	1258.55	1558.36	1564.49	5999.18
Earnings pertaining to the Regulated Charges (G) = (A) – (F)	(G)	-316.77	-144.09	-15.39	-16.38	98.60	-394.03
Accumulated Losses:							
Opening Accumulated Losses	(H)		316.70	459.98	475.06	491.13	1742.87
Current year losses	(I)	316.70	143.28	15.08	16.07	0.00	491.13
Current year set-off	(J)	0.00	0.00	0.00	0.00	98.92	98.92
Closing Accumulated Losses (K) = (H+ I – J)	(K)	316.70	459.98	475.06	491.13	392.21	2135.09
Earning on which normal tax is calculated	(L)	-	-	-	-	-	-
Taxes pertaining to Regulated Charges	(M)	-	-	-	-	-	0.00

5.9.12 In view of the above, the Authority, in line with the GHIAL's submission, proposed to consider the Aeronautical Taxes as Nil towards True-up for the Third Control Period.

Stakeholders' comments regarding True-up of Aeronautical Taxes for the Third Control Period

5.9.13 During Stakeholders' Consultation Process, the Authority has received comments/ views from GHIAL in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding True-up of Aeronautical Taxes for the Third Control Period. The comments of the stakeholders are presented below:

GHIAL's comments regarding True-up of Aeronautical Taxes for the Third Control Period

5.9.14 GHIAL's comment with regards to the True-up for Aeronautical Taxes for the Third Control Period for RGIA, Hyderabad is as follows:

"Proposal from Authority:

5.9.8 The Authority also notes that for the purpose of tax calculation, GHIAL has considered interest cost by applying notional gearing ratio. However, the Authority has considered actual aeronautical gearing for calculation of interest expenses.

5.9.9 The Authority has relied upon the judgement of Hon'ble Supreme Court dated 11.07.2022 and worked out corporate tax based on regulatory accounts/regulatory building block. The Authority notes that Aeronautical Taxes are to be computed only on earnings pertaining to regulated charges after adjustment of accumulated losses. In case accumulated losses are available, the same are to be set off against the earnings pertaining to regulated charges before computing the tax liability.

5.9.10 GHIAL has computed the interest expenses considering that 48% of the average RAB is financed through debt. However, it is observed that, in actuality, 70% of the average RAB has been financed through debt. Accordingly, the interest expenses have been reworked by considering debt financing at 70% of the average RAB.

GHIAL's Response:

The Authority has referred to the Hon'ble Supreme Court Judgment dated 11th July 2022 and has computed the income tax component based on regulatory earnings after adjustment of accumulated losses. GHIAL respectfully submits that, while computing the tax component, the underlying regulatory accounts and assumptions used for determination of Target Revenue ("TR") must be applied consistently across all building blocks of the tariff framework.

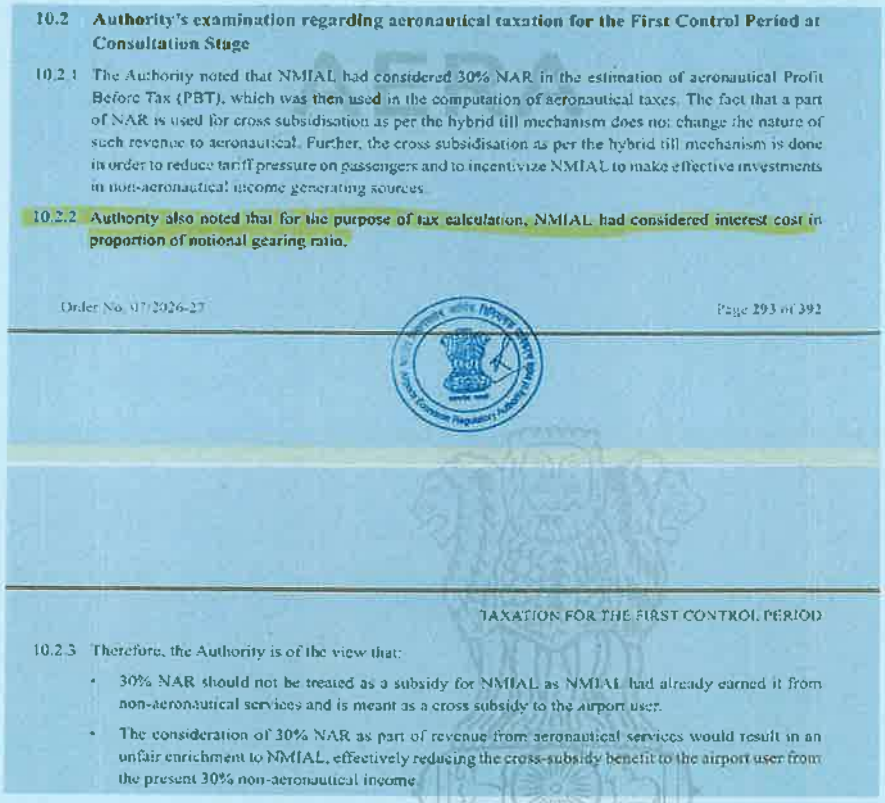
In this regard, GHIAL notes that the Authority has considered interest cost based on 70% of Average RAB, whereas the Weighted Average Cost of Capital (WACC) framework adopted by AERA is based on a 48:52 debt-equity ratio. Such differential treatment of gearing assumptions across regulatory building blocks results in an inconsistency in the computation of regulatory returns and related tax impact.

GHIAL respectfully submits that the Hon'ble Supreme Court, in Paragraph 113 of its judgment, has unequivocally clarified that the tax component ("T") is required to be computed solely on the basis of the regulatory accounts prepared by AERA for the Target Revenue formula, as reproduced below:

"113. In the overall scenario, it is the TR which is crucial where 'T' is only a component. No one is saying that a different methodology and not the common practice has to be followed for payment of tax. It is for the component 'T' to be calculated in the formula for TR that 'T' has been defined. 'T' has to be computed based solely on regulatory accounts prepared by AERA for the TR formula. If the Annual Fee is the component which is taken out of aeronautical services, the definition of 'T' would have to be read completely differently."

The above principle necessitates that all inputs and assumptions used in the determination of regulatory income, including financing assumptions, should remain aligned with those adopted in the overall Target Revenue framework. Consequently, where AERA has determined the financing structure for WACC purposes using a gearing ratio of 48% debt and 52% equity, the same gearing assumption should also be adopted while computing the interest component embedded in the regulatory accounts and the consequential tax calculation.

It is further observed that in the recent tariff determinations of DIAL, MIAL and Navi Mumbai International Airport, the Authority has consistently computed interest cost using the same 48% gearing ratio adopted for WACC/FRoR calculations. In particular, the Authority's Order dated 20 May 2026 for Navi Mumbai International Airport reflects this consistent regulatory approach.



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.

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10.2.3 Therefore, the Authority is of the view that:

- 30% NAR should not be treated as a subsidy for NMIAL as NMIAL had already earned it from non-aeronautical services and is meant as a cross subsidy to the airport user.
- The consideration of 30% NAR as part of revenue from aeronautical services would result in an unfair enrichment to NMIAL, effectively reducing the cross-subsidy benefit to the airport user from the present 30% non-aeronautical income.

Accordingly, since the WACC framework already provides reimbursement of debt costs and return on equity through the prescribed 48:52 capital structure, there is no regulatory justification for adopting an alternative gearing ratio exclusively for the computation of interest cost. Applying different debt proportions for separate elements of the Target Revenue calculation would be inconsistent with the regulatory methodology and the principle laid down by the Hon'ble Supreme Court.

GHIAL, therefore respectfully requests the Authority to consider the approved 48% debt ratio for computation of interest cost in the regulatory tax calculation, ensuring consistency across all regulatory building blocks and alignment with the approach followed in the tariff determinations for other major airport operators."

Other Stakeholder's comments regarding True-up of Aeronautical Taxes for the Third Control Period

5.9.15 There are no other Stakeholder's comment with regards to the True-up for Aeronautical Taxes for the Third Control Period for RGIA, Hyderabad.

Authority's analysis on Stakeholder's comments regarding True-up of Aeronautical Taxes for the Third Control Period

5.9.16 The Authority notes GHIAL's submissions regarding adoption of a notional gearing ratio for computation of interest expense for determination of aeronautical tax entitlement for the true-up of the Third Control Period.

5.9.17 With regard to interest expense, the Authority notes GHIAL'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. GHIAL has financed 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.

5.9.18 The Authority has also noted GHIAL'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 GHIAL. 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 GHIAL.

5.9.19 The Authority has also considered GHIAL'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 GHIAL 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 GHIAL is a mature brownfield airport with an established operational asset base and a substantially evolved financing structure.

5.9.20 The Authority further notes that the debt component of GHIAL 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 GHIAL 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.

5.9.21 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.

5.9.22 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.

5.9.23 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.

5.9.24 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.

5.9.25 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.

5.9.26 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.

5.9.27 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 GHIAL 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.

5.9.28 Thus, based on the above changes, the Aeronautical Taxes decided by the Authority for True-up of the Third Control Period is shown in the table below:

Table 160: Aeronautical Taxes decided by the Authority for True-up for the Third Control Period

(Rs. In crores)

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Aeronautical revenue	(A)	389.14	768.64	1243.48	1542.29	1663.41	**5606.96**
Expenditure / Allowances:							
Operation and Maintenance Expenditure	(B)	384.25	505.82	605.65	716.59	717.38	**2929.70**
Concession Fee	(C)	15.57	30.75	49.74	61.69	66.54	**224.28**
Depreciation	(D)	194.74	242.91	344.29	437.08	434.81	**1653.84**
Interest expenses	(E)	134.52	185.24	302.26	382.64	395.98	**1400.62**
Sub-total (F) = (B + C + D + E)	(F)	729.07	964.71	1301.94	1598.01	1614.71	**6208.44**
Earnings pertaining to the Regulated Charges (G) = (A) – (F)	(G)	-339.93	-196.07	-58.46	-55.72	48.70	**-601.48**
Accumulated Losses:							
Opening Accumulated Losses	(H)	0.00	339.93	536.00	594.46	650.18	
Current year losses	(I)	339.93	196.07	58.46	55.72	0.00	**650.18**
Current year set-off	(J)	0.00	0.00	0.00	0.00	48.70	**48.70**
Closing Accumulated Losses (K) = (H+ I – J)	(K)	339.93	536.00	594.46	650.18	601.48	
Earning on which normal tax is calculated	(L)	-	-	-	-	-	-
Taxes pertaining to Regulated Charges	(M)	-	-	-	-	-	-

5.10. True-up of Aggregate Revenue Requirement for the Third Control Period

GHIAL's Submission regarding Aggregate Revenue Requirement and True-up of the Third Control Period

5.10.1 The Aggregate Revenue Requirement submitted by GHIAL for True of the Third Control Period as per MYTP for the Fourth Control Period is as shown in the table below:

Table 161: ARR submitted by GHIAL for True-up of the Third Control Period

(Rs. In crores)

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Average RAB	(A)	2,147.62	3,034.68	5,173.18	6,514.28	6,472.58	
FROR	(B)	12.23%	12.23%	12.23%	12.23%	12.23%	
Return on RAB (C = A*B)	(C)	262.55	371.00	632.43	796.39	791.29	2,853.66
Aeronautical Depreciation	(D)	183.52	233.15	354.19	442.01	461.12	1,673.98
Operation & Maintenance Expenditure (Including Aeronautical Concession Fee)	(E)	398.28	631.37	649.33	772.54	867.07	3,318.59
Aeronautical Taxation	(F)						
Less: 30% of Non-Aeronautical Revenue	(G)	120.81	183.53	216.74	244.20	272.27	1,037.56
Aggregate Revenue Requirement (H=C+D+E+F-G)	**(H)**	**723.53**	**1,051.99**	**1,419.20**	**1,766.73**	**1,847.22**	**6,808.68**
Aeronautical Revenue	**(I)**	**238.93**	**596.34**	**1,066.63**	**1,345.60**	**1,384.44**	**4,631.94**

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Under Recovery / (Over Recovery) (J=H-I)	**(J)**	**484.61**	**455.64**	**352.58**	**421.13**	**462.78**	**2,176.73**
True-up till the 2nd control period as on 31.03.2022 including PCPE and 1st control period	(K)	1,345.35					1,345.35
Net Under Recovery / (Over Recovery) (L=J+K)	(L)	1,829.96	455.64	352.58	421.13	462.78	3,522
Present value factor	(M)	1.78	1.59	1.41	1.26	1.12	
Present value as on 31.03.2027	**(N)**	**3,257.32**	**724.46**	**497.13**	**530.62**	**518.31**	**5,528.41**

5.10.2 GHIAL via email dated 02.05.2026, submitted the revised True-up for FY26 based on actuals, as shown in the table below:

Table 162: Revised true-up submission for FY26 based on actuals

(Rs. In crores)

Particulars	FY 26
Average RAB	6,390.36
Fair Rate of Return applied to the RAB	12.12%
Return on RAB	774.65
Operation and Maintenance Expenditure	768.19
Aeronautical Concession Fee	57.53
Depreciation	430.71
Taxes pertaining to Aeronautical Services	-
Gross Aggregate Revenue Requirement	**2,031.08**
Less: 30% of Revenue from Non-Aeronautical Services	286.13
Net Aggregate Revenue Requirement	**1,744.95**
Actual Regulated Charges	1,438.22
Under Recovery / (Over Recovery)	**306.73**

Recap of Authority's decision regarding Aggregate Revenue Requirement for the Third Control Period

5.10.3 Decision No. 13.6.1: *"The Authority decides to consider ARR and YPP for the Third Control Period as per Table 167"*

5.10.4 Decision No. 13.6.5: *"Authority decides to allow HIAL to recover the expected shortfall of INR 669.26 Cr. (as on 31st March 2022) in the next Control Period subject to True-up of the Third Control Period."*

5.10.5 The Aggregate Revenue Requirement decided by the Authority at the time of tariff determination for the Third Control Period is as per the table below:

Table 163: Aggregate Revenue Requirement decided by the Authority in the Tariff Order for the Third Control Period

(Rs. In crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Average RAB (1)	2,550.23	4,264.90	5,678.55	5,957.61	5,609.15	
WACC (2)	12.20%	12.20%	12.20%	12.20%	12.20%	
Return on RAB (i) = (1) * (2)	311.18	520.4	692.9	726.95	684.43	2,935.86
Depreciation (ii)	222.09	344.12	434.67	475.3	484.11	1,960.29
Operating Expense (iii)	361.83	451.3	534.8	575.36	605.4	2,528.70
Concession Fee (iv)	14.33	32.59	50.25	59.59	65.28	222.04
Taxes (v)	0	0	0	1.26	11.3	12.56

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Less: 30% Cross-Subsidisation of NAR (vi)	109.25	156.37	177.01	193.39	217.09	853.12
Gross Aggregate Revenue Requirement (a) = {(i) + (ii) + (iii) + (iv) + (v) – (vi)}	**800.18**	**1192.04**	**1535.61**	**1645.07**	**1633.43**	**6,806.33**
Over/under recovery of previous control periods as on 31.03.2022 (vii)	-441.6					-441.6
Net Aggregate Revenue Requirement (b) = {a + (vii)}	**358.58**	**1192.04**	**1535.61**	**1645.07**	**1633.43**	**6,364.73**
PV Value Factor (c)	1	0.89	0.79	0.71	0.63	
PV of Net Aggregate Revenue Requirement (including True-up) {(d) = (b) * (c)}	358.58	1,062.41	1,219.77	1,164.62	1,030.62	4,835.99
Total Projected Aero Revenues	358.25	814.75	1,256.35	1,489.79	1,631.98	5,551.12
Discounting Factor	I	0.89	0.79	0.71	0.63	
PV of Projected Aero Revenues (e)	358.25	726.14	997.95	1,054.69	1,029.70	4,166.74
Difference of PV for the control period (d-e)						**-669.26**

Authority's Examination and Proposals regarding True-up of Aggregate Revenue Requirement for the Third Control Period at the Consultation Stage

5.10.6 The Authority analysed the submissions made by GHIAL regarding True-up of Aggregate Revenue Requirement for the Third Control Period and based on the examination of various building blocks and considering various proposals of the Authority with regards to the issues raised by GHIAL concerning the Third Control Period, the Aggregate Revenue Requirement for the Third Control Period is calculated in the table below:

Table 164: Aggregate Revenue Requirement proposed to be considered by the Authority for True-up for the Third Control Period at the Consultation Stage

(Rs. in crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Average RAB (A) {Refer Table 56}	2095.80	2925.59	4977.98	6292.81	6269.91	
WACC (B) {Refer Table 69}	12.12%	12.12%	12.12%	12.12%	12.12%	
Return on RAB (C=A*B)	254.05	354.64	603.43	762.81	760.03	**2734.95**
Depreciation (D) {Refer Table 52}	174.76	219.26	315.57	415.61	401.26	**1526.47**
Operation and Maintenance Expenditure (including concession fee) (E) {Refer Table 144}	396.45	508.31	645.12	766.77	773.49	**3090.14**
Aeronautical Tax (F) {Refer Table 159}	0	0	0	0	0	**0**
Less: 30% of Revenue from Non-Aeronautical Services (G)	110.92	178.98	249.45	237.00	268.51	**1044.86**
Gross Aggregate Revenue Requirement (H) = C + D + E + F – G	714.33	903.23	1314.67	1708.19	1666.28	**6306.70**
(Over)/Under Recovery of previous CP (I) as on 31.03.2022 {Refer Table 11}	(441.6)					
Net Aggregate Revenue Requirement (J) = {H+I}	272.73	903.23	1314.67	1708.19	1666.28	**5865.10**

Particulars	FY22	FY23	FY24	FY25	FY26	Total
PV Value Factor (K)	1.78	1.59	1.42	1.26	1.13	
PV of Net Aggregate Revenue Requirement {(L) = (J) * (K)}	**485.16**	**1433.03**	**1860.29**	**2155.81**	**1875.56**	**7809.85**
Actual Aeronautical Revenue (M) {Refer Table 155}	389.14	768.64	1243.48	1542.29	1663.41	**5606.96**
PV of Aeronautical Revenue (N=M*K)	**692.24**	**1219.49**	**1759.55**	**1946.44**	**1872.33**	**7490.06**
Under Recovery / (Over Recovery) (O) as on 31.03.2027 = N-L	(207.08)	213.54	100.74	209.37	3.23	**319.80**

5.10.7 Based on the above detailed analysis, the Authority proposed to consider under-recovery amounting to Rs 319.80 Crore and the same will be adjusted in the ARR to be determined for the Fourth Control Period.

Stakeholders' comments regarding True-up of Aggregate Revenue Requirement for the Third Control Period

5.10.8 Lufthansa Group's additional comment with regards to Authority's proposal for the Fourth Control Period for RGIA, Hyderabad is as follows:

"(a) True-up of Over-Recovery and Under-Recovery

Lufthansa Group submits that any over-recovery of aeronautical revenues should be returned to airport users at the earliest opportunity through appropriate tariff adjustments. Conversely, any under-recovery should be permitted only after the Authority is satisfied that the underlying costs were prudently incurred, efficient, and genuinely attributable to regulated aeronautical activities. Airport users should not bear the financial consequences of forecasting inaccuracies or inefficient expenditure.

Retaining surplus collections for extended periods effectively results in airlines and passengers financing the airport operator interest-free, contrary to the cost-plus regulatory framework. We therefore submit that suitable interest be considered where adjustment has been delayed. During Stakeholders' Consultation Process, the Authority has not received comments / views from the Stakeholders' in response to the proposals of the Authority regarding True-up of Aggregate Revenue Requirement for the Third Control Period in the Consultation Paper No. 02/2026-27 dated 19.06.2026. "

GHIAL's response to Stakeholders comments with regards to Authority's proposal for the Fourth Control Period

5.10.9 GHIAL's response to Lufthansa group's comment with regards to Authority's proposal for the Fourth Control Period is as follows

- *True-up of over recovery and under recovery: The existing AERA framework already provides a balanced mechanism for true-up of both over-recovery and under-recovery on time value basis at the rate of WACC approved by Authority, based on actual performance and prudence review. It is important to note that, true-up should be applied symmetrically, and under-recovery should not be disallowed merely due to forecasting variations, especially where costs are prudent and attributable to regulated airport operations.*

Authority's analysis on Stakeholders' comments regarding True-up of Aggregate Revenue Requirement for the Third Control Period

5.10.10 The Authority has examined Lufthansa group's additional comment with regards to Authority's proposal. The Authority is of the following view:

True-up of Over-Recovery and Under-Recovery

5.10.11 The Authority notes the regulatory principle underlying Lufthansa's concerns. The true-up mechanism is designed to correct deviations between projected and actual outcomes, ensuring that cost recovery by airport operators remains aligned with actual incurrence and that airport users are protected from bearing forecasting inaccuracies or inefficiencies.

5.10.12 The Authority agrees that where aeronautical revenues are over-recovered (i.e., actual revenues exceed projections or actual costs are lower than projected), such over-recovery should be corrected through appropriate adjustments to the Aggregate Revenue Requirement (ARR) and tariff structure for the subsequent control period, thereby benefiting airport users through lower charges. The Authority notes that the AERA Guidelines, 2011 provide for true-up of aeronautical revenues, with adjustments to be undertaken at the time of tariff determination for the subsequent control period.

5.10.13 Based on the above rationale for each building block, the Authority has recomputed the Aggregate Revenue requirement for the Third Control Period is given in the table below:

Table 165: Aggregate Revenue Requirement decided by the Authority for True-up for the Third Control Period

(Rs. in crores)

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Average RAB (A) {Refer **Table 62**}	2093.99	2939.65	5051.38	6404.21	6370.28	
WACC (B) {Refer **Table 70**}	12.12%	12.12%	12.12%	12.12%	12.12%	
Return on RAB (C=A*B)	253.83	356.34	612.32	776.31	772.20	**2771.00**
Depreciation (D) {Refer **Table 60**}	194.74	242.91	344.29	437.08	434.81	**1653.84**
Operation and Maintenance Expenditure (including concession fee) (E) {Refer **Table 146**}	399.82	536.57	655.39	778.29	783.92	**3153.98**
Aeronautical Tax (F) {Refer **Table 160**}	0.00	0.00	0.00	0.00	0.00	**0.00**
Revenue from Non-Aeronautical Services (G) {Refer **Table 152**}	369.75	596.60	831.49	790.01	895.03	**3,482.87**
Less: 30% of Revenue from Non-Aeronautical Services (H=30%*G)	110.92	178.98	249.45	237.00	268.51	**1044.86**
Gross Aggregate Revenue Requirement (I) = C + D + E + F – H	737.46	956.84	1362.56	1754.68	1722.42	**6533.96**
(Over)/Under Recovery of previous CP (J) as on 31.03.2022 {Refer **Table 11**}	(441.60)					
GST ITC Impact {Refer **Table 61**} (K)	44.55					
Net Aggregate Revenue Requirement (L) = {I+J+K}	340.41	956.84	1362.56	1754.68	1722.42	**6136.91**
PV Value Factor (M)	1.78	1.59	1.41	1.26	1.13	
PV of Net Aggregate Revenue Requirement {(N) = (L) * (M)}	605.53	1,518.02	1,927.99	2,214.41	1,938.69	**8204.64**
Actual Aeronautical Revenue (O) {Refer **Table 156**}	389.14	768.64	1243.48	1542.29	1663.41	**5606.96**
PV of Aeronautical Revenue (P=M*O)	692.21	1,219.45	1,759.49	1,946.37	1,872.27	**7489.79**
Under Recovery / (Over Recovery) (Q) as on 31.03.2027 = P-N	(86.68)	298.58	168.50	268.03	66.42	**714.85**

5.10.14 Based on the above, an under-recovery of Rs. 714.85 Crores as determined by the Authority is decided to be considered for true-up in the next Control Period as part of the tariff determination process for the Fourth Control Period as against an under-recovery of Rs. 319.80 Crores determined at the Consultation Stage.

5.11. Authority's decisions regarding True-up for the Third Control Period

Based on the material before it and its examination, the Authority decides the following regarding True-up for the Third Control Period.

5.11.1 To consider Traffic for True-up for the Third Control Period based on Actuals as per **Table 13.**

5.11.2 To consider Aeronautical Capex for True-up of the Third Control Period as per **Table 59**

5.11.3 To consider the Aeronautical Depreciation and Regulatory Asset Base (RAB) for True-up for the Third Control Period as per **Table 62.**

5.11.4 To consider the WACC for True-up for the Third Control Period as per **Table 70.**

5.11.5 To consider Aeronautical Operation and Maintenance Expenses for True-up for the Third Control Period as per **Table 146.**

5.11.6 To consider Non-Aeronautical Revenue for True-up for the Third Control Period as per **Table 152.**

5.11.7 To consider Aeronautical Revenues for True-up for the Third Control Period as per **Table 156.**

5.11.8 To consider Aeronautical Taxes as Nil for the Third Control Period as per **Table 160.**

5.11.9 To consider under recovery of **Rs. 714.85 Cr** (as per **Table 165**) 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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6. TRAFFIC PROJECTIONS FOR THE FOURTH CONTROL PERIOD

6.1. GHIAL's submission regarding Traffic projections for the Fourth Control Period

6.1.1 GHIAL, in its MYTP for the Fourth Control Period, submitted traffic projections in respect of passenger traffic, Air Traffic Movements (ATM) and cargo for Rajiv Gandhi International Airport, Hyderabad ("RGIA") for the period FY 2026–27 to FY 2030–31. The said projections were developed by CAPA vide its traffic study dated 02.06.2025, which had projected total passenger traffic of 218.30 Mn, ATMs of 1,440.81 thousand and cargo of 1,319.30 thousand MT over the Fourth Control Period.

Passenger and ATM

6.1.2 CAPA forecasted the passenger traffic movement for domestic and international flights at RGIA using a multi-faceted approach as set out hereunder:

i. Demand-side forecasts had been developed on the basis of linear and exponential regression analyses undertaken at the national, state, and district levels;

ii. Supply-side forecasts had been formulated taking into account the prevailing fleet size and the operating characteristics of the airlines serving RGIA;

iii. Industry-based assumptions, derived from prevailing analytical benchmarks, had been applied for the purpose of converting passenger forecasts into Air Traffic Movement ("ATM") forecasts;

iv. The aforesaid demand-side and supply-side analyses had been combined to arrive at the recommended primary forecast of passenger traffic and ATMs; and

v. The said primary forecast had thereafter formed the basis for the derivation of secondary forecasts, including, inter alia, peak hour activity and transfer traffic.

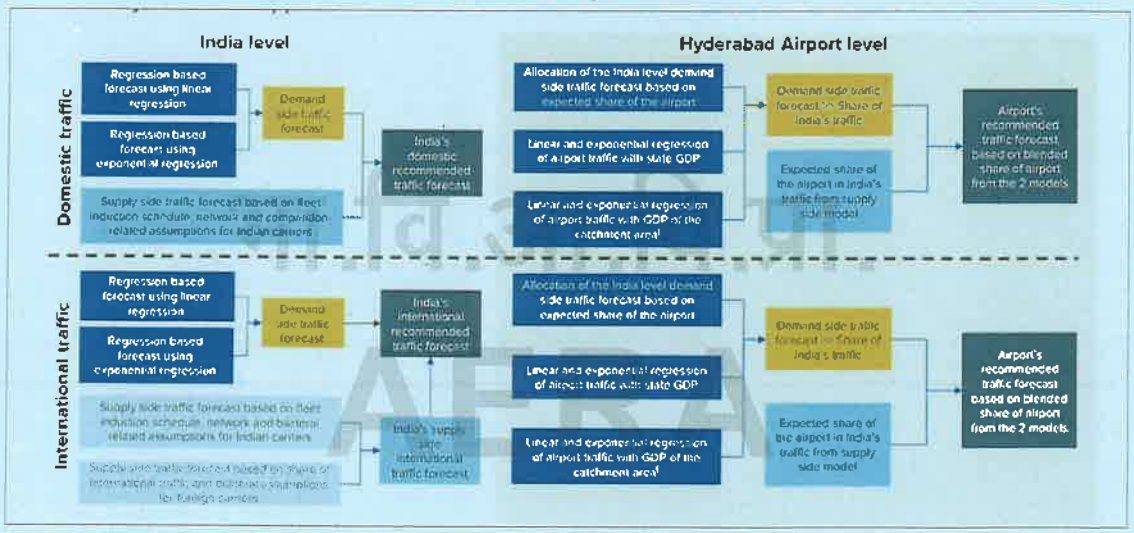


Figure 1:Air Traffic Forecast Approach taken by CAPA

6.1.3 The transfer traffic projections in respect of Rajiv Gandhi International Airport, Hyderabad ("RGIA") for the Fourth Control Period had been developed separately for domestic and international transfers, and the said projections had thereafter been aggregated to determine the total transfer passenger movements at the airport. The said exercise had been 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").

Cargo

6.1.4 For the purpose of forecasting cargo traffic at RGIA over the Fourth Control Period, CAPA 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 RGIA.

6.1.5 CAPA in its report submitted that, while the regression-based forecasting model linked to national, state, and catchment-area Gross Domestic Product ("GDP") provided a reasonable directional indicator of cargo volumes corresponding to the broader economic expansion, the said model did not, in itself, fully capture the commodity-specific drivers underlying the nature of cargo handled at RGIA, particularly with respect to international cargo.

6.1.6 CAPA further submitted that, having regard to the commodity concentration of cargo at RGIA, it became necessary to factor in the dynamics of the pharmaceutical and Engineering & Aerospace industries while developing the cargo forecasts.

6.1.7 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, ATM, and Cargo Traffic, are presented in the table below:

Table 166: Growth Rates considered by CAPA towards Traffic Projections for GHIAL for the Fourth Control Period

FY ending March 31	FY27	FY28	FY29	FY30	FY31
Passenger Traffic					
Domestic	11.56%	8.17%	9.97%	5.77%	7.01%
International	12.10%	14.30%	13.90%	13.40%	10.80%
ATM					
Domestic	11.20%	7.80%	8.90%	4.70%	5.50%
International	11.90%	15.30%	12.40%	14.30%	9.60%
Cargo					
Domestic	6.80%	6.80%	6.40%	6.30%	6.30%
International	11.30%	11.50%	10.80%	10.80%	10.80%

6.1.8 Accordingly, GHIAL, in its MYTP, submitted the traffic projections for the Fourth Control Period adopting the growth rates derived from the CAPA study, as detailed in the table below:

Table 167: Traffic Projections Submitted by GHIAL for the Fourth Control Period

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Passenger Traffic (Mn)						
Domestic	30.6	33.1	36.4	38.5	41.2	**179.8**
Domestic YoY Growth	*11.56%*	*8.17%*	*9.97%*	*5.77%*	*7.01%*	
International	6.3	7.2	8.2	9.3	10.3	**41.3**
International YoY Growth	*12.10%*	*14.30%*	*13.90%*	*13.40%*	*10.80%*	
Total	**36.9**	**40.3**	**44.6**	**47.8**	**51.5**	**221.1**
Air Traffic Movements (Nos)						
Domestic	2,11,424	2,28,003	2,48,379	2,60,042	2,74,391	**12,22,239**

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Domestic YoY Growth	*11.20%*	*7.80%*	*8.90%*	*4.70%*	*5.50%*	
International	36,419	41,978	47,168	53,919	59,110	**2,38,594**
International YoY Growth	*11.90%*	*15.30%*	*12.40%*	*14.30%*	*9.60%*	
Total	**2,47,843**	**2,69,981**	**2,95,547**	**3,13,961**	**3,33,501**	**14,60,833**
Cargo Projection (000's MT)						
Domestic	83.1	88.7	94.4	100.3	106.6	**473.1**
Domestic YoY Growth	*6.80%*	*6.80%*	*6.40%*	*6.30%*	*6.30%*	
International	135.7	151.3	167.6	185.7	205.9	**846.2**
International YoY Growth	*11.30%*	*11.50%*	*10.80%*	*10.80%*	*10.80%*	
Total	**218.8**	**240**	**262**	**286**	**312.5**	**1,319.30**

6.2. Authority's examination regarding Traffic projections for the Fourth Control Period at the Consultation Stage

6.2.1 The Authority carefully examined the traffic projections submitted by GHIAL in respect of Rajiv Gandhi International Airport, Hyderabad ("RGIA") for the Fourth Control Period (i.e., FY 2026–27 to FY 2030–31), as developed by its independent traffic consultant, CAPA, and undertook a detailed examination of the methodology adopted.

Passenger Traffic and ATM

6.2.2 The Authority examined the demand-side and supply-side passenger forecasting methodology adopted by CAPA for Rajiv Gandhi International Airport, Hyderabad ("RGIA") for the Fourth Control Period, as submitted by GHIAL.

6.2.3 The Authority noted that the demand-side passenger forecasting methodology adopted by CAPA comprised an econometric regression-based three-tiered approach applied at the national, state, and district levels, supplemented by qualitative adjustments and validated through a back-testing exercise. The Authority was of the opinion that the said methodology was broadly consistent with established forecasting practices adopted in past traffic forecasting exercises for major Indian airports and represented a methodologically sound framework for traffic projections.

6.2.4 The Authority further noted that the use of historical data spanning a period in excess of twenty (20) years lent robustness to the regression analysis. The three-tiered application of the model captured the layered economic drivers of demand at RGIA, i.e. national-level inbound traffic, state-level economic activity in Telangana, and catchment-area economic activity.

6.2.5 The Authority noted that the methodology adopted by CAPA for the projection of transfer traffic comprised a segment-wise iterative approach, 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, and a combination of historical CAGR based extrapolation supplemented by qualitative adjustments. The Authority was of the view that the said segment-wise approach was broadly appropriate, having regard to the fact that each transfer segment was influenced by distinct demand drivers, competitive dynamics, and network considerations, and a uniform forecasting approach across all segments would not adequately capture the heterogeneity of transfer traffic at RGIA.

6.2.6 The ATM forecasting methodology adopted by CAPA, comprising hierarchical modelling at three levels and sequential four-step computation by aircraft type, was methodologically appropriate and consistent with established forecasting practices.

Cargo Demand

6.2.7 The Authority carefully examined the cargo forecasting methodology adopted by CAPA for RGIA, comprising regression-based projections supplemented by commodity-specific qualitative adjustments, as submitted by GHIAL.

6.2.8 The Authority noted that CAPA had duly recognised the structural distinctiveness of cargo flows at RGIA being export-weighted and significantly concentrated in pharmaceutical and engineering commodities and supplemented the regression-based forecasts with commodity-specific qualitative adjustments. The said approach was methodologically sound and represented a more granular treatment than a purely regression-based forecast, which would not adequately capture the commodity concentration at RGIA.

6.2.9 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:

- *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.*
- *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.*
- *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.*
- *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.*

6.2.10 The Authority further reviewed the historical traffic performance at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), including the traffic growth rates witnessed over the preceding five financial years. The Authority observed that passenger traffic at RGIA registered a substantial recovery in the post-COVID-19 period, returning to pre-pandemic levels by FY 23. The said growth trajectory had been sustained thereafter, with passenger traffic having increased by 19.27% in FY 24 and 16.5% in FY 25 on a year-on-year basis, thereby reflecting a sustained momentum in air travel demand at the airport.

6.2.11 The Authority examined the year-on-year growth rates considered by GHIAL for the purposes of its traffic projections, and noted that the actual passenger traffic at RGIA for FY 26 had fallen below the corresponding projection submitted by GHIAL. The said shortfall was attributable to certain global events and macroeconomic circumstances witnessed during the second half of the said financial year, which moderated the pace of traffic growth.

6.2.12 In view of the above, the Authority (through its independent consultant) sought clarification from GHIAL on the rationale for considering high growth rates in the traffic projection.

6.2.13 In response, GHIAL submitted revised forecasted passenger traffic for the Fourth Control Period, as detailed below:

Table 168: Revised forecasted passenger traffic submitted by GHIAL for the Fourth Control Period

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Passenger Traffic (Mn)						
Domestic	28.7	32.1	36.4	38.6	41.2	177.0
Growth %	*11.2%*	*11.8%*	*13.4%*	*6.0%*	*6.7%*	
International	6.3	7.2	8.2	9.3	10.3	41.3
Growth %	*10.5%*	*14.3%*	*13.9%*	*13.4%*	*10.8%*	
Total	**35**	**39.3**	**44.6**	**47.9**	**51.5**	**218.3**
Growth %	*11.1%*	*12.3%*	*13.5%*	*7.4%*	*7.5%*	
Air Traffic Movements (Nos)						
Domestic	198,296	221,115	248,379	260,042	274,391	1,202,223
Growth %	*12.2%*	*11.5%*	*12.3%*	*4.7%*	*5.5%*	
International	36,419	41,978	47,168	53,919	59,110	238,594
Growth %	*13.6%*	*15.3%*	*12.4%*	*14.3%*	*9.6%*	
Total	**234,715**	**263,093**	**295,547**	**313,961**	**333,501**	**1,440,817**
Growth %	*12.4%*	*12.1%*	*12.3%*	*6.2%*	*6.2%*	

6.2.14 The Authority observed that comparatively higher year-on-year growth rates had been considered by GHIAL for the first three years of the Fourth Control Period in respect of the projected passenger traffic at Rajiv Gandhi International Airport, Hyderabad ("RGIA"). Accordingly, the Authority sought further clarification from GHIAL with regard to the basis and underlying assumptions for the said growth rates.

6.2.15 The Authority examined GHIAL's response in this regard, as furnished vide its e-mail dated 18.02.2026, and noted that the said comparatively higher growth rates had been projected having regard to the following factors:

I. The expected normalisation of IndiGo's operations by the Summer 2026 schedule, based on the airline schedules filed by the said carrier;

II. The induction of new aircraft by Indian carriers towards the end of Q2 of FY 28 or the commencement of Q3 of FY 28; and

III. The aggressive international network expansion plans of Indian carriers, including, inter alia, the following:

- IndiGo's announcement that 40% of its total operations would be international by the year 2030;
- Akasa Air's preparation for a phased international expansion; and
- Air India's major international network expansion as part of its multi-year transformation under the Tata Group.

6.2.16 The Authority examined the historical trajectory of passenger traffic at Rajiv Gandhi International Airport, Hyderabad ("RGIA"), with reference to the CAGR observed over various time horizons, viz., 10-year (FY 2015-16 to FY 2025-26) and 3-year (FY 2022-23 to FY 2025-26).

6.2.17 The Authority observed that the 3-year CAGR (FY 2022-23 to FY 2025-26), being the most recent and steady-state period in the post-pandemic recovery phase, provided a credible and forward-looking empirical basis for assessing the underlying growth momentum of passenger traffic at RGIA, free from the distortions of the pandemic-impacted base years that influenced the longer-term CAGR.

6.2.18 The Authority observed the following key trends emerging from the said analysis:

(i) **Robust Total Passenger Growth**: The total passenger traffic at RGIA registered a 3-year CAGR of 13.2%, which was materially higher than the 10-year CAGR of 9.3%, indicating a structural acceleration in the growth momentum of the Airport in the post-pandemic period. The said growth rate was reflective of the enhanced connectivity, expanded route network, and the strategic positioning of Hyderabad as a key aviation hub in southern India.

(ii) **Strong International Traffic Growth**: International passenger traffic witnessed a 3-year CAGR of 16.9%, materially outpacing the 10-year CAGR.

6.2.19 The Authority noted that the growth rates submitted by GHIAL for the projection of Passenger Traffic and ATMs over the Fourth Control Period had been applied to the projected base figure for FY26. With the actual traffic data for FY 26 now being available, the Authority was of the considered view that the actual figures for FY26, being more recent and empirically verifiable, ought to constitute the appropriate base for projecting traffic over the Fourth Control Period. The Authority, accordingly, proposed to determine the said growth rates with reference to the actual FY26 base, in lieu of the projected base.

6.2.20 Based on the foregoing, the projected Passenger Traffic (Total and Billable), ATM and Cargo Traffic proposed to be considered by the Authority for the Fourth Control Period are presented in the table below:

Table 169: Traffic proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

Particulars (FY ending March)						
Passenger Traffic (Mn)	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**Total**
Domestic Pax submitted by Operator	28.7	32.1	36.4	38.6	41.2	177.0
Domestic Pax Proposed by Authority	28.7	32.1	36.4	38.6	41.2	177.0
Domestic YoY Growth submitted by Operator	*11.20%*	*11.80%*	*13.40%*	*6.00%*	*6.70%*	
Domestic YoY Growth Proposed by Authority	*14.70%*	*11.80%*	*13.40%*	*6.00%*	*6.70%*	
International Pax submitted by Operator	6.3	7.2	8.2	9.3	10.3	41.3
International Pax proposed by Authority	6.3	7.2	8.2	9.3	10.3	41.3
International YoY Growth submitted by Operator	*10.50%*	*14.30%*	*13.90%*	*13.40%*	*10.80%*	
International YoY Growth proposed by Authority	*15.30%*	*14.30%*	*13.90%*	*13.40%*	*10.80%*	
Total Pax submitted by Operator	**35**	**39.3**	**44.6**	**47.9**	**51.5**	**218.3**
Total Pax proposed by Authority	**35**	**39.3**	**44.6**	**47.9**	**51.5**	**218.3**
Total Pax YoY Growth submitted by Operator	*11.10%*	*12.30%*	*13.50%*	*7.40%*	*7.50%*	
Total Pax YoY Growth proposed by Authority	*14.80%*	*12.30%*	*13.50%*	*7.40%*	*7.50%*	
Air Traffic Movements (Nos)	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**Total**
Domestic ATM submitted by Operator	198,296	221,115	248,379	260,042	274,391	1,202,223
Domestic ATM Proposed by Authority	198,296	221,115	248,379	260,042	274,391	1,202,223
Domestic ATM YoY Growth submitted by Operator	*12.20%*	*11.50%*	*12.30%*	*4.70%*	*5.50%*	
Domestic ATM YoY Growth Proposed by Authority	*12.80%*	*11.50%*	*12.30%*	*4.70%*	*5.50%*	
International ATM submitted by Operator	36,419	41,978	47,168	53,919	59,110	238,594
International ATM proposed by Authority	36,419	41,978	47,168	53,919	59,110	238,594
International ATM YoY Growth submitted by Operator	*13.60%*	*15.30%*	*12.40%*	*14.30%*	*9.60%*	

Particulars (FY ending March)						
International ATM YoY Growth proposed by Authority	*13.60%*	*15.30%*	*12.40%*	*14.30%*	*9.60%*	
Total ATM submitted by Operator	**234,715**	**263,093**	**295,547**	**313,961**	**333,501**	**1,440,817**
Total ATM proposed by Authority	**234,715**	**263,093**	**295,547**	**313,961**	**333,501**	**1,440,817**
Total ATM YoY Growth submitted by Operator	*12.40%*	*12.10%*	*12.30%*	*6.20%*	*6.20%*	
Total ATM YoY Growth proposed by Authority	*12.90%*	*12.10%*	*12.30%*	*6.20%*	*6.20%*	
Cargo Projection (000's MT)	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**Total**
Domestic Cargo submitted by Operator	83.1	88.7	94.4	100.3	106.6	473.1
Domestic Cargo Proposed by Authority	83.1	88.7	94.4	100.3	106.6	473.1
Domestic Cargo YoY Growth submitted by Operator	*6.80%*	*6.80%*	*6.40%*	*6.30%*	*6.30%*	
Domestic Cargo YoY Growth Proposed by Authority	*15.15%*	*6.80%*	*6.40%*	*6.30%*	*6.30%*	
International Cargo submitted by Operator	135.7	151.3	167.6	185.7	205.9	846.2
International Cargo proposed by Authority	135.7	151.3	167.6	185.7	205.9	846.2
International Cargo YoY Growth submitted by Operator	*11.30%*	*11.50%*	*10.80%*	*10.80%*	*10.80%*	
International Cargo YoY Growth proposed by Authority	*23.06%*	*11.50%*	*10.80%*	*10.80%*	*10.80%*	
Total Cargo submitted by Operator	**218.8**	**240.0**	**262.0**	**286.0**	**312.50**	**1,319.3**
Total Cargo proposed by Authority	**218.8**	**240.0**	**262.0**	**286.0**	**312.50**	**1319.3**
Total Cargo YoY Growth submitted by operator	*9.56%*	*9.69%*	*9.17%*	*9.16%*	*9.27%*	
Total Cargo YoY Growth proposed by Authority	*19.93%*	*9.69%*	*9.17%*	*9.16%*	*9.27%*	

6.3. Stakeholders' comments regarding Traffic for the Fourth Control Period

6.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from GHIAL, IATA and Lufthansa Group in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding traffic for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding Traffic for the Fourth Control Period

6.3.2 GHIAL's comment with regards to Traffic for the Fourth Control Period for RGIA, Hyderabad is as follows:

"3.1. Revision in traffic

The CP-4 (FY2027–FY2031) traffic forecast submitted as part of the MYTP filing dated 25 June 2025 projected cumulative passenger traffic of 221 million passengers, based on the traffic assessment undertaken by CAPA in 2025 (revised to 218 Mn in Feb 2026). However, since the submission of the MYTP, evolving geopolitical developments and adverse macroeconomic conditions have begun to moderate air travel demand and traffic growth across the Indian aviation sector. The impact of these developments is already evident in FY2026 traffic performance, where actual passenger traffic of 30.4 million passengers was significantly lower than the projected traffic of 33.1 million passengers.

The shortfall in FY2026 traffic reflects the emergence of several external factors contributing to the lower than-expected passenger traffic performance during FY2026 are outlined below.

Major FY26 passenger traffic challenges:

a) *Middle East geopolitical disruptions.*

b) *Change in FDTL regulations leading to crew shortage.*

c) *Industry-wide aircraft availability and maintenance issues.*

d) *Cross-border geopolitical uncertainty affecting demand and flight path.*

e) *Rupee currency depreciation against US dollar.*

The factors outlined above continue to exert pressure on passenger traffic growth in FY2027, as evidenced by traffic performance during Q1 FY2027 -7.09 Mn (Actual) ~12% lower than 8.07 Mn in Q1 of FY2026, and the emerging trends observed in Q2 FY2027. In light of these evolving market dynamics, GHIAL commissioned a revised traffic assessment by CAPA to evaluate the impact of prevailing geopolitical, economic, and industry-specific developments on future traffic growth.

Based on its updated analysis, CAPA has revised its CP-4 (FY2027–FY2031) passenger traffic forecast from 221 million passengers to approximately 188 million passengers. Given the material changes in the operating environment since the submission of MYTP, GHIAL respectfully requests the Authority to consider CAPA's revised traffic forecast for the purpose of tariff determination.

It is pertinent to note that, while the revised forecast reflects a moderation in passenger traffic growth during CP-4, GHIAL's planned capacity augmentation programme remains unchanged. The proposed infrastructure expansion timelines continue to be driven by long-term network development requirements, service quality obligations, operational resilience considerations, and the need to accommodate future traffic growth beyond the current control period. Accordingly, the capital expansion programme envisaged under the MYTP remains necessary and relevant notwithstanding the revised traffic outlook.

In view of the above, GHIAL respectfully requests the Authority to adopt the revised CAPA traffic projections for CP-4 and permit GHIAL to submit an updated Annual Tariff Proposal based on the revised traffic assumptions, thereby ensuring that the tariff determination is founded on the most current and realistic assessment of passenger demand."

Particulars (MPPA)	FY27	FY28	FY29	FY30	FY31	Total
Domestic	24.70	26.60	29.10	33.70	38.80	152.90
International	5.70	6.20	6.90	7.90	9.00	35.70
Total	30.40	32.80	36.00	41.60	47.80	188.60

Other stakeholders' comments regarding Traffic for the Fourth Control Period

6.3.3 IATA's comment with regards to Traffic for the Fourth Control Period for RGIA, Hyderabad is as follows:

"IATA notes that Table 154 presents the traffic proposed to be considered by the Authority for the Fourth Control Period. While the passenger traffic volumes proposed by the Authority are identical to the revised volumes submitted by GHIAL, the FY27 YoY growth percentages shown under the Authority's proposal differ from those submitted by the Operator. For example, Domestic passenger traffic for FY27 is shown as 28.7 Mn under both the Operator's submission and the Authority's proposal; however, the corresponding FY27 YoY growth is shown as 11.20% for the Operator and 14.70% for the Authority. Similarly, International passenger traffic remains 6.3 Mn under both proposals, while the FY27 YoY growth changes from 10.50% to 15.30%; and Total passenger traffic remains 35.0 Mn, while the FY27 YoY growth changes from 11.10% to 14.80%.

IATA understands that this difference may arise because the Authority has recalculated the FY27 YoY growth percentages with reference to the actual FY26 traffic base, rather than the earlier projected FY26 base used by the Operator. This interpretation appears to broadly reconcile with the revised FY26 actual traffic figures shown in Table 11, where FY26 passenger traffic is recorded as 25.02 Mn Domestic, 5.46 Mn International and 30.48 Mn Total. When the FY27 volumes in Table 154 are compared against these actual FY26 figures, the resulting growth rates broadly align with the Authority's FY27 percentages, subject to rounding.

However, the presentation in Table 154 remains unclear because the table describes the figures as "proposed by Authority", while the forecast volumes for FY27–FY31 remain unchanged from the Operator's revised submission. This creates ambiguity on whether the Authority has merely restated the FY27 growth percentages against the actual FY26 base, or whether it has independently revised the traffic forecast using actual FY26 as the base. If the latter was intended, the annual traffic volumes and corresponding control-period totals should also be recalculated.

Given that the total passenger traffic of 218.30 Mn from Table 154 is subsequently used for yield computation in the ARR/YPP tables, including Table 324, IATA requests the Authority to clarify the precise basis of Table 154. Specifically, the Authority may kindly confirm whether the traffic volumes proposed for the Fourth Control Period are intended to remain identical to GHIAL's revised forecast, with only the FY27 YoY growth percentages recalculated against the actual FY26 base; or whether any corrected annual traffic volumes are required to reflect the Authority's proposed forecasting methodology."

6.3.4 Lufthansa Group's comment with regards to Traffic for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Traffic Forecasts Must Be Realistic, Transparent and Aligned with Demonstrated International Demand

The traffic forecast forms the foundation of the proposed capital investment programme, the Regulatory Asset Base (RAB) and the Aggregate Revenue Requirement (ARR) for the Fourth Control Period. It therefore directly influences the level of aeronautical charges payable by airlines and passengers. As airport users ultimately bear the cost of these investments through regulated tariffs, it is imperative that the traffic forecasts underpinning the proposed capital programme are realistic, transparent, internally consistent and supported by robust evidence.

We recognise Hyderabad Airport's strong growth trajectory and supports investment in infrastructure that is aligned with actual demand. However, where traffic forecasts form the basis for substantial capital expenditure and corresponding tariff increases, the underlying assumptions must withstand rigorous regulatory scrutiny. Overly optimistic demand projections or inconsistencies in the methodology adopted may result in premature capacity creation, higher airport charges and an unnecessary financial burden on airlines without corresponding operational benefits.

Table 154 reflects the same passenger throughput submitted by the Airport Operator, yet applies different year-on-year growth rates. For FY27, the Airport Operator projects total passenger growth of 11.10%, whereas the Authority has adopted a growth rate of 14.80%, notwithstanding that both result in the same passenger throughput of 35.0 MPPA. Similar inconsistencies are observed in the domestic, international and cargo traffic projections. While this appears to arise from the Authority rebasing the growth rates using actual FY26 traffic rather than the projected base, the presentation creates uncertainty regarding the assumptions that underpin the proposed tariff determination. Given that these forecasts directly influence capital investment and tariff levels, greater clarity and consistency are essential.

International traffic growth assumptions warrant further justification: The projected 15.30% growth in international passenger traffic for FY27, together with the overall passenger growth of 14.80%, exceeds the post-pandemic three-year CAGR of 13.2% identified by the Authority in Paragraph 6.2.18 as the appropriate indicator of sustainable growth. Where the proposed forecast exceeds the benchmark relied upon by the Authority itself, the basis for adopting a higher growth trajectory should be clearly explained and supported by objective evidence.

The projected increase in international passenger traffic appears to rely significantly on the announced international expansion strategies of Indian carriers, including IndiGo's stated objective of increasing international operations to approximately 40% of its network by 2030 and Air India's ongoing fleet and network expansion programme. While these initiatives are positive developments for the aviation sector, they remain subject to significant commercial and operational uncertainties, including aircraft delivery schedules, global supply chain constraints, bilateral traffic rights, airport slot availability, geopolitical developments and evolving passenger demand. The Consultation Paper does not appear to demonstrate that these uncertainties have been adequately tested before being translated into substantial capital investment commitments.

International airlines operate in a highly competitive market where airport charges directly influence operating costs, route economics and decisions relating to network expansion and capacity deployment. Infrastructure developed on the basis of optimistic traffic assumptions should not result in international airlines bearing the financial consequences if the projected demand does not materialise within the relevant Control Period. Capital investment should therefore be phased in accordance with demonstrated demand, ensuring that airport users are required to pay only for infrastructure that is operationally necessary and available for use.

We respectfully requests the Authority to reconcile the inconsistencies between the growth rates and passenger volumes presented in Table 154, disclose the methodology adopted in rebasing the traffic forecasts, and evaluate the proposed international traffic projections under both base-case and conservative demand scenarios. The Authority is further requested to ensure that capital investment supporting international operations is phased in line with demonstrated demand so that international airlines are not required to finance infrastructure significantly ahead of its utilisation."
"

6.4. GHIAL's response to Stakeholders' comments regarding Traffic for the Fourth Control Period

6.4.1 GHIAL's response to Lufthansa Group's comment on Traffic for the Fourth Control Period is as follows:

"The traffic forecast submitted by GHIAL has been arrived at through a study by CAPA, a world renowned and trusted sources of market intelligence for the aviation and travel industry – report submitted to AERA as part of MYTP application.

CAPA has used a robust approach and methodology to capture multiple factors, regional and global, to forecast traffic for GHIAL.

Also, considering the various regional and global events that have impacted air traffic in India and Hyderabad in particular, GHIAL engaged CAPA to update its traffic study (previously done in early 2025 for submission in MYTP). The updated traffic forecast for RGIA shows a drop in the total traffic during the CP4 to 188 Mn passengers from proposed 218 Mn in the Consultation Paper."

6.5. Authority's analysis on Stakeholders' comments regarding Traffic for the Fourth Control Period

6.5.1 The Authority notes the submission made by GMR Hyderabad International Airport Limited (GHIAL) regarding revised traffic projections for the Fourth Control Period, reflecting impacts arising from recent geopolitical developments in the Middle East region, change in FDTL regulations leading to crew shortage, Industry-wide aircraft availability and maintenance issues, Cross-border geopolitical uncertainty affecting demand and flight path and Rupee currency depreciation against US dollar.

6.5.2 The Authority notes that the identified external factors contributing to traffic moderation particularly geopolitical disruptions, regulatory transitions, aircraft availability constraints, and currency fluctuations are predominantly temporary or cyclical in nature rather than reflecting fundamental, long-term deterioration in travel demand.

6.5.3 At the outset, the Authority notes that the traffic projections considered in the Consultation Paper for the Fourth Control Period were based on a robust methodology, including analysis of historical traffic trends, consideration of airport-specific factors, and inputs provided by GHIAL. These projections reflect a balanced and evidence-based assessment of expected air traffic growth during the subsequent years of the Fourth Control Period.

6.5.4 The Authority notes the initial months' geopolitical shocks in FY27. However, the Authority notes that GHIAL's revised traffic projections for FY27 represent an estimated 2.1% reduction in the total projected traffic during the consultation stage. Having regard to the modest nature of the projected variance (2.1%), the temporary character of the underlying geopolitical disruptions as referenced from the higher growth rate submitted by GHIAL in its revised submission 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 based on the detailed evidence based approach is appropriate.

6.5.5 Accordingly, the Authority retains the traffic projections as set out in Consultation Paper No. 02/2026-27 for FY27-FY31. The Authority will undertake a comprehensive true-up of actual traffic volumes (passengers, ATM and cargo) based on actuals traffic achieved during the Fourth Control Period at the time of tariff determination for the 5th Control Period, in accordance with the applicable regulatory framework. This approach ensures that any 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.

6.5.6 The Authority has carefully considered IATA's request for clarification regarding the methodology underlying Table 154 of the Consultation Paper, and the apparent discrepancy between the FY27 Y-o-Y growth percentages shown under the Authority's proposal and those submitted by GHIAL, despite identical absolute traffic volumes.

6.5.7 The Authority confirms that IATA's understanding is correct. The absolute traffic volumes for FY27 to FY31, as presented in Table 154 of the Consultation Paper, represent the Authority's assessment/adoption of the traffic forecast arrived at after examination of submission by GHIAL and independent assessment by the Authority, through its independent tariff consultant.

6.5.8 The only computational adjustment made by the Authority relates to the presentation of the FY27 Year-on-Year growth percentage, which the Authority has computed with reference to the actual traffic numbers achieved in FY26 'as a traffic base (as reflected in Table 11 of the Consultation Paper: 25.02 Mn Domestic, 5.46 Mn International, 30.48 Mn Total), rather than the previously projected FY26 base that GHIAL had used at the time of computing its own YoY growth percentage in its MYTP/revised submission.

6.5.9 The Authority clarifies that this adjustment is a matter of internal consistency and accuracy of presentation, rather than a substantive revision of the underlying traffic forecast. Since actual FY26 traffic data had, by the time of the Consultation Paper, already become available (as reflected in Table 11 of the Consultation Paper, which forms part of the True-Up exercise for the Third Control Period), the Authority considered it appropriate to present the FY27 growth percentage with reference to this actual, known base, rather than continuing to reflect a YoY growth percentage computed against a superseded projected FY26 figure that no longer reflected ground reality.

6.5.10 The Authority confirms that this is purely a matter of arithmetic presentation of the growth rate metric and does not imply any change to the absolute FY27 to FY31 traffic volumes, which continue to be based on the volumes reflected in GHIAL's revised traffic submission as adopted in the Consultation Paper.

6.5.11 The Authority confirms that the total passenger traffic of 218.30 Mn for the Fourth Control Period, as well as the year-wise traffic volumes underlying Table 154 of the Consultation Paper, are the figures that have been consistently applied throughout the Consultation Paper, including in the yield computation for ARR/YPP tables. The recalculation of the FY27 YoY growth percentage for presentational/informational purposes has no bearing on, and does not alter, the traffic volumes used for any computation, including tariff determination.

6.5.12 The Authority acknowledges that the manner of presentation in Table 154 describing the volumes as "proposed by Authority" while simultaneously reflecting the Operator's revised submission figures may have contributed to the ambiguity flagged by IATA. The Authority hereby clarifies that para 6.2.19 proposes to determine the growth rates submitted by GHIAL to the actual FY26 base, in lieu of the projected base, hence mention of the term "proposed by Authority"

6.5.13 The Authority has carefully considered Lufthansa Group's submission and counter comments of GHIAL regarding the need for realistic, transparent traffic forecasts and the alignment of capital investment phasing with demonstrated demand.

6.5.14 The Authority confirms, consistent with the clarification provided in response to IATA's related query, that the apparent inconsistency between growth rates and passenger volumes in Table 154 of the Consultation Paper arises solely from the Authority's rebasing of the FY27 Year-on-Year growth percentage with reference to the actual FY26 traffic (as reflected in Table 11 of the Consultation Paper), rather than the previously projected FY26 base used by GHIAL. The Authority clarifies that:

i. The absolute traffic volumes for FY27–FY31 remain unchanged from GHIAL's revised submission.

ii. This rebasing is a matter of presentational accuracy, undertaken because actual FY26 traffic data had, by the time of the Consultation Paper, already become available and was considered a more accurate base than a superseded projection

6.5.15 The Authority has carefully examined Lufthansa Group's specific and substantive concern that the projected international traffic growth of 15.30% for FY27 exceeds the post-pandemic three-year CAGR of 13.2% that the Authority itself identified in Paragraph 6.2.18 as the appropriate indicator of sustainable growth.

6.5.16 The Authority acknowledges that this is a valid and material observation requiring clarification. The Authority clarifies that:

i. The 13.2% CAGR benchmark referenced in Paragraph 6.2.18 was derived from historical trend analysis over the preceding three-year period, and was intended to serve as a general reference indicator for assessing the reasonableness of medium-to-long-term growth assumptions across the Control Period

ii. The higher FY27 growth rate (15.30%) reflects, in part, the statistical effect of rebasing against the actual (comparatively lower) FY26 international traffic base of 5.46 Mn, as recorded in Table 11, following the shortfall in FY26 traffic performance attributable to the factors set out by GHIAL (Middle East geopolitical disruptions, FDTL-related crew shortages, aircraft availability constraints, cross-border uncertainty, and currency depreciation). A lower base year, when followed by a return towards previously anticipated volumes, will mathematically produce a higher single-year growth percentage, without necessarily implying an accelerated or overly optimistic underlying demand trajectory

iii. The Authority agrees, however, that single-year growth percentages driven by base effects should not be conflated with sustainable underlying demand growth, and that this distinction merits clearer articulation in the Authority's traffic forecast methodology

6.5.17 The Authority has considered Lufthansa Group's submission regarding the uncertainties associated with airlines' announced plans to expand international operations (~40% of network by 2030) and Air India's fleet/network expansion, including aircraft delivery schedules, supply chain constraints, bilateral traffic rights, slot availability and geopolitical developments.

6.5.18 The Authority acknowledges that traffic forecasting for international operations is inherently subject to greater volatility and external dependencies compared to domestic traffic, given the multiplicity of bilateral, commercial and geopolitical factors involved. The Authority notes GHIAL's own subsequent submission (recorded elsewhere in this Consultation Paper) acknowledging that Q1 FY2027 actual traffic (7.09 Mn) was approximately 12% lower than Q1 FY2026 (8.07 Mn), and that GHIAL has itself commissioned a revised CAPA traffic assessment reflecting a substantial downward revision (from 221 Mn to 188 Mn passengers for the Fourth Control Period) on account of evolving geopolitical and macroeconomic conditions.

6.5.19 The Authority reiterates, as a fundamental feature of the regulatory framework, that the traffic forecast adopted at the Consultation Paper stage is not final and immutable. The Authority shall 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. This mechanism ensures that:

i. Any material divergence between projected and actual traffic performance, whether on account of slower-than-anticipated international growth, delayed fleet/network expansion, or other exogenous factors, will be appropriately corrected based on actual outcomes

ii. Airport users are protected from bearing the cost consequences of traffic projections that do not materialise, since the RAB and ARR building blocks will ultimately be trued-up against actual, demonstrated traffic and capacity utilization.

6.5.20 The Authority has considered Lufthansa Group's request that capital investment supporting international operations be phased in line with demonstrated demand. The Authority notes that this concern is directly addressed through the Authority's proposed adoption of the Incremental ARR Approach on User-Pay Principle for identified high-capex projects (as set out elsewhere in the Tariff Order), pursuant to which cost recovery (depreciation and return) for major capital additions, including infrastructure supporting international operations, shall commence only upon commissioning and operationalisation of the relevant assets

6.5.21 This ensures that airport users, including international airlines, are not required to bear the cost of infrastructure before it becomes available for operational use, directly responding to the core concern underlying Lufthansa Group's submission.

6.5.22 The Authority has considered the request for evaluation of international traffic projections under both base-case and conservative demand scenarios. The Authority notes that, similar concerns were also raised by GHIAL and has been examined by the Authority separately in Sr. No. 1.

6.6. Authority's decisions regarding Traffic projections for the Fourth Control Period

Based on the material before it and its examination, the Authority decides the following with respect to Traffic projections for the Fourth Control Period:

6.6.1 To consider Traffic projections as per **Table 169** for the Fourth Control Period.

6.6.2 To True-up the traffic volume (Passenger, ATM and cargo) on the basis of actual traffic in the Fourth Control Period while determining tariff for the Fifth Control Period.

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7. CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

7.1. Background

7.1.1 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 the participation of the private sector in airport development and operations, investors must be fairly compensated for the capital investment made. At the same time, to safeguard the interests of the airport users, it must be ensured that the aeronautical capital additions are necessary, reasonable and justified.

7.1.2 GMR Hyderabad International Airport Limited ("GHIAL") had submitted its MYTP for the Fourth Control Period in respect of Rajiv Gandhi International Airport, Hyderabad. As part of the MYTP, GHIAL had submitted its capital expenditure plan for the Fourth Control Period along with details of project-wise capital expenditure, means of finance, proposed capitalisation, and classification of assets into aeronautical, non-aeronautical, common and non-airport categories.

7.1.3 The capital expenditure plan submitted by GHIAL for the Fourth Control Period is primarily aimed at augmentation of airport capacity, strengthening of airside and landside infrastructure, development of terminal and associated facilities, and undertaking of other capital works required to cater to the projected traffic growth, operational requirements and service quality standards during the Fourth Control Period.

7.1.4 The Authority noted that RGIA had witnessed sustained traffic growth over the previous control periods and GHIAL had undertaken significant expansion in the Third Control Period to augment the airport capacity to 34 MPPA. In its MYTP for the Fourth Control Period, GHIAL had submitted a further capital expenditure plan to cater to the projected traffic growth and to create the required airport infrastructure over the next control period.

7.1.5 The Authority further noted that the capital expenditure submitted by GHIAL for the Fourth Control Period comprises various project heads including terminal-related development, airside infrastructure, landside infrastructure, support systems, utilities, and other allied works. GHIAL had also submitted the proposed year-wise capitalisation schedule and the allocation of such assets between aeronautical and non-aeronautical activities.

7.1.6 GHIAL had submitted that RGIA continues to be one of the major airports in India in terms of passengers, Air Traffic Movements ("ATMs") and cargo handled. As per GHIAL's submission, in FY 2024-25, RGIA handled about 7.1% of the total passengers and 7.0% of the total ATMs handled across all airports in India, thereby placing RGIA at the fourth position among Indian airports in terms of total passengers and ATMs handled, after Delhi, Mumbai and Bengaluru airports. GHIAL had further submitted that RGIA handled 1,82,426 metric tonnes of cargo in FY 2024-25, placing it amongst the top five airports in India in terms of cargo handled.

7.1.7 GHIAL had submitted that in FY 2024-25, RGIA handled 29.16 million passengers, including 24.43 million domestic passengers and 4.73 million international passengers. GHIAL had further submitted that RGIA was connected to 72 domestic destinations and 24 international destinations in FY 2024-25. While RGIA was the fourth busiest airport overall in terms of passenger traffic, GHIAL had stated that the airport recorded a faster domestic passenger growth rate compared to certain larger airports and was the sixth busiest airport in terms of international passengers, with one of the highest growth rates in international passenger traffic over the period FY 2014-15 to FY 2024-25.

7.1.8 GHIAL had submitted that between FY 2014-15 and FY 2024-25, RGIA's compound annual growth rate ("CAGR") significantly outpaced the national average across all major categories. As per GHIAL, RGIA recorded CAGR of 10.9% in total passenger traffic against the all-India average of 8.0%, CAGR of 5.4% in freight against the all-India average of 3.9%, and CAGR of 8.0% in aircraft movements against the all-India average of 6.1%, despite the impact of COVID-19. GHIAL had further submitted that amongst major airports, RGIA recorded the highest CAGR for domestic passenger traffic movements.

7.1.9 GHIAL had submitted that based on its internal assessment, the current capacity of the Southern Precinct can be enhanced to handle up to 47 MPPA through certain modifications to operational processes and infrastructure, including terminal, airside and landside infrastructure. GHIAL had stated that this approach involves maximising utilisation of existing assets through marginal capital expenditure before undertaking extensive new infrastructure development. As per GHIAL, by optimising processes and undertaking strategic enhancements to the current infrastructure, the Southern Precinct can accommodate higher traffic volumes without immediate requirement for large-scale new construction. GHIAL had categorised such works as capacity enhancement works for the Southern Precinct.

7.1.10 With respect to development of the Northern Precinct, GHIAL had submitted that initiation of the same is necessary considering both airside and terminal-side capacity constraints expected during the Fourth Control Period. GHIAL had stated that while the current Passenger Terminal Building is designed to process 34 MPPA, the runway currently has 42 approved movements per hour and is handling an average of around 36 peak hour movements. GHIAL had submitted that with high-intensity operations, subject to requisite approvals, the airside capacity may be enhanced to 46 ATMs per hour. However, as per the traffic study undertaken by CAPA, demand for 46 ATMs per hour is expected to be exceeded during FY 2028-29.

7.1.11 GHIAL had further submitted that the projected traffic indicates that the estimated handling capacity of the existing Southern Terminal, even after the proposed capacity enhancement works, would be exceeded by FY 2029-30, with passenger traffic expected to reach 47.8 million passengers in FY 2029-30. Accordingly, GHIAL had submitted that expansion of infrastructure beyond the proposed modifications to the Southern Precinct is required to cater to future demand.

7.1.12 GHIAL had submitted that plans are being prepared to develop new infrastructure in the northern part of the land parcels at RGIA to accommodate the anticipated increase in traffic. GHIAL had proposed to commence development of the Northern Precinct from FY 2026-27, considering an estimated construction timeline of around three years for the runway and Passenger Terminal Building to become operational by FY 2029-30. GHIAL had stated that the expansion project proposed for the Fourth Control Period is aligned with the above capacity requirements.

7.1.13 GHIAL had also submitted that, in order to optimise the development plan for the Northern Precinct, it is in the process of appointing an Independent Consultant for preparation of the Master Plan and that further details would be provided as and when finalised.

7.1.14 The Authority had appointed M/s RITES Limited ("RITES") to undertake an independent evaluation of the capital expenditure plan submitted by GHIAL for the Fourth Control Period and to assess the reasonableness, efficiency and prudence of the proposed capital expenditure, project scope and implementation schedule.

7.1.15 Based on the submissions made by GHIAL, the analysis undertaken by the Independent Consultant, and the applicable regulatory principles, the Authority had examined the capital expenditure plan for the Fourth Control Period in the subsequent paragraphs.

7.1.16 Accordingly, the Authority had presented its views in the following order:

- Expansion Capex for the Fourth Control Period.
- General Capex for the Fourth Control Period
- Aeronautical Allocation of Capital Expenditure for the Fourth Control Period
- Aeronautical Depreciation for the Fourth Control Period
- Regulatory Asset Base for the Fourth Control Period

7.2. GHIAL's submission regarding Capital Expenditure (Capex) for the Fourth Control Period

7.2.1. GHIAL in its MYTP for the Fourth Control Period had submitted the Capital Expenditure, Depreciation and Regulatory Asset Base for the period FY 2026-27 to FY 2030-31. GHIAL had submitted that the capital expenditure proposed for the Fourth Control Period is required to augment the existing airport infrastructure, to cater to the projected growth in passenger traffic, air traffic movements and cargo at RGIA.

7.2.2. GHIAL had submitted that the capital expenditure proposed for the Fourth Control Period comprises the following broad categories:

(A) Capacity Enhancements to the Southern Precinct

(B) Northern Runway & Associated Airside Works

(C) Northern Precinct Development- Landside Works

(D) Airport Connectivity and Transport

(E) General Capital Expenditure

7.2.3. GHIAL had submitted that it had appointed M/s CAPA for undertaking a traffic growth study for RGIA. Based on the study undertaken by CAPA, GHIAL had projected passenger traffic to increase from 36.9 million passengers in FY 2026-27 to 51.5 million passengers in FY 2030-31.

7.2.4. GHIAL had submitted that the existing airport infrastructure, even after the capacity augmentation undertaken during the Third Control Period, would require further enhancement to cater to the projected traffic growth. GHIAL had submitted that the capacity enhancement of the Southern Precinct would increase the terminal capacity from **34 MPPA to 47 MPPA**. Further, the development of the Northern Precinct is proposed to add **20 MPPA** capacity, thereby increasing the total terminal capacity of RGIA to **67 MPPA**.

7.2.5. Subsequent to above, GHIAL, based on Jacob's study on "Terminal 1 Capacity Assessment", bearing Report No. GHIAL-JAC-P-MPL-V-PDR-004 dated 28.02.2026, had made a revised submission that the Terminal 1 can maintain stable operational performance up to approximately 37 MPPA (pending implementation of long-term terminal development initiatives) which through peak spreading and process improvements can achieve a maximum capacity of **40 MPPA.**

GHIAL, in its revised submission had stated that the designed capacity of the Terminal 1 was earlier calculated before the BCAS guidelines issued, and the current capacity assessment considers BCAS guidelines where applicable, hence the declared capacity reduced from the earlier assessment. Further, the Jacob's study assessment is based on all key passenger processing systems considering existing infrastructure, BCAS requirement and operational parameters currently in use at the airport. GHIAL further highlighted that the Terminal 1 is approaching its practical operating limits, with domestic capacity primarily constrained by baggage reclaim facilities and international capacity limited by check-in

processing. GHIAL had also submitted that baggage make-up positions and kerbside operations are critical pressure points. GHIAL had further stated that targeted operational and infrastructure interventions, such as upgrades to the BHS/BMA systems, reconfiguration of check-in facilities, expansion of domestic security screening capacity, and enhancements to baggage reclaim flexibility, may improve operational performance up to 37 MPPA only. Any incremental increase in annual traffic beyond 37 MPPA and up to 40 MPPA can be achieved only through spreading of peaks.

7.2.6. GHIAL had submitted that the proposed improvements in the existing terminal building includes the following:

- MLCP (Multi Level Car Park)
- Addition of 9 stands equivalent to Code C on eastern side and 3 equivalent Code C on western side
- BHS-BMA Upgrade and Transfer Baggage Storage Management
- Improvement of Departure & Arrival Entry & Exit NAKA
- Conversion of Stand 53 to Code E / MARS Stand with associated works
- Conversion from Self Bag Drops ("SBDs") to Assisted Bag Drops ("ABDs") / check-in island reconfiguration
- Conversion of 8 Swing PESC and associated civil works
- Addition of one machine in PESC area for D-to-D transfer
- Other miscellaneous works

7.2.7. GHIAL had further submitted that the above improvements are expected to enhance the capacity of various passenger processing facilities in the existing terminal building as follows:

Table 170: List of improvements to enhance the capacity of various passenger processing facilities in the existing terminal building

Particulars	Existing Capacity in Peak Hour	Capacity after Proposed Improvements in Peak Hour
Domestic Check-in Capacity	4,430	4,747
International Check-in Capacity	1,165	1,292
Domestic Security Lane Capacity	3,420	3,800
Domestic Reclaim Capacity	3,080	3,500
International Emigration Capacity	1,787	2,172
International Immigration Capacity	1,779	2,179

7.2.8. Based on above, the final current and post enhancement capacity of the Terminal, as submitted by GHIAL, is summarized in table below:

Table 171: Terminal capacity post enhancement works in Southern Precinct

Terminal	Passenger Handling Capacity before Enhancement Works (Mn)	Enhancement (Mn)	Passenger Handling Capacity after Enhancement Works (Mn)
Southern Precinct Terminal	34	6	40
Total Handling Capacity	**34**	**6**	**40**

Table 172: Terminal capacity post development of Northern Precinct

Terminal	Passenger Handling Capacity before Northern Precinct (Mn)	Northern Precinct Addition (Mn)	Passenger Handling Capacity after Northern Precinct (Mn)
Southern Precinct Terminal	40	-	40
Northern Precinct Terminal	-	20	20
Total Handling Capacity	**40**	**20**	**60**

7.2.9. GHIAL had submitted the capital expenditure plan for the Fourth Control Period comprising capacity enhancement works in the Southern Precinct, development of the Northern Precinct, Airport Connectivity and Transport systems and General Capex. The overall capex plan submitted by GHIAL for the Fourth Control Period is as follows:

Table 173: Overall Capex Plan submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

S. No.	Particulars	Cost submitted by GHIAL in MYTP (Excluding IDC)	Capitalization Year
A	Capacity Enhancement to Southern Precinct	427.00	FY 2028 and FY 2029
B	Northern Runway & associated airside works	4,460.80	30-Sep-2029
C	Northern Passenger Terminal Building	6,780.54	30-Sep-2029
D	Airport Connectivity and Transport Systems	1,014.60	30-Sep-2029
E	General Capex	1,302.26	Yearly Capitalization
Total		**13,985.20**	

7.2.10. Further, GHIAL had proposed to capitalize in FY 2027 the capital expenditure amounting to **Rs. 168.50 Crores**, which was deferred from the Third Control Period.

7.2.11. GHIAL had submitted that all the project costs are projected to be funded through **70% debt and 30% equity**.

Capacity Enhancement to Southern Precinct (Existing terminal)

7.2.12. GHIAL had submitted that the existing Southern Precinct had scope for enhancement of capacity to cater to the immediate requirements of the airport. The proposed capacity enhancement works are expected to increase the passenger processing capacity of RGIA from **34 MPPA to 40 MPPA** on the terminal side.

7.2.13. The scope enhancement projects proposed by GHIAL for the Southern Precinct during the Fourth Control Period are shown below:

Table 174: Capacity Enhancement projects proposed for Southern Precinct

(Rs. In crores)

S. No.	Nature of Work	Project	Expected Cost
A1	Car Park	MLCP (Multi Level Car Park)	219.20
A2	Airside Works	Addition of 9 stands equivalent to Code C on eastern side and 3 equivalent Code C on western side	137.62
A3	Terminal Side	BHS-BMA Upgrade and Transfer Baggage Storage Management	24.82
A4	Terminal Side	Improvement of Departure & Arrival Entry & Exit NAKA	13.01

S. No.	Nature of Work	Project	Expected Cost
A5	Airside Works	Conversion of Stand 53 to Code E / MARS Stand with associated works	12.81
A6	Terminal Side	Conversion from SBD to ABD / check-in island reconfiguration	6.02
A7	Terminal Side	Conversion of 8 Swing PESC and associated civil works	5.98
A8	Terminal Side	Addition of one machine in PESC area for D-to-D transfer	4.66
A9	Terminal Side	Other miscellaneous works	3.15
Total			**427.00**

Northern Runway & Associated Airside Works

7.2.14. GHIAL had submitted that the development of the Northern Precinct is required to cater to the increasing passenger and aircraft traffic at RGIA. The proposed development includes airside works comprising runway, taxiway, aprons, navigational aids and elevated cross taxiway. GHIAL had submitted that the proposed new runway would be towards the northern side of the existing runway, and the northern precinct would require earthworks, site grading and development of airside connectivity between the northern and southern airfield precincts.

7.2.15. The capex cost submitted by GHIAL towards Northern Runway and associated airside works is as follows:

Table 175: Capex Costs towards Northern Runway and associated airside works

Activity	Unit	Qty	Rate (INR)	Cost (Rs Crores)
Runway, Taxiway and Apron	Sqm	13,23,644	12,936	1712.29
Elevated Taxiway	Sqm	1,53,000	46,435	710.45
Airside Ancillary Building	Sqm	12,000	80,966	97.16
Perimeter Wall	M	14,500	25,776	37.38
Earth Works	M3	1,10,00,000	827	909.54
External Utilities				194.44
Taxiway as emergency runway	Sqm	83,600	12,936	108.15
GSE Building				28.02
Airside Roads	KMS	45	1,84,94,279	83.22
GSE Parking	Sqm	25,000	12,936	32.34
Sub-total: Hard Costs				**3912.99**
Preliminaries & Other Cost	2%			78.26
Permits, Insurance etc.	2%			78.26
Design & PMC	5%			195.65
Contingencies	5%			195.65
Sub-total: Soft Costs				**547.82**
Total Cost				**4460.80**

7.2.16. The phasing of the capex cost towards Northern Runway and associated airside works submitted by GHIAL is as follows:

Table 176: Phasing of Capex Costs towards Northern Runway and associated airside works

(Rs. In crores)

Capex Phasing	FY 27	FY 28	FY 29	FY 30
Opening Works in Progress (A)	-	1,073.42	2,333.23	3,801.65
Works during the year (B)	1,073.42	1,260.81	1,467.42	659.15
Commission of Assets (C)	-	-	-	4,460.80
Closing Works in Progress (A+B-C)	1,073.42	2,334.23	3,801.65	-

Northern Precinct Development- Landside Works

7.2.17. GHIAL had submitted that the proposed Northern Precinct Development- Landside Works would be developed towards the northern side of the existing terminal building and would be integrated with the overall airport development plan. The proposed terminal building is planned with a built-up area of around **2,25,000 sqm** and is designed to handle **20 MPPA**. GHIAL had further submitted that the Northern Passenger Terminal Building would be connected with the Southern Precinct and would provide integrated domestic and international passenger processing capability, with a modular design to enable future expansion beyond 20 MPPA.

7.2.18. GHIAL had submitted that the proposed Northern Precinct Development- Landside Works would include provision for 4 entry gates, 112 check-in counters, 16 ATRS lanes, 19 fixed link bridges, 7 bus gates, 8 baggage claim belts and 30 immigration counters. GHIAL had also submitted that the terminal would include provision for retail, food and beverage, duty free, lounges and office areas, wherein the shell and core would be developed by GHIAL and the fit-outs would be undertaken by the respective concessionaires.

7.2.19. The capex cost submitted by GHIAL towards the Northern Passenger Terminal Building is as follows:

Table 177: Capex Costs towards Northern Precinct Development- Landside Works

Activity	Unit	Qty	Rate (INR)	Cost (Rs. Cr)
Terminal Building	Sqm	2,25,000	2,12,915	4,790.59
CNS ATM Building	Sqm	4,400	80,966	35.62
Landside Ancillary Buildings	Sqm	3,000	80,966	24.29
Landside Roads	Sqm	28,455	5,284	15.04
Dual Elevated Ramp	Sqm	25,000	46,435	116.09
Landscaping				67.40
Car Parking Area	Sqm	1,00,000	9,545	95.45
IT Systems & Telecommunication				635.33
Operational Equipment				63.34
External Utilities				194.44
Sub-total: Hard Costs				**6,037.59**
Preliminaries & Other Cost	2%			106.14
Permits, Insurance etc.	2%			106.14
Design & PMC	5%			265.34
Contingencies	5%			265.34
Sub-total: Soft Costs				**742.95**
Total Cost				**6780.54**

7.2.20. GHIAL had submitted that the Northern Passenger Terminal Building works are proposed to be initiated from January 2027, and the project is proposed to be capitalised by September 2029 in order to cater to the increased demand at RGIA. The phasing of capex cost towards Northern Passenger Terminal Building is as follows:

Table 178: Phasing of Capex Costs towards Northern Precinct Development- Landside Works

(Rs. In crores)

Capex Phasing	FY 27	FY 28	FY 29	FY 30
Opening Works in Progress (A)	-	480.95	2,855.78	5,427.70
Addition (B)	480.95	2,374.84	2,571.92	1,352.85
Commission of Assets (C)	-	-	-	6,780.54
Closing Works in Progress (A+B-C)	480.95	2,855.78	5,427.70	-

Airport Connectivity and Transport Systems

7.2.21. GHIAL had submitted that as part of the long-term strategic initiative to enhance surface access to the airport and support its growth, it engaged Unitrans Mobility Solutions to develop a comprehensive Airport Connectivity and Transport Master Plan. GHIAL had submitted that the objective of the plan is to ensure seamless, efficient and scalable ground transport connectivity for passengers and cargo in line with future traffic growth projections.

7.2.22. The capex cost submitted by GHIAL towards the Airport Connectivity and Transport Systems is as follows:

Table 179: Capital Expenditure for Airport Connectivity and Transport Systems submitted by GHIAL

(Rs. In crores)

Activity	Capex submitted by GHIAL
Flyover on east-west road (Main Access Road)	77.00
Underpass on east-west road (Main Access Road)	58.00
Underpass on Main Access Road near Eastern ECT	211.00
Underpass on Main Access Road near Western ECT	223.00
Underpass along East-West Road (4L+4L)	181.00
Underpass Extension along East-West Road	81.00
North-South Road	44.00
18m Road (2+2)	15.00
Sub-total: Hard Cost	**890.00**
Soft Costs	**124.60**
Total Cost	**1,014.60**

7.2.23. The phasing of capex costs towards Airport Connectivity and Transport Systems submitted by GHIAL is as follows:

Table 180: Phasing of Capex Costs towards Airport Connectivity and Transport Systems

(Rs. In crores)

Capex Phasing	FY 29	FY 30
Opening Works in Progress (A)	-	675.16
Works during the year (B)	675.16	339.44
Commission of Assets (C)	-	1,014.60
Closing Works in Progress (A+B-C)	675.16	-

7.2.24. GHIAL had submitted that while airport metro had been proposed in the Third MYTP application, there is currently no visibility on the project DPR, project timelines, expected start date and expected end date. Accordingly, GHIAL had not proposed any costs pertaining to metro connectivity in the current MYTP application and had stated that it would approach the Authority once the details are crystallised.

General Capex for the Fourth Control Period

7.2.25. GHIAL had submitted General / Operations Capex for the Fourth Control Period under the head General Maintenance Capital Expenditure.

7.2.26. GHIAL had submitted that the major allocations proposed by GHIAL include Rs. 391.8 Crores towards Security and Vigilance, Rs. 389.5 Crores towards Project, Engineering & Maintenance, Rs. 197.0 Crores towards IT infrastructure, and Rs. 131.5 Crores towards Strategic Initiatives. Further, GHIAL had submitted Rs. 94.8 Crores towards Terminal Operations, Rs. 53.4 Crores towards Landscape Development, and Rs. 44.2 Crores towards Airport Rescue and Fire Fighting.

7.2.27. The year-wise General Capex proposed by GHIAL is as follows:

Table 181: General Capex proposed by GHIAL for the Fourth Control Period

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
General Maintenance Capital Expenditure	552.91	268.01	142.42	175.11	163.81	**1,302.26**

7.3. Authority's examination regarding Capex for the Fourth Control Period at the Consultation Stage

7.3.1. The Authority had examined the capital expenditure proposed by GHIAL in its MYTP for the Fourth Control Period with reference to the traffic projections, capacity requirements, 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 had been categorised under the following broad heads in line with the submission made by GHIAL:

(A) Capacity Enhancements to the Southern Precinct

(B) Northern Runway & Associated Airside Works

(C) Northern Precinct Development- Landside Works

(D) Airport Connectivity and Transport

(E) General Capex

7.3.2. While examining the capital expenditure proposed by GHIAL for the Fourth Control Period, the Authority had taken into consideration the traffic projections submitted by GHIAL, the capacity available at the existing Southern Precinct, the revised capacity assessment of the existing terminal building, and the requirement for development of additional airport infrastructure over the Fourth Control Period.

7.3.3. The Authority noted that GHIAL had initially submitted that the existing airport infrastructure, even after the capacity augmentation undertaken during the Third Control Period, would require further enhancement to cater to the projected traffic growth at RGIA. GHIAL had proposed that the enhancement of the Southern Precinct would increase the terminal capacity from 34 MPPA to 47 MPPA, and that the proposed development of the Northern Precinct would add another 20 MPPA, thereby increasing the total terminal capacity to 67 MPPA.

7.3.4. Subsequently, GHIAL, based on Jacob's study on "Terminal 1 Capacity Assessment", bearing Report No. GHIAL-JAC-P-MPL-V-PDR-004 dated 28.02.2026, had made a revised submission that the Terminal 1 can maintain stable operational performance up to approximately 37 MPPA (pending implementation of long-term terminal development initiatives) which through peak spreading and process improvements can achieve a maximum capacity of **40 MPPA.**

7.3.5. The Authority noted GHIAL's submission that the Jacob's study assessment is based on all key passenger processing systems considering existing infrastructure, BCAS requirement and operational parameters currently in use at the airport. The Authority further noted from the submission of GHIAL that Terminal 1 is approaching its practical operating limits, with domestic capacity primarily constrained by baggage reclaim facilities and international capacity limited by check-in processing. The Authority further noted that baggage make-up positions and kerbside operations have also been identified as critical pressure points.

7.3.6. The Authority noted that the targeted operational and infrastructure interventions proposed by GHIAL, including upgrades to the BHS/BMA systems, reconfiguration of check-in facilities, expansion of domestic security screening capacity, enhancement of baggage reclaim flexibility, conversion from Self Bag Drops

to Assisted Bag Drops, conversion of swing PESCs, addition of one machine in the PESC area for domestic-to-domestic transfer, and other miscellaneous works, are expected to improve the operational performance of Terminal 1 up to 37 MPPA. Any incremental increase in annual traffic beyond 37 MPPA and up to 40 MPPA would be achievable primarily through effective spreading of peak traffic.

7.3.7. Accordingly, the Authority proposed to consider 40 MPPA as the capacity that can be achieved through the proposed Southern Precinct enhancement. However, the Authority further expects GHIAL to maintain the required service standards at the airport after carrying out the aforesaid modification/upgradation at Terminal 1.

Capex Evaluation through an Independent Capex Consultant

7.3.8. The Authority had engaged M/s RITES Limited as an Independent Consultant to carry out an independent technical and cost evaluation of the capital expenditure proposed by GHIAL for the Fourth Control Period. M/s RITES Limited had reviewed the submissions made by GHIAL, including the Multi Year Tariff Proposal, project cost plans, design basis reports, concept noted, tender documents, purchase orders / contract documents, bills of quantities, traffic studies, and other supporting documents submitted by GHIAL. M/s RITES Limited as part of its capital expenditure evaluation and assessment, had submitted the Capex Evaluation Report as enclosed as Appendix 1 to this Tariff Order.

7.3.9. The Authority noted that M/s RITES Limited had undertaken the assessment of the proposed capital expenditure taking into consideration the following broad approach:

- Review of traffic projections submitted by GHIAL and assessment of passenger growth, aircraft movements, peak-hour demand and capacity requirements
- Review of the necessity of each project proposed by GHIAL 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 GHIAL
- Review of purchase orders / contracts already awarded by GHIAL and assessment of competitiveness of procurement, wherever such documents were made available;
- Review of cost escalation / indexation, taxes, soft costs;
- Assessment of admissible and prudent cost for each project, based on necessity, scope, quantities, rates, phasing and implementation status.

7.3.10. The Authority had considered the observations and recommendations of M/s RITES Limited while examining the necessity, reasonableness and prudence of the proposed capital expenditure. The Capex study report prepared by M/s RITES Limited, covers the scope of work, cost estimates, phasing, capitalisation schedule and technical parameters of the projects proposed by GHIAL for the Fourth Control Period. The justifications submitted by GHIAL were evaluated against the projected traffic requirement, capacity assessment, proposed scope, prevailing cost benchmarks and applicable AERA principles. The observations and recommendations of Capex consultant had been duly considered by the Authority while finalizing its assessment of Capex for the Fourth Control Period.

Airport User Consultation Committee ("AUCC")

7.3.11. The Authority noted that GHIAL conducted the Airport Users Consultative Committee meeting for the capital expenditure projects proposed for the Fourth Control Period for RGIA, Hyderabad. The invitation for the AUCC meeting was sent to around 100 stakeholders on 21.05.2025, including representatives from airlines, airline associations, government and regulatory authorities, cargo users, fuel suppliers, ground handlers, passenger associations, trade bodies and other airport users. The AUCC meeting was held on 11.06.2025 at Novotel, Hyderabad and was attended by various stakeholder including representatives from IATA, FIA, Airline Operators, Cargo and Fuel Farm Operators, ACAAI, APAO etc.

7.3.12. As per the minutes of the AUCC meeting held on 11.06.2025, the Authority observed that GHIAL broadly discussed the following with the stakeholders:

(A) Proposed capital expenditure projects for the Fourth Control Period;

(B) Existing airport capacity, traffic projections and the need for capacity augmentation;

(C) Capacity enhancement strategy for the Southern Precinct, including process improvements and infrastructure initiatives;

(D) Development of the Northern Precinct, including the first phase terminal development planned for 20 MPPA, new runway, elevated cross taxiway and associated infrastructure;

(E) Airport connectivity and transport infrastructure projects;

(F) General capex proposed for the Fourth Control Period; and

(G) Proposed capital expenditure estimates for the Fourth Control Period.

7.3.13. The Authority noted that GHIAL presented the performance of RGIA during the Third Control Period and the outlook for the Fourth Control Period. GHIAL highlighted that RGIA handled around 29.4 million passengers in FY 2024-25 and presented the growth trajectory of the airport, including increase in annual passenger traffic from around 6.2 million passengers in FY 2008-09 to 29.4 million passengers in FY 2024-25. GHIAL also presented the traffic forecasts up to FY 2034-35 and the need for expansion in order to maintain service quality standards and cater to projected demand.

7.3.14. The Authority further noted that stakeholders raised observations on traffic projections, phasing of capital expenditure in line with demand, requirement and timing of the Northern Precinct, airport connectivity, metro contribution, cargo road connectivity, walking distance and passenger facilitation, D-D transfer facilities, gate flexibility, inter-terminal connectivity, baggage connectivity, Minimum Connection Time ("MCT"), and frequency of stakeholder consultations.

7.3.15. With respect to traffic projections and phasing of capex, the Authority noted that IATA raised concerns that the passenger traffic forecast appeared aggressive and that infrastructure should be provided progressively as demand is realized. GHIAL responded that the traffic forecast prepared by CAPA was based on a balanced and methodological approach, incorporating demand-side and supply-side factors, historical trends, econometric analysis, airline network strategies and industry outlook. GHIAL also stated that actual traffic at RGIA had exceeded the estimates considered during the Third Control Period and that the proposed expansion strategy is systematic and trigger-based.

7.3.16. With respect to Southern Precinct capacity enhancement and passenger facilitation, the Authority noted that stakeholders raised concerns regarding walking distances, availability of buggies, D-D transfer facilities and use of existing interim facilities. GHIAL responded that additional travellators had already been

planned and procured, buggies were available for senior citizens and passengers with reduced mobility, and one additional ATRS machine was being deployed in the D-D transfer area. GHIAL also clarified that the IIDT and IDAT facilities had been allocated for other operational requirements such as ceremonial lounge, security screening and general aviation operations.

7.3.17. With respect to the Northern Precinct development, the Authority noted that stakeholders raised issues regarding seamless connectivity between the existing and proposed terminal, baggage connectivity, MCT and inclusion of cargo terminal, fuel farm and other related facilities. GHIAL submitted that connectivity strategies between the terminals would be aligned to maintain MCT and that detailed considerations would be addressed during the master planning phase with stakeholder inputs. GHIAL further clarified that cargo terminal, fuel farm and APM have not been included in the current expansion plan and would be addressed as and when required.

7.3.18. With respect to airport connectivity and transport projects, the Authority noted that stakeholders sought clarification on GHIAL's financial contribution to the metro project and dedicated cargo road connectivity. GHIAL clarified that the cost of the proposed airport metro project is not reflected in the Fourth Control Period filing and that the same would be revisited once the project formally commences from the Government side. GHIAL also stated that the Government of Telangana is planning expansion of the road leading to Pedda Golconda outside the airport area, intended to serve as a cargo corridor, and that an independent access road for the Cargo Terminal is also under consideration as part of the overall master plan.

7.3.19. The Authority further noted that stakeholders sought clarification regarding the variance in capital expenditure figures between the Project Information File and the AUCC presentation. GHIAL clarified that the Project Information File provided the break-up between FY 2025-26 and the Fourth Control Period, while the AUCC presentation presented combined figures for FY 2025-26 to FY 2030-31, and that both documents reflected the same overall total.

7.3.20. The Authority shall examine the proposed capital expenditure after considering project necessity, stakeholder comments, GHIAL's responses, cost reasonableness, implementation phasing, asset allocation and tariff impact as part of the present tariff determination exercise.

Bifurcation of Capex for the Fourth Control Period

7.3.21. GHIAL had submitted the capitalization schedule for the projects as follows:

Table 182: Capitalization schedule proposed by GHIAL for the Fourth Control Period

(Rs. In crores)

S. No	Category	Particulars	Total Capex submitted by GHIAL	Capitalization year/ date
A1	Capacity Enhancements to Southern Precinct	MLCP (Multi Level Car Park)	219.20	FY 30
A2		Addition of 9 Stands (Equivalent to Code C) on eastern side and 3 Equivalent code C on western side	137.62	FY 27 and FY 28
A3		BHS-BMA Upgrade and Transfer Baggage Storage Management	24.82	FY 27 and FY 28
A4		Improvement of Departure & Arrival Entry & Exit NAKA	13.01	FY 28
A5		Conversion of Stand 53 to Code E/MARS Stand with Associated Works (Taxiways and Taxi lanes)	12.81	FY 27 and FY 28

S. No	Category	Particulars	Total Capex submitted by GHIAL	Capitalization year/ date
A6		Conversion from SBD to ABD (check-in island reconfiguration)	6.02	FY 27 and FY 28
A7		Conversion of 8 Swing PESC (16 Domestic, 8 Swing, 5 International) and Civil Work (Partitions and DOM Movement)	5.98	FY 27 and FY 28
A8		Addition of One Machine in PESC Area for D-to-D Transfer	4.66	FY 27 and FY 28
A9		Other Miscellaneous	3.15	FY 27 and FY 28
		Total Cost	**427.00**	
B1	**Northern Runway & Associated Airside Works**	Runway, Taxiway and Apron	1,712.29	30-Sep-2029
B2		Elevated Taxiway	710.45	
B3		Airside Anciliary Building	97.16	
B4		Perimeter Wall	37.38	
B5		Earth Works	909.54	
B6		External Utilities	194.44	
B7		Taxiway as emergency runway	108.15	
B8		GSE Building	28.02	
B9		Airside Roads	83.22	
B10		GSE Parking	32.34	
		Total Cost	**3,912.99**	
C1	**Northern Precinct Development- Landside Works**	Terminal Building	4,790.59	30-Sep-2029
C2		CNS ATM Building	35.62	
C3		Landside Ancillary Buildings	24.29	
C4		Landside Roads	15.04	
C5		Dual Elevated Ramp	116.09	
C6		Landscaping	67.40	
C7		Car parking area	95.45	
C8		IT Systems & Telecommunication	635.33	
C9		Operational equipment	63.34	
C10		External Utilities	194.44	
		Total Cost	**6,037.59**	
D1	**Airport Connectivity and Transport**	Flyover (E-W on MAR 4L+4L) – Length: 700 m	77.00	30-Sep-2029
D2		Under Pass on E-W (2L+2L) – Length: 800 m	58.00	
D3		Under pass on MAR (4L+4L) Eastern ECT– Length: 1000 m	211.00	
D4		Under Pass on MAR (4L+4L) Western ECT– Length: 900 m	223.00	
D5		Under pass along East-West Road (4L+4L) – Length: 2400 m	181.00	
D6		Under Pass Ext. along East-West Road (3L+3L) – Length: 750m	81.00	
D7		North-South Road (3L+3L) – Length: 3500m	44.00	
D8		18m Road (2+2) – Length: 3100m	15.00	
		Total Hard Costs	**890.00**	

S. No	Category	Particulars	Total Capex submitted by GHIAL	Capitalization year/ date
E1	General Capital Expenditure	Terminal Operations	94.84	FY 27 to FY 31
E2		Security and Vigilence	391.78	
E3		Project, Engineering & Maintenance	389.51	
E4		Strategic Initiatives	131.54	
E5		Landscape	53.41	
E6		IT	197.00	
E7		ARFF	44.17	
		Total	**1302.26**	
F	**Capital Expenditure deferred from TCP**		**168.50**	FY 27
G1	**Soft Costs**	**Design & PMC, Preliminaries & Other cost, Insurance, Contingencies etc.**	**1,415.37**	
G2	**Interest During Construction**	**IDC**	**1,292.40**	
	Total Capex		**15,446.11**	
	Aeronautical Capex		**14,304.20**	

7.3.22. In the subsequent sections and paragraphs, the Authority had examined each of the above categories of capital expenditure projects in detail.

(A) Capacity Enhancements to Southern Precinct (Existing Terminal)

7.3.23. The Authority noted that the existing Southern Precinct of RGIA had scope for limited capacity enhancement to cater to the immediate traffic requirement of the airport. As per the revised Terminal 1 Capacity Assessment, the proposed improvements in the existing terminal and associated facilities would enhance the passenger processing capacity of the Southern Precinct from **34 MPPA to 40 MPPA** on the terminal side.

7.3.24. The Authority through M/s RITES Limited had examined the scope, technical justification and cost reasonableness of the capacity enhancement works proposed for the Southern Precinct. The works examined include enhancement of car parking capacity, addition of aircraft stands, baggage make-up area improvements, improvement of entry/exit NAKA, conversion of stands to Code E/MARS configuration, check-in island reconfiguration, swing PESC conversion and addition of one machine in the domestic-to-domestic transfer PESC area.

A1. Multi-Level Car Park (MLCP)

7.3.25. The Authority noted that the existing car parking facility at RGIA had around **2,600 parking slots**, with average occupancy of around 100% during peak hours and 75% during normal hours. Considering the increase in design peak hour passenger traffic from **4,585 passengers** to **5,092 passengers** post improvement in the Southern Precinct, the Authority is of the view that augmentation of car parking capacity is required to avoid congestion and improve passenger convenience.

7.3.26. M/s RITES Limited had assessed the cost of additional car parking capacity based on the benchmark unit cost for multi-level car parking.

7.3.27. The Authority noted that the cost proposed by GHIAL towards the MLCP is Rs. 219 Crores. The Authority, through M/s PWC, the tariff consultant, had assessed the nature of capital expenditure pertaining to Multi Level Car Parking, and noted that the mentioned capital expenditure is non aeronautical in nature and

accordingly, the Authority proposed not to consider this capital expenditure for the purpose of tariff determination.

A2. Addition of Aircraft Stands in Southern Precinct

7.3.28. The Authority noted that additional aircraft stands are required to support the enhanced terminal processing capacity and the airside operational requirement of the Southern Precinct. M/s RITES Limited had assessed the apron stand requirement for the Southern Precinct considering passenger traffic of **40 MPPA** and total ATMs of **2,50,000**, being the maximum capacity of the runway at the Southern Precinct.

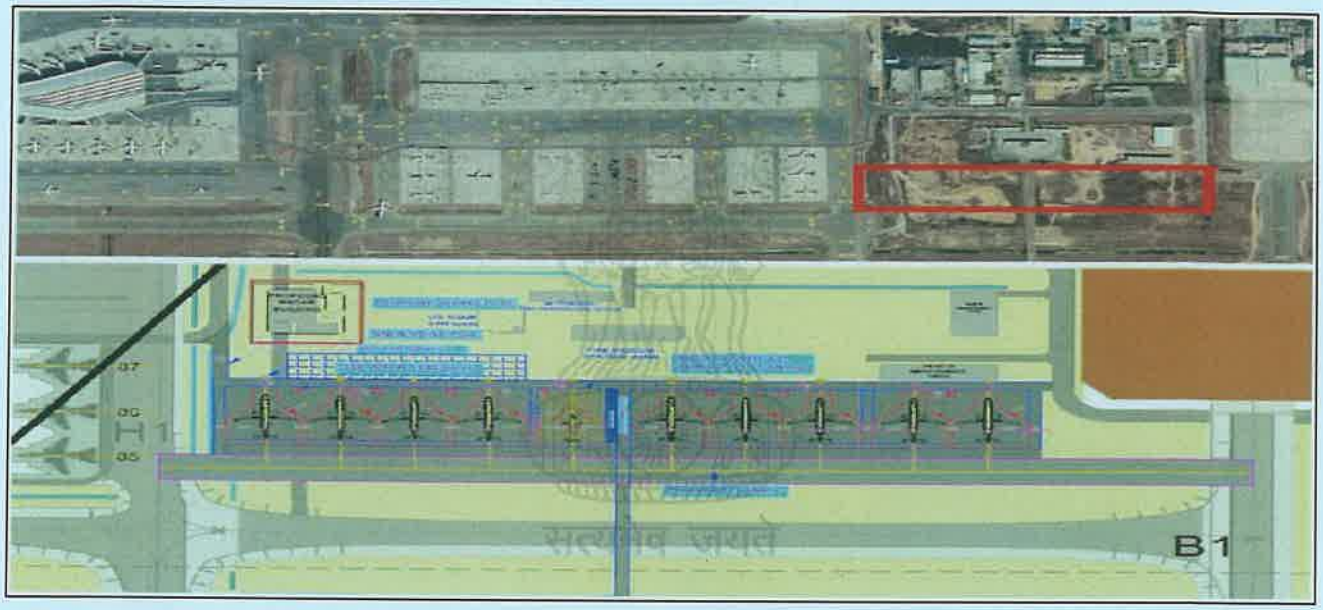


Figure 2: Proposed New Aircraft Stand Area at the Southern Precinct — Aerial View (Top) and Detailed Layout Plan (Bottom)

Table 183: Apron Stand Requirement assessed for Southern Precinct

Particulars	Value
Passenger Traffic considered	40 MPPA
Total ATMs considered	2,50,000
Domestic ATMs	2,13,448
International ATMs	36,551
Average Peak Hour ATM	33
Domestic Turnaround Time	60 minutes
International Turnaround Time	120 minutes
Domestic ATM in Peak Hour	29
International ATM in Peak Hour	4
Utilisation Factor	0.60
Stand Demand	64
Night Parking Demand as per Third Control Period	84
Total Stand Requirement	**148**

7.3.29. M/s RITES Limited had noted that the present development at the Southern Precinct has a stand capacity of 101 stands. The addition of 12 stands and conversion of one Code C stand to Code E/MARS configuration would increase the stand capacity to 114 stands. Since the assessed stand requirement is 148 stands, the Authority noted that the proposed airside augmentation is justified from an operational requirement perspective.

7.3.30. For cost assessment, M/s RITES Limited derived the rate for airside pavement works based on the rate approved in the Third Control Period and after applying WPI-based escalation. The rate calculation is shown below:

Table 184: Rate Calculation for Airside Pavements

S. No.	Particulars	Value	Unit
1	Unit Rate as per Third Control Period	10,517.12	Rs. / sqm
2	WPI based inflation for FY 2024 and FY 2025	3.58	%
3	WPI based inflation for FY 2026	0.90	%
4	WPI based inflation for FY 2027	4.70	%
5	WPI based inflation for FY 2028 and FY 2029	3.60	%
6	Unit Rate for FY 2025	11,283.62	Rs. / sqm
7	Unit Rate for FY 2026	11,385.18	Rs. / sqm
8	Unit Rate for FY 2027 to FY 2029	12,793.99	Rs. / sqm
9	**Unit Rate considered for Fourth Control Period**	**12,793.99**	**Rs. / sqm**

7.3.31. Based on the above rate assessed for the proposed additional pavement area of **87,560 sqm**, M/s RITES Limited assessed the cost of additional aircraft stands as follows:

Table 185: Cost Assessment for Addition of Aircraft Stands

Particulars	Value
Additional pavement area (A)	87,560 sqm
Rate considered based on ratio of Pavement work in TCP (B)	Rs. 12,793.99 / sqm
Cost assessed (C=A*B)	**Rs. 112.02 Cr**
Cost proposed to be considered by the Authority	**Rs. 112.02 Cr**

7.3.32. Accordingly, the Authority proposed to consider **Rs. 112.02 Crores** towards addition of aircraft stands in the Southern Precinct, against the cost submitted by GHIAL of **Rs. 138 Crores**.

A3. BHS-BMA Upgrade and Transfer Baggage Storage Management

7.3.33. The Authority noted that expansion of the Baggage Make-Up Area ("BMA") is required to support the increase in terminal capacity from 34 MPPA to 37 MPPA. M/s RITES Limited assessed that around **4,100 sqm** of additional BMA area is required, comprising domestic and international side expansion adjacent to the existing BMA.

7.3.34. The unit rate considered for BMA expansion works out to **Rs. 60,976 per sqm**, which is lower than the CPWD PAR 2025 rate of **Rs. 78,491 per sqm** for comparable building works as evaluated by M/s RITES Limited and the cost is found to be reasonable. The assessment is shown below:

Table 186: Cost Assessment for BHS-BMA Upgrade and Transfer Baggage Storage Management

Particulars	Value
Additional BMA area (A)	4,100 sqm
Unit rate based on submitted cost (B)	Rs. 60,976 / sqm
CPWD PAR 2025 benchmark rate	Rs. 78,491 / sqm
Cost assessed C=(A*B)	**Rs. 25.00 Cr**
Cost proposed to be considered (in line with GHIAL submission)	**Rs. 24.82 Cr**

7.3.35. The Authority noted that the cost proposed by GHIAL towards the BHS-BMA Upgrade and Transfer Baggage Storage Management is Rs. 24.82 Crores. The Authority assessed the reasonableness of the proposed cost with reference to the additional BMA area of 4,100 sqm and the unit rate derived from the cost submitted by GHIAL, which works out to Rs. 60,976 per sqm. The Authority noted that the said unit rate is lower than the applicable CPWD PAR 2025 benchmark rate of Rs. 78,491 per sqm. Accordingly,

the Authority is of the view that the cost proposed by GHIAL is reasonable and proposed to consider Rs. 24.82 Crores, towards the BHS-BMA Upgrade and Transfer Baggage Storage Management for the Fourth Control Period.

A4. Improvement of Departure and Arrival Entry / Exit NAKA

7.3.36. The Authority noted that realignment of vehicle parking and circulation patterns, along with improvement of departure and arrival entry/exit NAKA, is required to cater to the additional passenger processing capacity in the Southern Precinct. The work includes entry and exit control infrastructure and associated security systems to ensure safe and efficient vehicle movement.

7.3.37. M/s RITES Limited assessed the cost based on the CPWD DSR 2023 rates for departure and arrival kerbs and road improvement. The total lane length considered is **7.2 km**, and the rate considered is **Rs. 1.81 Crores per km.**

Table 187: Cost Assessment for Departure and Arrival Entry / Exit NAKA

Particulars	Value
Departure kerb lane length (A)	3.6 km
Arrival kerb lane length (B)	3.6 km
Total lane length (C)	7.2 km
Cost assessed based on CPWD DSR 2023 (D)	Rs. 1.81 Cr / km
Cost assessed by M/s RITES Limited (E=C*D)	Rs. 13.03 Cr
Cost proposed to be considered by the Authority	**Rs. 13.00 Cr**

7.3.38. Since the cost assessed by M/s RITES Limited is broadly in line with the cost of the proposed works, the Authority proposed to consider **Rs. 13.00 Crores** towards improvement of departure and arrival entry/exit NAKA as against the cost proposed by GHIAL of Rs. 13.00 Crores.

A5. Conversion of Stand 53 to Code E / MARS Stand with Associated Works

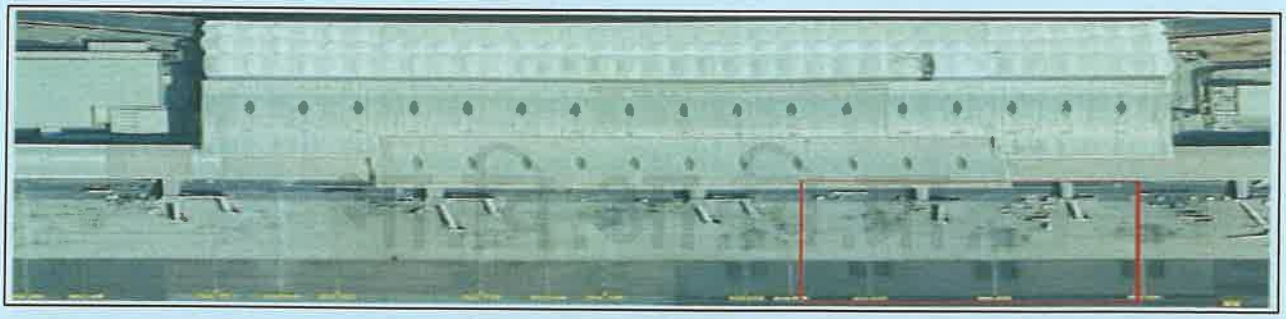


Figure 3: Aerial View of Proposed Upgradation of Stand 52 and Stand 53 to Code E / MARS Configuration with Associated Taxiway Works

7.3.39. The Authority noted that conversion of Stand 53 to Code E/MARS configuration, along with associated taxiway and taxilane works, is required to provide operational flexibility for handling larger aircraft and MARS operations. M/s RITES Limited assessed the cost based on the completed pavement area required by the Airport Operator during the Third Control Period taking into consideration the WPI indexation till FY 29 which is 12793.99/ sqm.

Table 188: Cost Assessment for Conversion of Stand 53 to Code E / MARS Stand

Particulars	Value
Additional pavement area (A)	10,898 sqm
Normative airside pavement rate (B)	Rs. 12,793.99 / sqm

Particulars	Value
Cost assessed by M/s RITES Limited (C=A*B)	Rs. 13.94 Cr
Cost proposed to be considered by the Authority	**Rs. 12.81 Cr**

7.3.40. Since the cost considered by GHIAL is within the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 12.81 Crores** towards conversion of Stand 53 to Code E/MARS Stand with associated works which is in line with GHIAL's submission.

A6. Conversion from SBD to ABD / Check-in Island Reconfiguration

7.3.41. The Authority noted that conversion of existing Self Bag Drop ("SBD") units into Assisted Bag Drop ("ABD") counters is intended to increase processing flexibility and reduce congestion at check-in areas. M/s RITES Limited assessed the requirement with reference to the planning area required for ABD counters as per IATA ADRM norms.

Table 189: Planning Area considered for ABD Counters

Component	Typical Requirement
Counter frontage per position	4.5 m to 6 m
Counter depth including staff and equipment	2.5 m to 3 m
Passenger processing / queue area	1.2 sqm to 1.5 sqm per passenger
Total planning area per assisted counter	20 sqm to 35 sqm per counter

7.3.42. M/s RITES Limited considered the capitalised terminal building rate approved in the Third Control Period and escalated the same up to FY 2026. The cost assessment is shown below:

Table 190: Cost Assessment for Conversion from SBD to ABD

Particulars	Value
Number of ABD counters considered (A)	15
Planning area considered per counter (B)	35 sqm
Total area considered (C)	525 sqm
Rate of terminal building after WPI escalation (D)	Rs. 1,53,871.53 / sqm
Cost assessed by M/s RITES Limited (D=C*D)	Rs. 8.07 Cr
Cost proposed to be considered by the Authority	**Rs. 6.00 Cr**

7.3.43. Since the cost proposed by GHIAL is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 6.00 Crores** towards conversion from SBD to ABD / check-in island reconfiguration as the same is found to be reasonable as against the cost proposed by GHIAL of **Rs. 6.02 Crores.**

A7. Conversion of Swing PESC and Associated Civil Works

7.3.44. The Authority noted that the proposed conversion of additional gates into swing gates is intended to enhance operational flexibility between domestic and international passenger processing areas. The project involves reconfiguration of the existing cabin baggage screening machines and Automated Tray Retrieval System ("ATRS"), which are presently arranged in a curved layout, into a parallel configuration to optimise the utilisation of terminal space and accommodate additional swing gate operations. The Authority further noted that relocation and realignment of these systems would increase the available circulation area in the processor area, thereby improving passenger flow and reducing congestion.

7.3.45. Upon completion of the proposed works, the overall gate configuration is expected to increase from 24 gates to 29 gates, comprising 5 international gates, 16 domestic gates and 8 swing gates. The Authority is of the view that the proposed works would provide greater flexibility to support both domestic and international operations, improve operational efficiency, enable better utilisation of terminal space and

provide adaptability to demand fluctuations. The proposed works are also expected to support future passenger growth by making the existing terminal infrastructure more responsive to changing traffic requirements. M/s RITES Limited assessed the cost as follows:

Table 191: Planning Area considered for Swing Gate Conversion

Configuration	Typical Area Requirement
Small swing segregation gate	20 sqm to 40 sqm
Medium dual-direction swing gate	40 sqm to 80 sqm
Large international / domestic swing zone	80 sqm to 150 sqm or above

7.3.46. Considering large domestic / international swing zone requirements, M/s RITES Limited considered an area of **400 sqm** for conversion of five gates to swing gates. The cost had been assessed using the terminal building rate capitalized in Third Control Period and duly escalated up to FY 2026.

Table 192: Cost Assessment for Conversion of Swing PESC and Associated Civil Works

Particulars	Value
Area considered (A)	400 sqm
Normative terminal building rate after WPI escalation (B)	Rs. 1,55,941.38 / sqm
Cost assessed by M/s RITES Limited (C=A*B)	Rs. 6.23 Cr
Cost proposed to be considered by the Authority	**Rs. 5.98 Cr**

7.3.47. Since the cost proposed by GHIAL is broadly in line with the cost assessed by M/s RITES Limited, the Authority proposed to **consider Rs. 5.98 Crores** towards conversion of Swing PESC and associated civil works.

A8. Addition of One Machine in PESC Area for D-to-D Transfer

7.3.48. The Authority noted that the addition of one machine in the Domestic-to-Domestic transfer PESC area is proposed to support the projected domestic transfer passenger load and reduce processing time. M/s RITES Limited examined the requirement and noted that although detailed cost break-up was not available, the cost is reasonable based on prevailing market rates of in-line XBIS / ATRS machines and associated civil works in the market.

7.3.49. Accordingly, the Authority proposed to consider **Rs. 4.66 Crores** towards addition of one machine in the PESC area for D-to-D transfer which is in line with GHIAL's submission.

A9. Other Miscellaneous Works

7.3.50. The Authority noted that an amount of **Rs. 3.00 Crores** was included towards miscellaneous works under Southern Precinct enhancement. However, M/s RITES Limited observed that no details or supporting justification have been provided for the same.

7.3.51. In the absence of project details, scope, cost basis and supporting justification, the Authority proposed not to consider the said amount.

Summary of Capex proposed to be considered for Southern Precinct Enhancement

7.3.52. Based on the above examination, the Authority proposed to consider **Rs. 398.28 Crores** towards Southern Precinct Enhancement works for the Fourth Control Period, as against the total cost of Rs. 427.00 Crores examined under this head. The item-wise cost proposed to be considered by the Authority is provided below:

Table 193: Capex for Capacity Enhancements to the Southern Precinct proposed to be considered by the Authority

(Rs. In crores)

Activity	Cost submitted by GHIAL	Cost proposed to be considered by the Authority
MLCP (Multi-Level Car Park)	219.20	219.20
Addition of 9 stands equivalent to Code C on eastern side and 3 equivalent Code C stands on western side	137.62	112.02
BHS-BMA Upgrade and Transfer Baggage Storage Management	24.82	24.82
Improvement of Departure and Arrival Entry / Exit NAKA	13.01	13.00
Conversion of Stand 53 to Code E / MARS Stand with associated works	12.81	12.81
Conversion from SBD to ABD / check-in island reconfiguration	6.02	6.00
Conversion of 8 Swing PESC and associated civil works	5.98	5.98
Addition of one machine in PESC area for D-to-D transfer	4.66	4.66
Other Miscellaneous Works	3.15	0.00
Total	**427.00**	**398.29**

7.3.53. The Authority proposed to consider the cost of **Rs. 398.29 Crores** towards Southern Precinct Enhancement works for the Fourth Control Period, subject to actual capitalisation and asset allocation at the time of true-up.

(B) Northern Runway and associated Airside works

7.3.54. The Authority through M/s RITES Limited examined the cost proposed towards Northern Runway and associated airside works for the Fourth Control Period. The examination had been carried out with reference to the scope of work, quantities considered, detailed rate analysis, and WPI-based escalation. M/s RITES Limited evaluated the proposed capex using both the actual rate approach and detailed rate approach, depending upon the nature of the item.

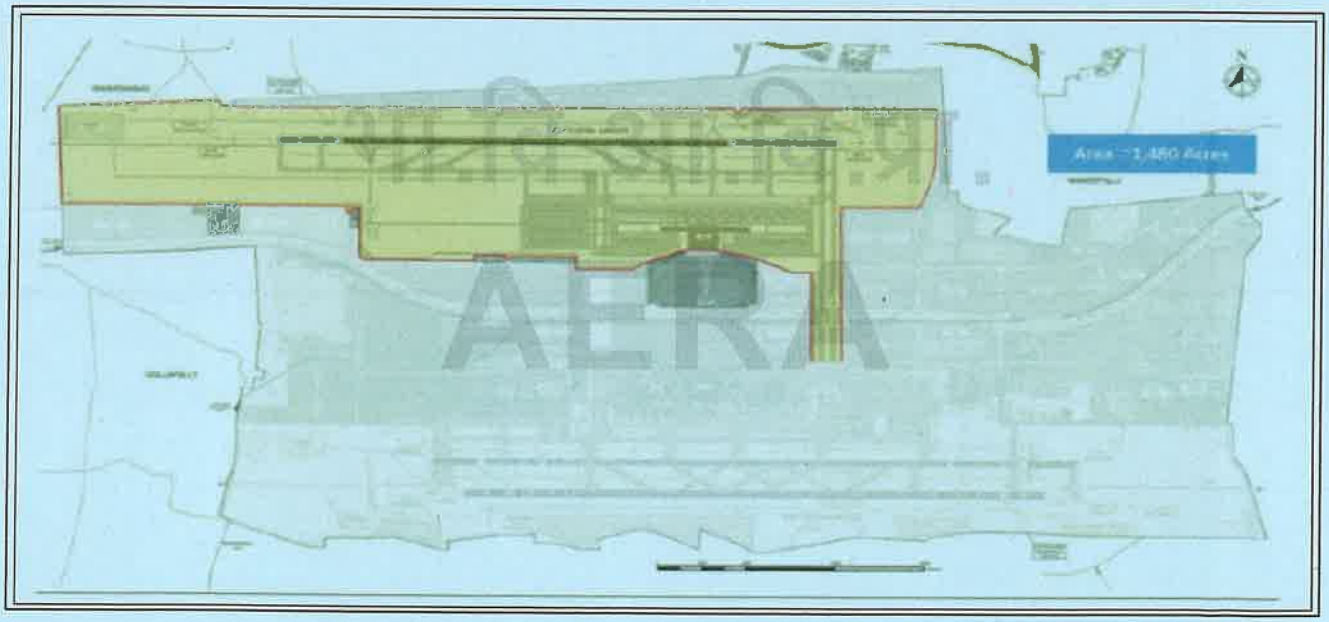


Figure 4: Master Plan Layout Showing the Northern Precinct Area Earmarked for Development of Northern Runway and Associated Airside Works (~1,480 Acres)

7.3.55. Under the actual rate approach, M/s RITES Limited considered the rates approved by the Authority for similar works in the Third Control Period and escalated the same using Wholesale Price Index ("WPI"). Under the detailed rate approach, M/s RITES Limited worked out item-wise rates based on relevant benchmarks such as CPWD DSR, CPWD PAR, MoRTH cost analysis, available master plan details and Google Earth data, wherever applicable.

B1. Runway, Taxiway and Apron

7.3.56. For runway, taxiway and apron works, M/s RITES Limited adopted the actual rate approved in the Third Control Period for airside pavements and escalated the same using WPI-based inflation. The rate adopted by M/s RITES Limited is shown below:

Table 194: Rate Assessment for Runway, Taxiway and Apron

Particulars	Amount / Rate
Basic rate as per Third Control Period Tariff Order (A)	Rs. 10,517.12 per sqm
Add: WPI based escalation up to FY 2025 (B)	Rs. 766.50 per sqm
Add: WPI based escalation for FY 2026 (C)	Rs. 101.55 per sqm
Add: WPI based escalation for FY 2027 to FY 2029 (D)	Rs. 1,408.81 per sqm
Total normative rate considered(E=A+B+C+D)	**Rs. 12,793.99 per sqm**

7.3.57. Based on the above actual rate and the area of **13,23,644 sqm**, M/s RITES Limited assessed the cost for runway, taxiway and apron works as follows:

Table 195: Cost Assessment for Runway, Taxiway and Apron

Particulars	Value
Area considered (A)	13,23,644 sqm
Rate considered (B)	Rs. 12,793.99 per sqm
Cost assessed by M/s RITES Limited (C=A*B)	**Rs. 1,693.47 Cr**

7.3.58. Accordingly, the Authority proposed to consider **Rs. 1,693.47 Crores** towards runway, taxiway and apron works as against **Rs. 1,712.29 Crores** submitted by GHIAL.

B2. Elevated Taxiway

7.3.59. For the elevated taxiway, M/s RITES Limited assessed the capital expenditure based on the MoRTH project cost sheet. The unit rate considered by M/s RITES Limited for elevated taxiway works is **Rs. 46,400 per sqm**.

Table 196: Cost Assessment for Elevated Taxiway

Particulars	Value
Area considered (A)	1,53,000 sqm
Unit rate considered (B)	Rs. 46,400 per sqm
Cost assessed by M/s RITES Limited (C=A*B)	**Rs. 709.92 Cr**

7.3.60. The Authority proposed to consider **Rs. 709.92 Crores** towards elevated taxiway works as against **Rs. 710.45 Crores** submitted by GHIAL.

B3. Airside Ancillary Building

7.3.61. For airside ancillary building, M/s RITES Limited assessed the cost based on CPWD PAR 2025. The unit rate considered by M/s RITES Limited is **Rs. 76,855.63 per sqm**.

Table 197: Cost Assessment for Airside Ancillary Building

Particulars	Value
Area considered (A)	12,000 sqm
Unit rate considered (B)	Rs. 76,855.63 per sqm
Cost assessed by M/s RITES Limited (C=A*B)	**Rs. 92.23 Cr**

7.3.62. The Authority proposed to consider Rs. 92.23 Crores towards airside ancillary building as against Rs. 97 Crores submitted by GHIAL against Rs. 97.16 Crores as submitted by GHIAL.

B4. Perimeter Wall

7.3.63. For perimeter wall, M/s RITES Limited carried out a detailed estimate based on CPWD DSR 2023. The quantities were assessed using the master plan and Google Earth data, and the rates were escalated up to the construction period using WPI-based inflation.

Table 198: Perimeter Wall Estimate

Particulars	Value
Length considered (A)	14,500 m
Rate considered (B)	Rs. 26,175.41 per m
Cost assessed by M/s RITES Limited (C=A*B)	Rs. 37.95 Cr
Cost proposed to be considered by the Authority	**Rs. 37.00 Cr**

7.3.64. The Authority noted that the cost proposed by GHIAL towards the perimeter wall is Rs. 37.00 Crores. The Authority, through M/s RITES Limited, assessed the reasonableness of the proposed cost based on a detailed estimate prepared with reference to CPWD DSR 2023. Since the cost proposed by GHIAL is within the cost assessed by M/s RITES Limited and the cost is found to be reasonable, the Authority proposed to consider Rs. 37.00 Crores towards perimeter wall for the Fourth Control Period against Rs. 37.38 Crores as submitted by GHIAL.

B5. Earthworks

7.3.65. M/s RITES Limited assessed the quantity of earthworks based on available Google Earth data, master plan inputs and existing runway threshold levels. The calculation of earthwork quantity is summarised below:

Table 199: Earthwork Quantity Assessment

S. No.	Particulars	Value
1	Existing Threshold 09R	600.76 m
2	Existing Threshold 27R	617.52 m
3	Distance between existing runway and new runway	2,150 m
4	Maximum permissible threshold level at 09 end on new runway	600.76 m
5	Maximum permissible threshold level at 27 end on new runway	617.52 m
6	Average gradation level	609.14 m
7	Earthwork volume in cut worked out from Google Earth OGLs	1,00,07,715.92 cum
8	Earthwork volume in fill worked out from Google Earth OGLs	1,21,20,376.41 cum
9	Average cut and fill volume considered	1.105 crore cum

7.3.66. M/s RITES Limited considered earthwork quantity of **1.10 crore cum** for cost assessment. M/s RITES Limited assessed the rate based on CPWD DSR 2023, escalated using WPI-based inflation. The rate considered by M/s RITES Limited is **Rs. 677.14 per cum**.

Table 200: Cost Assessment for Earthworks

Particulars	Value
Quantity considered (A)	1,10,00,000 cum

Particulars	Value
Rate considered (B)	Rs. 677.14 per cum
Cost assessed by M/s RITES Limited (C=A*B)	**Rs. 744.85 Cr**

7.3.67. Accordingly, the Authority proposed to consider **Rs. 744.85 Crores** towards earthworks against **Rs. 909.54 Crores** as submitted by GHIAL.

B6. External Utilities

7.3.68. For external utilities, M/s RITES Limited considered the EPC contract details of Bhogapuram Airport as the benchmark and escalated the rate using WPI-based inflation. The total cost assessed for external utilities was split equally between terminal area and airside area, in line with the approach adopted for allocation of such common utility works.

Table 201: Cost Assessment for External Utilities

Particulars	Value
Basic benchmark rate (A)	Rs. 55,840 per sqm
Add: WPI based escalation for FY 2027 to FY 2030 (B)	Rs. 7,008.41 per sqm
Rate considered for evaluation (C)	Rs. 62,848 per sqm
Total cost assessed for external utilities (D)	Rs. 408.51 Cr
Share considered for airside area (E) (50% of D)	Rs. 204.26 Cr
Hard cost for airside external utilities (F)	Rs. 179.17 Cr*
Cost proposed to be considered by the Authority	**Rs. 179.17 Cr**

**204.26 is divided by the 1.14 to arrive at the amount excluding GST for airside external utilities*

7.3.69. Accordingly, the Authority proposed to consider **Rs. 179.17 Crores** towards External Utilities against **Rs. 194.44 Crores** as submitted by GHIAL.

B7. Taxiway as Emergency Runway

7.3.70. For taxiway as emergency runway, M/s RITES Limited adopted the rate approved in the Third Control Period for airside pavements and escalated the same using WPI-based inflation.

Table 202:Cost Assessment for Taxiway as Emergency Runway

Particulars	Value
Area considered	83,600 sqm
Rate considered	Rs. 12,793.99 per sqm
Cost assessed by M/s RITES Limited	**Rs. 106.96 Cr**

7.3.71. Accordingly, the Authority proposed to consider **Rs. 106.96 Crores** towards taxiway as emergency runway against Rs. 108.15 Crores as submitted by GHIAL.

B8. GSE Building

7.3.72. For GSE building, M/s RITES Limited assessed the cost based on CPWD PAR 2025. The cost assessment is summarised below:

Table 203: Cost Assessment for GSE Building

Particulars	Value
Area considered	3,741 sqm
Unit rate considered	Rs. 76,855.63 per sqm
Cost assessed by M/s RITES Limited	Rs. 28.75 Cr
Cost proposed to be considered by the Authority	**Rs. 28.00 Cr**

7.3.73. Since the cost considered is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 28.00 Crores** towards GSE building as against **Rs. 28.02 Crores** submitted by GHIAL.

B9. Airside Roads

7.3.74. For airside roads, M/s RITES Limited carried out a detailed estimate based on CPWD DSR 2023. The quantities have been assessed using master plan details and Google Earth data, and the rates have been escalated to the construction year using WPI-based inflation.

Table 204: Cost Assessment for Airside Roads

Particulars	Value
Lane length considered	45 lane-km
Rate considered	Rs. 1,81,56,151.58 per lane-km
Cost assessed by M/s RITES Limited	**Rs. 81.70 Cr**

7.3.75. Accordingly, the Authority proposed to consider **Rs. 81.70 Crores** towards airside roads as against **Rs. 83.22 Crores** submitted by GHIAL.

B10. GSE Parking

7.3.76. For GSE parking, M/s RITES Limited adopted the airside pavement rate approved in the Third Control Period and escalated the same using WPI-based inflation.

Table 205: Cost Assessment for GSE Parking

Particulars	Value
Area considered (A)	25,000 sqm
Rate considered (B)	Rs. 12,793.99 per sqm
Cost assessed by M/s RITES Limited C=A*B	Rs. 31.98 Cr
Cost proposed to be considered by the Authority (in line with GHIAL submission)	**Rs. 31.98 Cr**

7.3.77. Since the cost proposed by GHIAL is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 31.98 Crores** towards GSE parking against Rs. 32.34 Crores as submitted by GHIAL.

Soft Costs

7.3.78. For soft cost components, M/s RITES Limited considered the rates broadly in line with the approach adopted for finalisation of capex for the Third Control Period. The soft cost components comprise preliminaries and other costs, permits and insurance, design and PMC, and contingencies.

7.3.79. The Authority, upon review of GHIAL's submission, explanations and relevant supporting documents, had the following views with respect to the soft cost proposed by GHIAL for the Fourth Control Period:

- The Authority noted that GHIAL had proposed soft cost at **14%** of the project cost. The Authority observed that in the case of other PPP airports such as BIAL, DIAL, etc., similar costs such as Preliminaries, Design, Project Management Consultancy, Insurance, Permits and other related soft costs have generally been considered in the range of **8% to 11%** of the project cost. Accordingly, the Authority is of the view that the soft cost of **14%** claimed by GHIAL is on the higher side and requires moderation.
- The Authority also noted that certain capex items proposed by GHIAL relate to airside and operational works, including pavement works, stand conversion and other infrastructure augmentation. For such

works, PMC and related soft cost requirements are generally lower and are normally observed to be in the range of **1% to 3%**, depending upon the nature and complexity of the work.

- The Authority further observed that GHIAL had proposed soft cost on an overall basis across capex items, including works such as procurement of equipment, IT systems, security systems, vehicles, plant and machinery, and other bought-out / SITC items. The Authority is of the view that applying a uniform soft cost percentage on all such items may result in overstatement of the eligible cost, particularly where the scope already includes installation, commissioning and vendor-related support.

7.3.80. Accordingly, considering the nature of the capex proposed by GHIAL, the mix of civil works, bought-out items and SITC contracts, the benchmark observed in other PPP airports, and the need to avoid loading of excessive soft costs on all capex items, the Authority proposed to restrict the allowable soft cost to 10% of the aeronautical capex of the projects allowed by the Authority for the Fourth Control Period, as against 14% claimed by GHIAL. The amount towards soft cost shall accordingly be computed on the aeronautical portion of the capex approved by the Authority and considered for inclusion in the Regulatory Asset Base, subject to actual capitalization, reconciliation with audited financial statements / Fixed Asset Register and prudence check.

Table 206: Soft Costs assessed by M/s RITES Limited for Northern Runway and Associated Airside Works

(Rs. In crores)

Particulars	Amount
Hard Costs	**3705.28**
Soft Costs (10%)	**370.53**

7.3.81. Based on the above analysis, the Authority proposed to consider **Rs. 4,075.81 Crores** towards Northern Runway and associated airside works for the Fourth Control Period. The item-wise cost proposed to be considered by the Authority is shown below:

Table 207: Capex for Northern Runway and Associated Airside Works proposed by the Authority

(Rs. In crores)

Activity	Cost submitted by GHIAL	Cost proposed by the Authority
Runway, Taxiway and Apron	1712.29	1693.47
Elevated Taxiway	710.45	709.92
Airside Ancillary Building	97.16	92.23
Perimeter Wall	37.38	37.00
Earth Works	909.54	744.85
External Utilities	194.44	179.17
Taxiway as Emergency Runway	108.15	106.96
GSE Building	28.02	28.00
Airside Roads	83.22	81.70
GSE Parking	32.34	31.98
Sub-total: Hard Costs	**3912.99**	**3705.28**
Soft Costs	**547.82**	**370.53**
Total Cost excluding IDC	**4460.80**	**4075.81**

7.3.82. Accordingly, the Authority proposed to consider **Rs. 4,075.81 Crores** towards Northern Runway and associated airside works for the Fourth Control Period, subject to actual capitalisation and asset allocation at the time of true-up.

(C) Northern Precinct development – Landside Works

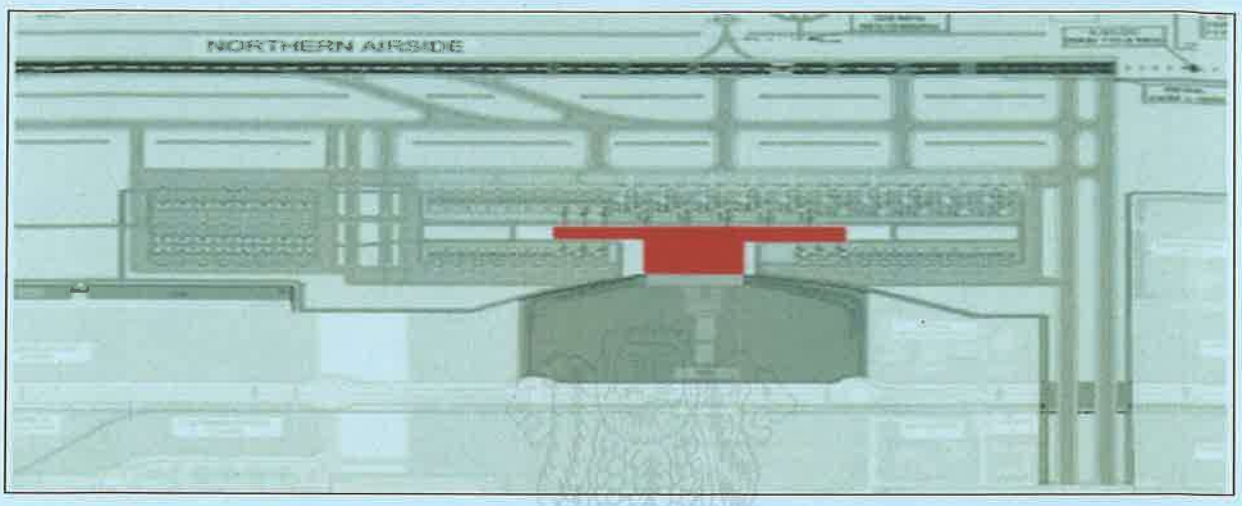


Figure 5: Conceptual View of the Proposed Northern Passenger Terminal Building (NPTB) — 2,25,000 sqm

C1. Terminal Building

7.3.83. The Authority examined GHIAL's proposal for development of the New Northern Passenger Terminal Building of 2,25,000 sqm with a design capacity of 20 MPPA, along with capacity enhancement works at the existing Southern Terminal. The Authority noted that the Southern Terminal capacity enhancement is proposed to be achieved through targeted operational and infrastructure interventions such as BHS/BMA upgrades, check-in reconfiguration, expansion of domestic security screening areas and baggage reclaim improvements, without any material addition to the existing terminal floor area. With these interventions, the Southern Terminal capacity is expected to increase from 34 MPPA to 40 MPPA, and together with the proposed NPTB, the combined terminal capacity at RGIA is expected to increase to around 60 MPPA.

7.3.84. The Authority assessed the proposed terminal sizing with reference to projected traffic growth, peak-hour passenger demand, IMG/IATA planning norms and comparable airport benchmarks. For the purpose of assessment, the Authority considered a Peak Hour Passenger ("PHP") factor of 0.03% for the combined terminal system, which results in a combined PHP of 18,000 passengers for 60 MPPA capacity. The Authority noted that the combined terminal area of 6,04,370 sqm results in an area provision of around 33.58 sqm/PHP, which is within reasonable bounds when compared with applicable planning norms and benchmarks for integrated terminals.

Table 208: Peak Hour Passenger Assessment for Hyderabad Terminals

Particulars	South Terminal	South Terminal in Fourth Control Period	NPTB Phase 1	Combined Terminals in Fourth Control Period
Annual Design Capacity	34 MPPA	40 MPPA*	20 MPPA	60 MPPA
PHP at 0.03% of annual capacity	10,200	12,000	6,000	18,000
PHP at 0.035% as considered by RITES for NPTB	-	-	7,000	-
Terminal Area existing / proposed	3,79,370 sqm	3,79,370 sqm	2,25,000 sqm	6,04,370 sqm
Area per PHP at 0.03%	37.19 sqm/PHP	31.61 sqm/PHP	37.50 sqm/PHP	33.58 sqm/PHP
Area per PHP as per RITES at 0.035% for NPTB	-	-	32.14 sqm/PHP	-

7.3.85. The Authority further noted that both the existing Southern Terminal and the proposed NPTB are integrated terminals handling domestic and international traffic with swing capability. Accordingly, integrated terminal norms are relevant for assessing the reasonableness of terminal area. The area per PHP norms considered by the Authority are set out below:

Table 209: 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	~30 sqm/PHP

7.3.86. The Authority noted that M/s RITES Limited examined the proposed NPTB area of 2,25,000 sqm. RITES assessed the NPTB using the IATA ADRM peak-hour factor of 0.035%, resulting in PHP of 7,000 passengers and area provision of 32.14 sqm/PHP. M/s RITES Limited observed that the proposed NPTB area is in line with applicable norms and comparable airport benchmarks and did not recommended any reduction in the proposed area. The Authority also noted that the Southern Terminal enhancement works have been reviewed by RITES and no reduction in the proposed scope had been recommended.

Table 210: Summary of Area Considered for Hyderabad Terminals

Particulars	Value
Combined Terminal Capacity in Fourth Control Period	60 MPPA
Combined PHP at 0.03%	18,000
Existing Southern Terminal area unchanged	3,79,370 sqm
Proposed NPTB Phase 1 area	2,25,000 sqm
Combined Terminal area	6,04,370 sqm
Combined Area per PHP	33.58 sqm/PHP
RITES-assessed NPTB Area per PHP at 0.035%	32.14 sqm/PHP

7.3.87. Accordingly, based on the assessment of PHP, terminal area norms, comparable airport benchmarks and the findings of RITES, the Authority proposed to consider the NPTB area of 2,25,000 sqm for 20 MPPA capacity as proposed by GHIAL for the purpose of cost assessment.

7.3.88. For the proposed Northern Passenger Terminal Building, M/s RITES Limited considered the approved rate of terminal building works determined during the Second Control Period and escalated the same using WPI-based inflation up to the expected year of capitalisation. The Authority noted that the proposed Northern Passenger Terminal Building is planned with an area of 2,25,000 sqm and is intended to provide additional passenger handling capacity in the Northern Precinct.

7.3.89. The rate assessment carried out by M/s RITES Limited for the Terminal Building is shown below:

Table 211: Rate Assessment for Northern Passenger Terminal Building

Particulars	WPI	Amount / Rate	Cumulative Rate
Basic rate for Terminal Building determined up to FY 2020-21		**Rs. 1,29,813.96 per sqm**	Rs. 1,29,813.96 per sqm
Add: WPI based escalation up to FY 2021-22	7.14%	Rs. 9,268.72 per sqm	Rs. 1,39,082.68 per sqm
Add: WPI based escalation up to FY 2022-23	9.40%	Rs. 13,073.77 per sqm	Rs. 1,52,156.45 per sqm
Add: WPI based escalation up to FY 2023-24	-0.72%	Rs. (1,095.53) per sqm	Rs. 1,51,060.92 per sqm
Add: WPI based escalation up to FY 2024-25	2.31%	Rs. 3,489.51 per sqm	Rs. 1,54,550.43 per sqm
Add: WPI based escalation up to FY 2025-26	0.90%	Rs. 1,390.95 per sqm	Rs. 1,55,941.38 per sqm
Add: WPI based escalation up to FY 2026-27	4.70%	Rs. 7,329.25 per sqm	Rs. 1,63,270.63 per sqm
Add: WPI based escalation up to FY 2027-28	3.60%	Rs. 5,877.74 per sqm	Rs. 1,69,148.37 per sqm
Add: WPI based escalation up to FY 2028-29	3.60%	Rs. 6,089.34 per sqm	Rs. 1,75,237.71 per sqm

Particulars	WPI	Amount / Rate	Cumulative Rate
Add: WPI based escalation up to FY 2029-30	3.60%	Rs. 6,308.56 per sqm	Rs. 1,81,546.27 per sqm
Rate considered as on FY30		**Rs. 1,81,546.27 per sqm**	

7.3.90. The Authority noted that FY 2021-22 was an exceptional year due to the COVID-19 pandemic, wherein the inflation rate was significantly impacted by volatility in commodity prices and supply-side disruptions. Accordingly, M/s RITES Limited rationalized the inflation for FY 2021-22 by considering the average of inflation for FY 2020-21 and FY 2021-22, in order to smoothen the abnormal impact of the pandemic period.

7.3.91. The Authority further noted that, as per the revised capacity assessment, the traffic demand is expected to exceed the enhanced capacity of the existing Southern Precinct during the Fourth Control Period. Accordingly, the Northern Passenger Terminal Building had been considered for capitalisation in FY 2029-30, aligned with the expected project completion timeline.

Table 212: Cost Assessment for Northern Passenger Terminal Building

Particulars	Value
Area considered	2,25,000 sqm
Normative rate considered	Rs. 1,81,546.27 per sqm
Cost assessed by M/s RITES Limited	**Rs. 4,084.79 Cr**

7.3.92. Accordingly, the Authority proposed to consider **Rs. 4,084.79 Crores** towards the Northern Passenger Terminal Building as against **Rs. 4,790.59 Crores** submitted by GHIAL.

C2. CNS ATM Building

7.3.93. For the CNS ATM Building, M/s RITES Limited assessed the cost based on CPWD PAR 2025, duly escalated based on Cost Index and WPI indices.

Table 213: Cost Assessment for CNS ATM Building

Particulars	Value
Area considered	4,400 sqm
Unit rate considered	Rs. 76,855.63 per sqm
Cost assessed by M/s RITES Limited	**Rs. 33.82 Cr**

7.3.94. Accordingly, the Authority proposed to consider **Rs. 33.82 Crores** towards CNS ATM Building against **Rs. 35.62 Crores** as submitted by GHIAL.

C3. Landside Ancillary Buildings

7.3.95. For landside ancillary buildings, M/s RITES Limited assessed the cost based on CPWD PAR 2025 (Rs. 76,855.63 per sqm) for 3,000 sqm. Accordingly, the Authority proposed to consider **Rs. 23.06 Crores** towards landside ancillary buildings as against **Rs. 24.29 Crores** submitted by GHIAL.

C4. Landside Roads

7.3.96. For landside roads, M/s RITES Limited carried out a detailed estimate based on CPWD DSR 2023. The quantities have been assessed using the master plan and Google Earth data, and the rates have been escalated up to the construction period using WPI-based inflation.

Table 214: Cost Assessment for Landside Roads

Particulars	Value
Area considered	28,455 sqm
Rate considered	Rs. 5,187.47 per sqm
Cost assessed by M/s RITES Limited	**Rs. 14.76 Cr**

7.3.97. Accordingly, the Authority proposed to consider **Rs. 14.76 Crores** towards landside roads as against **Rs. 15.04 Crores** submitted by GHIAL.

C5. Dual Elevated Ramp

7.3.98. For the Dual Elevated Ramp, M/s RITES Limited assessed the cost based on MoRTH project cost sheets.

Table 215: Cost Assessment for Dual Elevated Ramp

Particulars	Value
Area considered	25,000 sqm
Unit rate considered	Rs. 46,400 per sqm
Cost assessed by M/s RITES Limited	**Rs. 116.00 Cr**

7.3.99. Accordingly, the Authority proposed to consider **Rs. 116.00 Crores** towards the Dual Elevated Ramp as against **Rs. 116.09 Crores** submitted by GHIAL.

C6. Landscaping

7.3.100. For landscaping works, M/s RITES Limited evaluated the cost based on similar work executed at Bhogapuram Airport. Accordingly, the cost assessed for the Landscaping was arrived at Rs. 69.11 Crores. The cost considered by GHIAL is well within the cost assessed by M/s RITES Limited, hence the Authority proposed to consider **Rs. 67.00 Crores** towards landscaping in line with GHIAL's submission.

C7. Car Parking Area

7.3.101. The cost for the surface car parking had been assessed by M/s RITES Limited based on CPWD DSR 2023. M/s RITES Limited considered an area of **1,00,000 sqm** and a rate of **Rs. 9,410.87 per sqm**, based on which the cost works out to **Rs. 94.11 Crores**. Accordingly, the Authority proposed to consider **Rs. 94.11 Crores** towards car parking area as against **Rs. 95.45 Crores** submitted by GHIAL.

C8. IT Systems and Telecommunication

7.3.102. For IT Systems and Telecommunication works, M/s RITES Limited examined the cost based on market rates and reworked the cost based on WPI-based inflation indices. The cost assessed by M/s RITES Limited works out to Rs. 635.34 Crores. Since the cost proposed by GHIAL is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 635.00 Crores** towards IT Systems and Telecommunication as against 635.33 Crores submitted by GHIAL.

C9. Operational Equipment

7.3.103. For operational equipment, M/s RITES Limited examined the supporting details and found the cost to be reasonable. The cost assessed by M/s RITES Limited works out to **Rs. 88.60 Crores**. Since the cost proposed by GHIAL is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 63.00 Crores** towards operational equipment in line with the submission made by GHIAL.

C10. External Utilities

7.3.104. For external utilities, M/s RITES Limited considered comparable EPC contract rates for airport utility works and escalated the same using WPI-based inflation. The total cost assessed for external utilities had been split equally between terminal / landside area and airside area, including soft cost components.

Table 216: Cost Assessment for External Utilities

Particulars	Value
Basic benchmark rate	Rs. 55,840 per sqm
Add: WPI based escalation for FY 2027 to FY 2030	Rs. 7,008.41 per sqm
Rate considered for evaluation	Rs. 62,848 per sqm
Total cost assessed for external utilities	Rs. 408.51 Cr
Share considered for landside / terminal area	Rs. 204.26 Cr
Hard cost for landside / terminal external utilities	Rs. 179.17 Cr
Cost proposed to be considered by the Authority	**Rs. 179.17 Cr**

7.3.105. Accordingly, the Authority proposed to consider **Rs. 179.17 Crores** towards external utilities attributable to the Northern Passenger Terminal Building and associated landside works against Rs. 194.44 Crores as submitted by GHIAL.

Soft Costs

7.3.106. The Authority, upon review of GHIAL's submission, explanations and relevant supporting documents, had the following views with respect to the soft cost proposed by GHIAL for the Fourth Control Period:

- The Authority noted that GHIAL had proposed soft cost at **14%** of the project cost. The Authority observed that in the case of other PPP airports such as BIAL, DIAL, etc., similar costs such as Preliminaries, Design, Project Management Consultancy, Insurance, Permits and other related soft costs have generally been considered in the range of **8% to 11%** of the project cost. Accordingly, the Authority is of the view that the soft cost of **14%** claimed by GHIAL is on the higher side and requires moderation.
- The Authority also noted that certain capex items proposed by GHIAL relate to airside and operational works, including pavement works, stand conversion and other infrastructure augmentation. For such works, PMC and related soft cost requirements are generally lower and are normally observed to be in the range of **1% to 3%**, depending upon the nature and complexity of the work.
- The Authority further observed that GHIAL had proposed soft cost on an overall basis across capex items, including works such as procurement of equipment, IT systems, security systems, vehicles, plant and machinery, and other bought-out / SITC items. The Authority is of the view that applying a uniform soft cost percentage on all such items may result in overstatement of the eligible cost, particularly where the scope already includes installation, commissioning and vendor-related support.

7.3.107. Accordingly, considering the nature of the capex proposed by GHIAL, the mix of civil works, bought-out items and SITC contracts, the benchmark observed in other PPP airports, and the need to avoid loading of excessive soft costs on all capex items, the Authority proposed to restrict the allowable soft cost to **10% of the aeronautical capex of the projects allowed by the Authority for the Fourth Control Period**, as against **14% claimed by GHIAL**. The amount towards soft cost shall accordingly be computed on the aeronautical portion of the capex approved by the Authority and considered for inclusion in the Regulatory Asset Base, subject to actual capitalization, reconciliation with audited financial statements / Fixed Asset Register and prudence check.

Table 217: Soft Costs assessed by M/s RITES Limited for Northern Passenger Terminal Building

(Rs. In crores)

Particulars	Amount
Sub-total: Hard Costs	5,310.71
Cost considered for calculation of soft cost (excluding cost pertaining to Car Parking and IT systems)	4,581.60
Soft Costs (10%)	**458.16**

7.3.108. Accordingly, the Authority proposed to consider **Rs. 5,768.87 Crores** towards the Northern Passenger Terminal Building and associated landside works for the Fourth Control Period, subject to actual capitalisation and asset allocation at the time of true-up. The item-wise cost proposed to be considered by the Authority is shown below:

Table 218: Capex for Northern Precinct Development- Landside Works proposed by the Authority

(Rs. In crores)

Activity	Cost submitted by GHIAL	Cost proposed to be considered by the Authority
Terminal Building	4,790.59	4,084.79
CNS ATM Building	35.62	33.82
Landside Ancillary Buildings	24.29	23.06
Landside Roads	15.04	14.76
Dual Elevated Ramp	116.09	116.00
Landscaping	67.40	67.00
Car Parking Area	95.45	94.11
IT Systems and Telecommunication	635.33	635.00
Operational Equipment	63.34	63.00
External Utilities	194.44	179.17
Sub-total: Hard Costs	**6,037.59**	**5,310.71**
Soft Costs	**742.95**	**458.16**
Total Cost	**6,780.54**	**5,768.87**

(D) Capex towards Airport Connectivity and Transport for RGI Airport

D1. Flyover on East-West Road (Main Access Road)

7.3.109. For the flyover on the east-west road forming part of the Main Access Road, the Authority through M/s RITES Limited, assessed the cost based on project cost analysis as per MoRTH. M/s RITES Limited considered a unit rate of Rs. 46,400 per sqm and an area of 19,600 sqm, based on which the cost works out to Rs. 90.94 Crores. Since the cost proposed by GHIAL under this item is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 77.00 Crores** towards flyover on east-west road.

D2. Underpass on East-West Road (Main Access Road)

7.3.110. For the underpass on east-west road forming part of the Main Access Road, the Authority through M/s RITES Limited, assessed the cost based on project cost analysis as per MoRTH. M/s RITES Limited considered a unit rate of **Rs. 78,898.73 per sqm** and an area of **11,200 sqm**, based on which the cost works out to **Rs. 88.37 Crores**. Since the cost proposed by GHIAL is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 58.00 Crores** towards underpass on east-west road.



Figure 6: Proposed Layout of Elevated Flyover and Underpass along the East-West Road and Main Access Road (MAR)

D3. Underpass on Main Access Road near Eastern ECT

7.3.111. For the underpass on Main Access Road near Eastern ECT, the Authority through M/s RITES Limited, assessed the cost based on project cost analysis as per MoRTH. M/s RITES Limited considered a unit rate of **Rs. 78,898.73 per sqm** and an area of **28,000 sqm**, based on which the cost works out to **Rs. 220.92 Crores**. Since the cost proposed by GHIAL is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 211.00 Crores** towards underpass on Main Access Road near Eastern ECT.

D4. Underpass on Main Access Road near Western ECT

7.3.112. For the underpass on Main Access Road near Western ECT, the Authority through M/s RITES Limited, assessed the cost based on project cost analysis as per MoRTH. M/s RITES Limited considered a unit rate of **Rs. 78,898.73 per sqm** and an area of **25,200 sqm**, based on which the cost works out to **Rs. 198.82 Crores**. Accordingly, the Authority proposed to consider **Rs. 198.82 Crores** towards underpass on Main Access Road near Western ECT as against **Rs. 223.00 Crores** submitted by GHIAL.

D5. Underpass along East-West Road (4L+4L)

7.3.113. For the underpass along the east-west road (4L+4L), M/s RITES Limited assessed the cost based on project cost analysis as per MoRTH. M/s RITES Limited considered a unit rate of **Rs. 78,898.73 per sqm** and an area of **67,200 sqm**, based on which the cost works out to **Rs. 530.20 Crores**. Since the cost proposed under this item is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 181.00 Crores** towards underpass along east-west road (4L+4L).

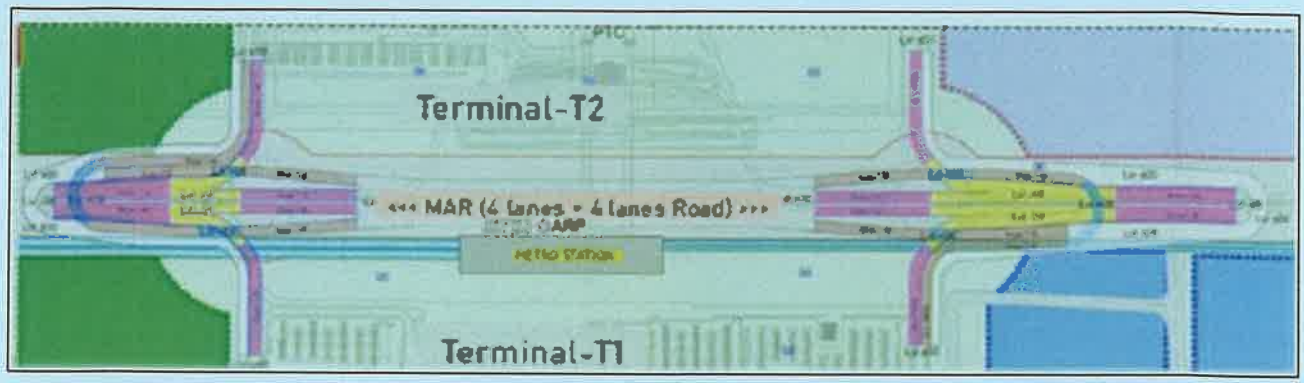


Figure 7: Proposed Layout of Main Access Road (MAR) Underpass (4 + 4 Lanes) Connecting Terminal T1 and Terminal T2

D6. Underpass Extension along East-West Road

7.3.114. For the underpass extension along the east-west road, M/s RITES Limited assessed the cost based on project cost analysis as per MoRTH. M/s RITES Limited considered a unit rate of **Rs. 78,898.73 per sqm** and an area of **15,750 sqm**, based on which the cost works out to **Rs. 124.27 Crores**. Since the cost proposed under this item is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider **Rs. 81.00 Crores** towards underpass extension along east-west road.

D7. North-South Road

7.3.115. For the North-South Road, M/s RITES Limited assessed the cost based on CPWD DSR rates. M/s RITES Limited considered a rate of **Rs. 1,81,56,151.58 per km** and a quantity of **21 km**, based on which the cost works out to **Rs. 38.13 Crores**. Accordingly, the Authority proposed to consider **Rs. 38.13 Crores** towards North-South Road as against **Rs. 44 Crores** submitted by GHIAL.

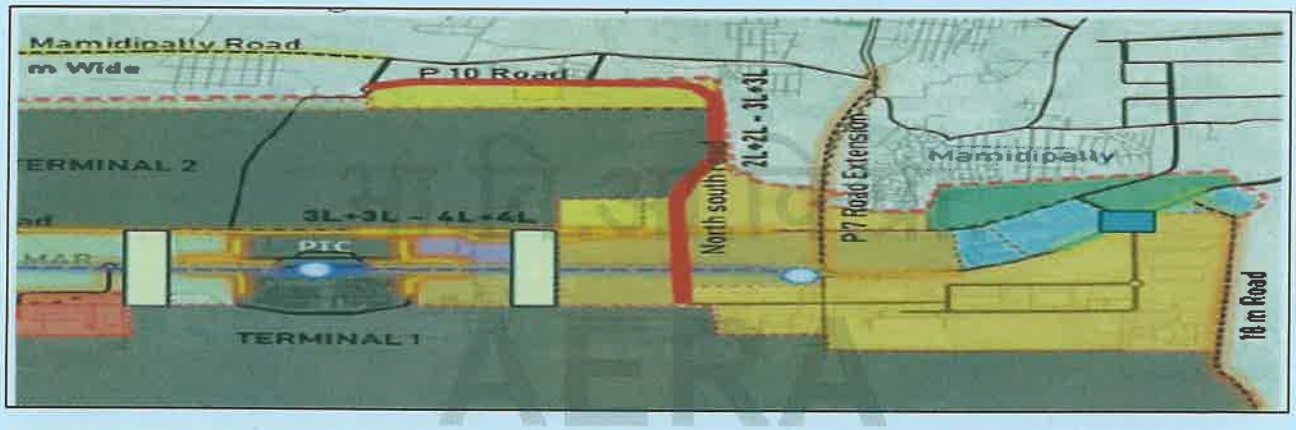


Figure 8: Proposed Layout of Widening of the North-South (N-S) Road Connecting Terminal 1, Terminal 2, and Mamidipally Road

D8. 18m Road (2+2)

7.3.116. For the 18m Road (2+2), M/s RITES Limited assessed the cost based on CPWD DSR rates. M/s RITES Limited considered a rate of Rs. 1,81,56,151.58 per lane-km and a quantity of 12.40 km, based on which the cost works out to Rs. 22.51 Crores. Since the cost proposed under this item is lower than the cost assessed by M/s RITES Limited, the Authority proposed to consider Rs. 15.00 Crores towards 18m Road (2+2).



Figure 9: Proposed Alignment of 18m Wide Road (2+2 Lanes) along the South-East Side Connecting East-West Road and Golf Course Road

Soft Costs

7.3.117. For the soft cost components, M/s RITES Limited considered the rates broadly in line with the approach adopted for capex assessment, comprising preliminaries and other costs, permits and insurance, design and PMC, and contingencies. The soft costs have been considered as a percentage of the hard costs.

7.3.118. The Authority, upon review of GHIAL's submission, explanations and relevant supporting documents, had the following views with respect to the soft cost proposed by GHIAL for the Fourth Control Period:

- The Authority noted that GHIAL had proposed soft cost at **14%** of the project cost. The Authority observed that in the case of other PPP airports such as BIAL, DIAL, etc., similar costs such as Preliminaries, Design, Project Management Consultancy, Insurance, Permits and other related soft costs have generally been considered in the range of **8% to 11%** of the project cost. Accordingly, the Authority is of the view that the soft cost of **14%** claimed by GHIAL is on the higher side and requires moderation.
- The Authority also noted that certain capex items proposed by GHIAL relate to airside and operational works, including pavement works, stand conversion and other infrastructure augmentation. For such works, PMC and related soft cost requirements are generally lower and are normally observed to be in the range of **1% to 3%**, depending upon the nature and complexity of the work.
- The Authority further observed that GHIAL had proposed soft cost on an overall basis across capex items, including works such as procurement of equipment, IT systems, security systems, vehicles, plant and machinery, and other bought-out / SITC items. The Authority is of the view that applying a uniform soft cost percentage on all such items may result in overstatement of the eligible cost, particularly where the scope already includes installation, commissioning and vendor-related support.

7.3.119. Accordingly, considering the nature of the capex proposed by GHIAL, the mix of civil works, bought-out items and SITC contracts, the benchmark observed in other PPP airports, and the need to avoid loading of excessive soft costs on all capex items, the Authority proposed to restrict the allowable soft cost to **10% of the aeronautical capex of the projects allowed by the Authority for the Fourth Control Period**, as

against **14% claimed by GHIAL**. The amount towards soft cost shall accordingly be computed on the aeronautical portion of the capex approved by the Authority and considered for inclusion in the Regulatory Asset Base, subject to actual capitalization, reconciliation with audited financial statements / Fixed Asset Register and prudence check.

Table 219: Soft Costs assessed by M/s RITES Limited for Airport Connectivity and Transport Systems

(Rs. In crores)

Particulars	Amount
Sub-total: Hard Cost	859.95
Soft Costs	**86.00**

7.3.120. Accordingly, the Authority proposed to consider **Rs. 945.95 Crores** towards Airport Connectivity and Transport Systems for the Fourth Control Period, subject to actual capitalisation and asset allocation at the time of true-up. The item-wise cost proposed to be considered by the Authority is shown below:

Table 220: Cost Estimate of Airport Connectivity and Transport Systems for the Fourth Control Period

(Rs. In crores)

Activity	Cost submitted by GHIAL	Cost proposed to be considered by the Authority
Flyover on east-west road (Main Access Road)	77.00	77.00
Underpass on east-west road (Main Access Road)	58.00	58.00
Underpass on Main Access Road near Eastern ECT	211.00	211.00
Underpass on Main Access Road near Western ECT	223.00	198.82
Underpass along East-West Road (4L+4L)	181.00	181.00
Underpass Extension along East-West Road	81.00	81.00
North-South Road	44.00	38.13
18m Road (2+2)	15.00	15.00
Sub-total: Hard Cost	**890.00**	**859.95**
Soft Costs	**124.60**	**86.00**
Total Cost excluding IDC	**1,014.60**	**945.95**

(E) General Capex

7.3.121. The Authority noted that GHIAL had proposed a total General Capital Expenditure of **Rs. 1,302.3 Crores** for the Fourth Control Period. The proposed capex is spread across various departments to support airport operations, infrastructure augmentation, maintenance requirements, security, and technology-related initiatives.

7.3.122. The Authority observed that the major allocations proposed by GHIAL include Rs. 391.8 Crores towards Security and Vigilance, Rs. 389.5 Crores towards Project, Engineering & Maintenance, Rs. 197.0 Crores towards IT infrastructure, and Rs. 131.5 Crores towards Strategic Initiatives. Further, GHIAL had proposed Rs. 94.8 Crores towards Terminal Operations, Rs. 53.4 Crores towards Landscape Development, and Rs. 44.2 Crores towards Airport Rescue and Fire Fighting.

7.3.123. The Authority noted that GHIAL had proposed total General Maintenance CAPEX of Rs. 1,302 Crores for the Fourth Control Period. The Authority further noted that the General Maintenance CAPEX approved by AERA, vide Tariff Order for the Third Control Period, was Rs. 1,527.74 Crores.

7.3.124. Since the General Maintenance Capex proposed by GHIAL for the Fourth Control Period is broadly in line with, and lower than, the General Maintenance Capex approved for the Third Control Period, the Authority

finds the same to be reasonable. Accordingly, the Authority proposed to consider General Maintenance Capex of Rs. 1,302 Crores for the Fourth Control Period.

Table 221: General Capex proposed to be considered for the Fourth Control Period

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
General Maintenance Capital Expenditure	552.91	268.01	142.42	175.11	163.81	1302.26

(F) Capital Expenditure deferred from Third Control Period to Fourth Control Period

7.3.125. The Authority noted that capital expenditure amounting to Rs. 168.50 Crores, comprising assets which remained under CWIP and carry-forward items as on 31.03.2026, was not considered for capitalization during the Third Control Period, since the same had not been capitalized / put to use during FY 2026.

7.3.126. GHIAL had submitted that the said deferred capital expenditure is proposed to be capitalized in FY 2027, i.e., during the Fourth Control Period. The Authority noted that the deferred amount primarily relates to residual works of the expansion project, including terminal expansion, apron and taxiway works, road infrastructure, ICT cost, enabling works and related soft costs, which form part of the overall expansion capital expenditure.

7.3.127. The Authority is of the view that since the amount of Rs. 168.50 Crores was deferred from the Third Control Period only on account of non-capitalization as on 31.03.2026, and not on account of prudence disallowance, the same may be considered in the Fourth Control Period upon actual capitalization by GHIAL.

7.3.128. Accordingly, the Authority proposed to allow the deferred capex of Rs. 168.50 Crores (from Third Control Period) in the Fourth Control Period, subject to GHIAL capitalizing the assets in FY 2027, submission of requisite supporting documents, and reconciliation with the audited financial statements / fixed asset register.

Interest During Construction

7.3.129. The Authority examined the IDC submitted by GHIAL for the capital projects proposed during the Fourth Control Period. GHIAL submitted the IDC computation based on the proposed debt drawdown, utilisation of debt for eligible capital expenditure, assumed cost of debt and the capitalisation schedule of the projects. The Authority noted that GHIAL had considered interest cost at 10.00% on the average debt utilised for the project during the construction period.

7.3.130. The Authority examined the methodology adopted by GHIAL for computation of IDC and finds the same to be reasonable. However, since the Authority had proposed certain adjustments to the capital cost based on the examination of project scope, quantities, applicable benchmarks and reasonableness of costs, the IDC had also been recomputed on a proportionate basis corresponding to the capital cost proposed to be considered by the Authority. Accordingly, IDC had been allowed only to the extent attributable to the eligible capital cost proposed to be considered for the Fourth Control Period.

IDC pertaining to Northern Runway and associated airside works

7.3.131. The debt utilisation and IDC computation submitted by GHIAL is shown in the table below:

Table 222:Debt Utilisation and IDC submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Opening Debt	-	790.94	1,803.21	3,074.28	-	

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Drawdown during the year	790.94	1,012.27	1,271.07	615.12	-	3,689.40
Capitalised Debt	-	-	-	3,689.40	-	3,689.40
Closing Debt	790.94	1,803.21	3,074.28	-	-	
Average Debt	395.47	1,297.08	2,438.75	1,537.14	-	
Interest Cost considered	10.00%	10.00%	10.00%	10.00%	-	
IDC submitted by GHIAL	**39.55**	**129.71**	**243.87**	**153.71**	**-**	**566.84**

7.3.132. Based on the capital cost proposed to be considered by the Authority, the IDC had been recomputed proportionately. The IDC submitted by GHIAL and the IDC proposed to be considered by the Authority are shown in the table below:

Table 223: IDC submitted by GHIAL for Northern Runway and associated airside works and the IDC proposed to be considered by the Authority for Northern Runway and associated works

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
IDC submitted by GHIAL	39.55	129.71	243.87	153.71	-	566.84
IDC proposed to be considered by the Authority	31.47	123.28	231.62	146.81	-	533.18

7.3.133. After considering the adjustments in the capital cost of Northern Runway and associated airside works and the aeronautical allocation of the capital expenditure proposed to be considered, the Authority proposed to consider IDC of **Rs. 533.18 Crores** for the Fourth Control Period on a proportionate basis corresponding to the reduction in capital cost proposed to be considered by the Authority.

IDC for Northern Passenger Terminal Building

7.3.134. The debt utilisation and IDC computation submitted by GHIAL for Northern Passenger Terminal Building is shown in the table below:

Table 224: Debt Utilisation and IDC submitted by GHIAL for Northern Passenger Terminal Building

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Opening Debt	-	354.38	2,141.56	4,262.09	-	
Drawdown during the year	354.38	1,787.18	2,120.52	1,160.10	-	5,422.18
Capitalised Debt	-	-	-	5,422.18	-	5,422.18
Closing Debt	354.38	2,141.56	4,262.09	-	-	
Average Debt	177.19	1,247.97	3,201.83	2,131.04	-	
Interest Cost considered	10.00%	10.00%	10.00%	10.00%	-	
IDC submitted by GHIAL	**17.72**	**124.80**	**320.18**	**213.10**	**-**	**675.80**

7.3.135. Based on the capital cost proposed to be considered by the Authority, the IDC had been recomputed proportionately. The IDC submitted by GHIAL and the IDC proposed to be considered by the Authority are shown in the table below:

Table 225: IDC submitted by GHIAL for Northern Passenger Terminal Building and the IDC proposed to be considered by the Authority

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
IDC submitted by GHIAL	17.72	124.80	320.18	213.10	-	675.80
IDC proposed to be considered by the Authority	14.81	105.82	273.39	182.27	-	576.29

7.3.136. After considering the adjustments in the capital cost of Northern Passenger Terminal Building and the aeronautical allocation of the capital expenditure proposed to be considered, the Authority proposed to

consider IDC of **Rs. 576.29 Crores** for the Fourth Control Period on a proportionate basis corresponding to the reduction in capital cost proposed to be considered by the Authority.

Airport Connectivity and Transport Systems

7.3.137. The debt utilisation and IDC computation submitted by GHIAL for Airport Connectivity and Transport Systems is shown in the table below:

Table 226: Debt Utilisation and IDC submitted by GHIAL for Airport Connectivity and Transport Systems

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Opening Debt	-	-	-	497.49	-	
Drawdown during the year	-	-	497.49	262.48	-	759.97
Capitalised Debt	-	-	-	759.97	-	759.97
Closing Debt	-	-	497.49	-	-	
Average Debt	-	-	248.74	248.74	-	
Interest Cost considered	10.00%	10.00%	10.00%	10.00%	-	
IDC submitted by GHIAL	**-**	**-**	**24.87**	**24.87**	**-**	**49.75**

7.3.138. Based on the capital cost proposed to be considered by the Authority, the IDC had been recomputed proportionately. The IDC submitted by GHIAL and the IDC proposed to be considered by the Authority are shown in the table below:

Table 227: IDC proposed to be considered by the Authority for Airport Connectivity and Transport Systems at the Consultation Stage

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
IDC submitted by GHIAL	-	-	24.87	24.87	-	49.75
IDC proposed to be considered by the Authority	-	-	23.19	23.19	-	46.38

7.3.139. After considering the adjustments in the capital cost of Airport Connectivity and Transport Systems and the aeronautical allocation of the capital expenditure proposed to be considered, the Authority proposed to consider IDC of **Rs. 46.38 Crores** for the Fourth Control Period on a proportionate basis corresponding to the reduction in capital cost proposed to be considered by the Authority.

Table 228: Summary of IDC proposed to be considered by the Authority for the Fourth Control Period

(Rs. In crores)

Project	IDC submitted by GHIAL	IDC proposed to be considered by the Authority
Northern Runway and Associated Airside Works	566.84	533.18
Northern Passenger Terminal Building	675.80	576.29
Airport Connectivity and Transport Systems	49.75	46.38
Total	**1,292.39**	**1,155.85**

7.3.140. Accordingly, the Authority proposed to consider the following Capital Expenditure (including soft cost and IDC):

Table 229: Capital Expenditure (including soft costs and IDC) proposed to be considered by the Authority for the Fourth Control Period

(Rs. In crores)

S. No	Category	Particulars	Total Capex submitted by GHIAL	Total Capex proposed to be considered by the Authority
A1	Capacity Enhancements to Southern Precinct	MLCP (Multi Level Car Park)	219.20	219.20*
A2		Addition of 9 Stands (Equivalent to Code C) on eastern side and 3 Equivalent code C on western side	137.62	112.02
A3		BHS-BMA Upgrade and Transfer Baggage Storage Management	24.82	24.82
A4		Improvement of Departure & Arrival Entry & Exit NAKA	13.01	13.00
A5		Conversion of Stand 53 to Code E/MARS Stand with Associated Works (Taxiways and Taxi lanes)	12.81	12.81
A6		Conversion from SBD to ABD (check-in island reconfiguration)	6.02	6.00
A7		Conversion of 8 Swing PESC (16 Domestic, 8 Swing, 5 International) and Civil Work (Partitions and DOM Movement)	5.98	5.98
A8		Addition of One Machine in PESC Area for D-to-D Transfer	4.66	4.66
A9		Other Miscellaneous	3.15	0.00
		Total Cost	**427.00**	**398.29**
B1	Northern Runway & Associated Airside Works	Runway, Taxiway and Apron	1,712.29	1,693.47
B2		Elevated Taxiway	710.45	709.92
B3		Airside Anciliary Building	97.16	92.23
B4		Perimeter Wall	37.38	37.00
B5		Earth Works	909.54	744.85
B6		External Utilities	194.44	179.17
B7		Taxiway as emergency runway	108.15	106.96
B8		GSE Building	28.02	28.00
B9		Airside Roads	83.22	81.70
B10		GSE Parking	32.34	31.98
		Soft Costs	547.82	370.53
		IDC	566.84	533.18
		Total Cost	**5,027.65**	**4,608.99**
C1	Northern Precinct Development- Landside Works	Terminal Building	4,790.59	4,084.79
C2		CNS ATM Building	35.62	33.82
C3		Landside Ancillary Buildings	24.29	23.06
C4		Landside Roads	15.04	14.76
C5		Dual Elevated Ramp	116.09	116.00
C6		Landscaping	67.40	67.00
C7		Car parking area	95.45	94.11#
C8		IT Systems & Telecommunication	635.33	635.00
C9		Operational equipment	63.34	63.00
C10		External Utilities	194.44	179.17
		Soft Costs	742.95	458.16

S. No	Category	Particulars	Total Capex submitted by GHIAL	Total Capex proposed to be considered by the Authority
		IDC	675.80	576.29
		Total Cost	**7,456.35**	**6,345.16**
D1	**Airport Connectivity and Transport**	Flyover (E-W on MAR 4L+4L) – Length: 700 m	77.00	77.00
D2		Under Pass on E-W (2L+2L) – Length: 800 m	58.00	58.00
D3		Under pass on MAR (4L+4L) Eastern ECT– Length: 1000 m	211.00	211.00
D4		Under Pass on MAR (4L+4L) Western ECT– Length: 900 m	223.00	198.82
D5		Under pass along East-West Road (4L+4L) – Length: 2400 m	181.00	181.00
D6		Under Pass Ext. along East-West Road (3L+3L) – Length: 750m	81.00	81.00
D7		North-South Road (3L+3L) – Length: 3500m	44.00	38.13
D8		18m Road (2+2) – Length: 3100m	15.00	15.00
		Soft Costs	124.60	86.00
		IDC	49.75	46.38
		Total Cost	**1,064.35**	**992.33**
E1	**General Capital Expenditure**	Terminal Operations	94.84	94.84
E2		Security and Vigilence	391.78	391.78
E3		Project, Engineering & Maintenance	389.51	389.51
E4		Strategic Initiatives	131.54	131.54
E5		Landscape	53.41	53.41
E6		IT	197.00	197.00
E7		ARFF	44.17	44.17
		Total Cost	**1302.26**	**1302.26**
	Capital Expenditure carry forwarded from TCP	**Total**	**168.50**	**168.50**
	Total Capex		**15,446.11**	**13,815.53**

**Considered as Non-Aeronautical Asset (ref. Table 230)*
 # Considered as Non-Aeronautical Asset (ref. Table 232)

7.3.141. 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 GHIAL 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 to protect the interest of the stakeholders who are paying for services provided by GHIAL and is also encouragement for GHIAL to commission/ capitalize the proposed assets as per the approved CAPEX plan/schedule.

Asset Allocation for the Fourth Control Period

GHIAL's submission regarding Asset Allocation for the Fourth Control Period

7.3.142. GHIAL had submitted the classification of capital expenditure proposed for the Fourth Control Period into aeronautical, non-aeronautical and common categories. GHIAL further submitted the aeronautical allocation of capex for each of the project components proposed during the Fourth Control Period.

7.3.143. As per GHIAL's submission, the aeronautical portion had been computed based on the nature and usage of the respective assets. Further, the soft costs have been allocated in line with the aeronautical proportion of the underlying hard costs. The project-wise aeronautical allocation of capex as submitted by GHIAL is provided in the tables below:

Table 230: Aeronautical Capex for Capacity Enhancements to Southern Precinct submitted by GHIAL

(Rs. In crores)

Particulars	Classification submitted by GHIAL	Capex submitted by GHIAL	Aeronautical capex submitted by GHIAL
MLCP (Multi Level Car Park)	Non Aero	219.20	0.00
Addition of 9 Stands (Equivalent to Code C) on eastern side and 3 Equivalent code C on western side	Aero	137.62	137.62
BHS-BMA Upgrade and Transfer Baggage Storage Management	Aero	24.82	24.82
Improvement of Departure & Arrival Entry & Exit NAKA	Aero	13.01	13.01
Conversion of Stand 53 to Code E/MARS Stand with Associated Works (Taxiways and Taxi lanes)	Aero	12.81	12.81
Conversion from SBD to ABD (check-in island reconfiguration)	Aero	6.02	6.02
Conversion of 8 Swing PESC (16 Domestic, 8 Swing, 5 International) and Civil Work (Partitions and DOM Movement)	Aero	5.98	5.98
Addition of One Machine in PESC Area for D-to-D Transfer	Aero	4.66	4.66
Other Miscellaneous	Aero	3.15	3.15
Total Cost		**427.00**	**208.08**

7.3.144. Based on the above classification, GHIAL submitted total capex of Rs. 427.00 Crores towards Southern Precinct Enhancement. Out of the same, Rs. 208.08 Crores had been submitted as aeronautical capex for the Fourth Control Period. The balance amount primarily pertains to MLCP, which had been classified as non-aeronautical by GHIAL.

Table 231: Aeronautical Capex for Northern Runway & Associated Airside Works submitted by GHIAL

(Rs. In crores)

Activity	Classification submitted by GHIAL	Capex submitted by GHIAL	Aeronautical capex submitted by GHIAL
Runway, Taxiway and Apron	Aero	1,712.29	1,712.29
Elevated Taxiway	Aero	710.45	710.45
Airside Ancillary Building	Aero	97.16	97.16
Perimeter Wall	Aero	37.38	37.38
Earth Works	Aero	909.54	909.54
External Utilities	Common	194.44	-
Taxiway as emergency runway	Aero	108.15	108.15
GSE Building	Aero	28.02	28.02
Airside Roads	Aero	83.22	83.22
GSE Parking	Aero	32.34	32.34
Sub-total: Hard Costs		**3,912.99**	**3,718.55**

Activity	Classification submitted by GHIAL	Capex submitted by GHIAL	Aeronautical capex submitted by GHIAL
Preliminaries & Other cost		78.26	74.37
Permits, Insurance etc.		78.26	74.37
Design & PMC		195.65	185.93
Contingencies		195.65	185.93
Sub-total: Soft Costs		**547.82**	**520.60**
Total Cost excluding IDC		**4,460.80**	**4,239.14**

7.3.145. Based on the above classification, GHIAL submitted total capex of Rs. 4,460.80 Crores towards Northern Runway and associated airside works, of which Rs. 4,239.14 Crores had been submitted as aeronautical capex for the Fourth Control Period.

Table 232: Aeronautical Capex for Northern Precinct Development- Landside Works submitted by GHIAL

(Rs. In crores)

Activity	Classification submitted by GHIAL	Capex submitted by GHIAL	Aeronautical capex submitted by GHIAL
Terminal Building	Common	4,790.59	4,328.97
CNS ATM Building	Aero	35.62	35.62
Landside Ancillary Buildings	Aero	24.29	24.29
Landside Roads	Aero	15.04	15.04
Dual Elevated Ramp	Aero	116.09	116.09
Landscaping	Aero	67.40	67.40
Car parking area	Non-Aero	95.45	-
IT Systems & Telecommunication	Common	635.33	574.11
Operational equipment	Aero	63.34	63.34
External Utilities	Aero	194.44	194.44
Sub-total: Hard Costs		**6,037.59**	**5,419.30**
Preliminaries & Other cost		106.14	95.27
Permits, Insurance etc.		106.14	95.27
Design & PMC		265.34	238.17
Contingencies		265.34	238.17
Sub-total: Soft Costs		**742.95**	**666.87**
Total Cost excluding IDC		**6,780.54**	**6,086.17**

7.3.146. Based on the above classification, GHIAL submitted total capex of Rs. 6,780.54 Crores towards Northern Precinct Development- Landside Works, of which Rs. 6,086.17 Crores had been submitted as aeronautical capex for the Fourth Control Period.

Table 233: Aeronautical Capex for Airport Connectivity and Transport submitted by GHIAL

(Rs. In crores)

Activity	Classification submitted by GHIAL	Capex submitted by GHIAL	Aeronautical capex submitted by GHIAL
Flyover (E-W on MAR 4L+4L) – Length: 700 m	Aero	77.00	77.00
Under Pass on E-W (2L+2L) – Length: 800 m	Aero	58.00	58.00
Under pass on MAR (4L+4L) Eastern ECT – Length: 1000 m	Aero	211.00	211.00
Under Pass on MAR (4L+4L) Western ECT – Length: 900 m	Aero	223.00	223.00

Activity	Classification submitted by GHIAL	Capex submitted by GHIAL	Aeronautical capex submitted by GHIAL
Under pass along East-West Road (4L+4L) – Length: 2400 m	Aero	181.00	181.00
Under Pass Ext. along East-West Road (3L+3L) – Length: 750 m	Aero	81.00	81.00
North-South Road (3L+3L) – Length: 3500 m	Aero	44.00	44.00
18m Road (2+2) – Length: 3100 m	Aero	15.00	15.00
Sub-total: Hard Costs		**890.00**	**890.00**
Preliminaries & Other cost		17.80	17.80
Permits, Insurance etc.		17.80	17.80
Design & PMC		44.50	44.50
Contingencies		44.50	44.50
Sub-total: Soft Costs		**124.60**	**124.60**
Total Cost excluding IDC		**1,014.60**	**1,014.60**

7.3.147. Based on the above classification, GHIAL submitted total capex of Rs. 1,014.60 Crores towards Airport Connectivity and Transport Systems, and the entire amount of Rs. 1,014.60 Crores had been submitted as aeronautical capex for the Fourth Control Period.

7.3.148. GHIAL had submitted total General Capex of Rs. 1,302.26 Crores for the Fourth Control Period. The General Capex proposed by GHIAL includes capex towards Terminal Operations, Security and Vigilance, Project, Engineering & Maintenance, Strategic Initiatives, Landscape, IT and ARFF. GHIAL had further classified the General Capex into aeronautical, non-aeronautical, common and non-aeronautical CGF categories. As per GHIAL's classification, out of the total General Capex of Rs. 1,302.26 Crores, Rs. 961.50 Crores had been classified as aeronautical, Rs. 69.60 Crores as non-aeronautical, Rs. 213.07 Crores as common and Rs. 58.10 Crores as non-aeronautical CGF.

7.3.149. Based on the above, GHIAL had submitted total General Capex of Rs. 1,302.26 Crores for the Fourth Control Period, of which Rs. 961.50 Crores had been classified as aeronautical capex. The common capex had been separately identified by GHIAL for allocation between aeronautical and non-aeronautical components.

Authority's examination regarding Asset Allocation for the Fourth Control Period at the Consultation Stage

7.3.150. The Authority examined the classification of total capital expenditure proposed by GHIAL for the Fourth Control Period into aeronautical and non-aeronautical components. The Authority noted that GHIAL had classified certain assets differently from the asset classification principles adopted by AERA for regulatory tariff determination. Accordingly, the Authority had reclassified such assets in line with the AERA principles. Further, the soft costs have been apportioned in line with the aeronautical proportion of the underlying hard costs. The Authority had computed the aeronautical capex separately for each of the capital expenditure heads proposed for the Fourth Control Period.

7.3.151. For the purpose of determination of RAB, the Authority proposed to apportion the common assets related to passenger terminal into Aero and Non-Aero assets utilising the Terminal Area Ratio of 84.6% (Aero) and 15.4% (Non Aero). Whereas, the common assets pertaining to functions other than the terminal building are proposed to be apportioned utilising the average Gross Fixed Asset ratio for the Third Control Period i.e. 89.56% (Aero) and 10.44% (Non Aero).

7.3.152. The project-wise analysis of asset allocation, along with the rationale for changes in classification proposed by the Authority, is provided below:

Table 234: Reclassification of capital expenditure pertaining to Capacity Enhancements to the Southern Precinct

Activity	Classification as submitted by GHIAL	Classification proposed to be considered by the Authority
MLCP (Multi-Level Car Park)	Non-Aero	Non Aero
Addition of 9 stands equivalent to Code C on eastern side and 3 equivalent Code C stands on western side	Aero	Aero
BHS-BMA Upgrade and Transfer Baggage Storage Management	Aero	Aero
Improvement of Departure & Arrival Entry & Exit NAKA	Aero	Common
Conversion of Stand 53 to Code E/MARS Stand with associated works	Aero	Aero
Conversion from SBD to ABD /check-in island reconfiguration	Aero	Aero
Conversion of 8 Swing PESC and associated civil works	Aero	Aero
Addition of one machine in PESC area for D-to-D transfer	Aero	Aero
Other Miscellaneous	Aero	Common

7.3.153. The rationale for the reclassification of asset allocation proposed by the Authority is set out below:

- Improvement of Departure & Arrival Entry & Exit NAKA: The assets shall jointly be used by all terminal visitors like passengers, visitors and the staff of airport & airport concessionaires. Hence, the Authority proposed to classify the same as common, to be allocated in the ratio of Terminal Area Ratio.
- Other Miscellaneous: The exact nature and usage of the assets under this head have not been separately identified. Since such assets may be used jointly by passengers, visitors and staff of airport & airport concessionaires, the Authority proposed to classify the same as common, to be allocated in the ratio of Terminal Area Ratio.

Table 235: Reclassification of capital expenditure pertaining to Northern Runway & Associated Airside Works

Activity	Classification submitted by GHIAL	Classification proposed to be considered by the Authority
Runway, Taxiway and Apron	Aero	Aero
Elevated Taxiway	Aero	Aero
Airside Ancillary Building	Aero	Aero
Perimeter Wall	Aero	Aero
Earth Works	Aero	Aero
External Utilities	Aero	Common
Taxiway as Emergency Runway	Aero	Aero
GSE Building	Non-Aero	Aero
Airside Roads	Aero	Aero
GSE Parking	Non-Aero	Aero

7.3.154. The rationale for the reclassification of asset allocation proposed by the Authority is set out below:

- External Utilities: External infrastructure such as DG sets, UPS, substations, power distribution boards, LT switchboards and HT cables serve both aeronautical and common airport assets. Accordingly, these assets are required to be bifurcated based on their usage for appropriate allocation.
- GSE Building: Assets pertaining to ground handling are to be considered Aero.

- GSE Parking: Assets pertaining to Ground handling are to be considered Aero.

Table 236: Reclassification of capital expenditure pertaining to Northern Precinct Development- Landside Works

Activity	Classification submitted by GHIAL	Classification proposed to be considered by the Authority
Terminal Building	Common	Common
CNS ATM Building	Aero	Aero
Landside Ancillary Buildings	Aero	Common
Landside Roads	Aero	Common
Dual Elevated Ramp	Aero	Aero
Landscaping	Aero	Common
Car Parking Area	Non-Aero	Non-Aero
IT Systems & Telecommunication	Common	Common
Operational Equipment	Aero	Aero
External Utilities	Aero	Common

7.3.155. The rationale for the reclassification of asset allocation proposed by the Authority is set out below:

- Landside Ancillary Buildings, Landscaping and Landside Roads: The Authority noted that landside connectivity infrastructure is used by aeronautical passengers, users of non-aeronautical commercial facilities, airport employees and the general public. Accordingly, the Authority proposed to classify such assets as common assets.
- External Utilities: External infrastructure such as DG sets, UPS, substations, power distribution boards, LT switchboards and HT cables serve both aeronautical and common airport assets. Accordingly, these assets are required to be bifurcated based on their usage for appropriate allocation.

Table 237: Reclassification of capital expenditure pertaining to Airport Connectivity and Transport Systems

Activity	Classification submitted by GHIAL	Classification proposed to be considered by the Authority
Flyover (E-W on MAR 4L+4L) – Length: 700 m	Aero	Common
Underpass on E-W (2L+2L) – Length: 800 m	Aero	Common
Underpass on MAR (4L+4L) Eastern ECT – Length: 1000 m	Aero	Common
Underpass on MAR (4L+4L) Western ECT – Length: 900 m	Aero	Common
Underpass along East-West Road (4L+4L) – Length: 2400 m	Aero	Common
Underpass Extension along East-West Road (3L+3L) – Length: 750 m	Aero	Common
North-South Road (3L+3L) – Length: 3500 m	Aero	Common
18m Road (2+2) – Length: 3100 m	Aero	Common

7.3.156. The Authority noted that the assets are expected to be used jointly by passengers, visitors, airport staff and staff of airport concessionaires. Accordingly, the Authority proposed to classify the same as common assets, to be allocated between aeronautical and non-aeronautical components in the Terminal Area Ratio.

7.3.157. The elements forming part of General Capex have also been examined from the perspective of their nature, end-use and beneficiary profile. The Authority observed that certain assets proposed under General Capex are not exclusively used for aeronautical activities and are expected to serve multiple user groups, including passengers, visitors, airport employees, concessionaires and users of non-aeronautical commercial facilities. Accordingly, such assets have been reclassified, wherever required, based on the above observations and in line with the asset allocation principles adopted by AERA for regulatory tariff determination.

7.3.158. Further, for the capital expenditure deferred from the Third Control Period to the Fourth Control Period, the Authority had considered the aeronautical allocation in the same proportion as proposed to be considered during the Third Control Period. The Authority noted that these items were originally part of the capital expenditure proposed for the Third Control Period and their asset classification and aeronautical allocation had already been examined in the context of the Third Control Period tariff determination.

7.3.159. Accordingly, the project-wise aeronautical allocation of capex proposed to be considered by the Authority is provided in the tables below:

Table 238: Aeronautical Capex proposed to be considered for Capacity Enhancements to the Southern Precinct

(Rs. In crores)

Activity	Aeronautical Allocation proposed to be considered by the Authority	Cost proposed to be considered	Aeronautical Capex proposed to be considered
MLCP (Multi-Level Car Park)	0%	219.00	0.00
Addition of 9 stands equivalent to Code C on eastern side and 3 equivalent Code C stands on western side	100%	112.02	112.02
BHS-BMA Upgrade and Transfer Baggage Storage Management	100%	24.82	24.82
Improvement of Departure & Arrival Entry & Exit NAKA	84.6%	13.00	11.00
Conversion of Stand 53 to Code E/MARS Stand with associated works	100%	12.81	12.81
Conversion from SBD to ABD / check-in island reconfiguration	100%	6.00	6.00
Conversion of 8 Swing PESC and associated civil works	100%	5.98	5.98
Addition of one machine in PESC area for D-to-D transfer	100%	4.66	4.66
Other Miscellaneous	84.6%	-	0.00
Total Cost		**398.29**	**177.29**

7.3.160. Based on the above classification, the Authority proposed to consider total capex of **Rs. 398.29 Crores** towards Southern Precinct Enhancement, of which **Rs. 177.29 Crores** is proposed to be considered as aeronautical capex for the Fourth Control Period.

Table 239: Aeronautical Capex proposed to be considered for Northern Runway and Associated Airside Works

(Rs. In crores)

Activity	Aeronautical Allocation proposed to be considered by the Authority	Capex proposed to be considered	Aeronautical capex proposed to be considered
Runway, Taxiway and Apron	100%	1693.47	1693.47
Elevated Taxiway	100%	709.92	709.92
Airside Ancillary Building	100%	92.23	92.23
Perimeter Wall	100%	37.00	37.00
Earth Works	100%	744.85	744.85
External Utilities	89.56%	179.17	160.47
Taxiway as Emergency Runway	100%	106.96	106.96

Activity	Aeronautical Allocation proposed to be considered by the Authority	Capex proposed to be considered	Aeronautical capex proposed to be considered
GSE Building	100%	28.00	28.00
Airside Roads	100%	81.70	81.70
GSE Parking	100%	31.98	31.98
Sub-total: Hard Costs		**3705.28**	**3686.58**
Soft Costs		**370.53**	**368.66**
Total Cost (excluding IDC)		**4,075.81**	**4,055.23**
IDC proposed to be considered		533.18	530.26
Total Capex including IDC		**4,608.99**	**4,585.49**

7.3.161. Based on the above classification, the Authority proposed to consider total capex of **Rs. 4,608.99 Crores** towards Northern Runway and associated airside works, of which **Rs. 4,585.49 Crores** is proposed to be considered as aeronautical capex for the Fourth Control Period.

Table 240: Aeronautical Capex proposed to be considered for Northern Precinct Development- Landside Works

(Rs. In crores)

Activity	Aeronautical Allocation proposed to be considered by the Authority	Capex proposed to be considered	Aeronautical capex proposed to be considered
Terminal Building	84.6%	4,084.79	3,455.73
CNS ATM Building	100%	33.82	33.82
Landside Ancillary Buildings	84.6%	23.06	19.51
Landside Roads	89.56%	14.76	13.22
Dual Elevated Ramp	100%	116.00	116.00
Landscaping	84.6%	67.00	56.68
Car Parking Area	0.00%	94.11	-
IT Systems & Telecommunication	84.6%	635.00	537.21
Operational Equipment	100%	63.00	63.00
External Utilities	89.56%	179.17	160.47
Sub-total: Hard Costs		**5,310.71**	**4,455.64**
Soft Costs		**458.16**	**391.84**
Total Cost excluding IDC		**5,768.87**	**4,847.48**
IDC proposed to be considered		576.29	480.97
Total Capex including IDC		**6,345.16**	**5,328.45**

7.3.162. Based on the above classification, the Authority proposed to consider total capex of **Rs. 6,345.16 Crores** towards Northern Passenger Terminal Building and associated landside works, of which **Rs. 5,328.45 Crores** is proposed to be considered as aeronautical capex for the Fourth Control Period.

Table 241: Aeronautical Capex proposed to be considered for Airport Connectivity and Transport Systems

(Rs. In crores)

Activity	Aeronautical Allocation proposed to be considered by the Authority	Capex proposed to be considered	Aeronautical capex proposed to be considered
Flyover (E-W on MAR 4L+4L) – Length: 700 m	84.6%	77.00	65.14
Underpass on E-W (2L+2L) – Length: 800 m	84.6%	58.00	49.07

Activity	Aeronautical Allocation proposed to be considered by the Authority	Capex proposed to be considered	Aeronautical capex proposed to be considered
Underpass on MAR (4L+4L) Eastern ECT – Length: 1000 m	84.6%	211.00	178.51
Underpass on MAR (4L+4L) Western ECT – Length: 900 m	84.6%	198.82	168.20
Underpass along East-West Road (4L+4L) – Length: 2400 m	84.6%	181.00	153.13
Underpass Extension along East-West Road (3L+3L) – Length: 750 m	84.6%	81.00	68.53
North-South Road (3L+3L) – Length: 3500 m	84.6%	38.13	32.26
18m Road (2+2) – Length: 3100 m	84.6%	15.00	12.69
Sub-total: Hard Costs		**859.95**	**727.52**
Soft Costs		**86.00**	**72.75**
Total Cost excluding IDC		**945.95**	**800.27**
IDC proposed to be considered		**46.38**	**39.24**
Total Capex including IDC		**992.33**	**839.51**

7.3.163. Based on the above classification, the Authority proposed to consider total capex of **Rs. 992.33 Crores** towards Airport Connectivity and Transport Systems, and the amount of **Rs. 839.51 Crores** is proposed to be considered as aeronautical capex for the Fourth Control Period.

Table 242: General Capex and Aeronautical Capitalisation proposed for the Fourth Control Period

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Total General Capex	552.91	268.01	142.42	175.11	163.81	1302.26
Aeronautical Capex	490.88	238.62	130.87	162.19	157.91	1180.47

7.3.164. Accordingly, the Authority proposed to consider total General Capex of Rs. 1302.26 Crores for the Fourth Control Period, of which Rs. 1,180.47 Crores is proposed to be considered as aeronautical portion for the purpose of computation of RAB.

7.3.165. Based on the nature of the respective projects and the final asset classification proposed by the Authority, the aeronautical portion of General Capex had been computed. The Authority had examined each item of General Capex with reference to its intended use, beneficiary profile and relevance to aeronautical operations.

7.3.166. Further, pertaining to Capital Expenditure deferred from Third Control Period, The Authority noted that the capital expenditure amounting to Rs. 168.50 Crores, which was deferred from the Third Control Period, had been proposed by GHIAL for capitalization in FY 2027, during the Fourth Control Period.

7.3.167. Based on the nature of the assets and the aeronautical allocation submitted by GHIAL, the Authority noted that out of the total deferred capital expenditure of Rs. 168.50 Crores, an amount of Rs. 146.93 Crores pertains to aeronautical assets / aeronautical portion of the assets, which was arrived by taking into account the aeronautical allocation proposed to be considered in the Third Control Period.

7.3.168. Accordingly, the Authority proposed to consider Rs. 146.93 Crores as aeronautical capital expenditure in the Fourth Control Period, subject to actual capitalization in FY 2027, reconciliation with the audited financial statements / Fixed Asset Register, and prudence check by the Authority. The balance amount of

Rs. 18.08 Crores shall not be considered as aeronautical capital expenditure for the purpose of determination of the aeronautical Regulatory Asset Base.

7.3.169. The Authority also noted that GHIAL would be eligible to claim GST ITC on procurement of certain movable items. GHIAL is advised to share the estimated GST Input Tax Credit as part of Stakeholders' comments so that the same could be factored in the Tariff Order. If no such information is received from GHIAL, Input Tax Credit will be estimated by the Authority and necessary adjustments will be made in the Tariff Order.

7.3.170. The Authority expects that GHIAL would properly account for such credits in its submissions in accordance with Chapter V of The Central Goods And Services Tax Act, 2017 at the time of True-up of the RAB for the Fourth Control Period, while determining tariff for the Fifth Control Period. The Authority may examine the accounting of input tax credits and make necessary adjustments in this regard at the time of determination of tariffs for the next Control Period.

7.3.171. Accordingly, the summary of the total aeronautical capital expenditure proposed to be considered by the Authority are as follows:

Table 243: Summary of Aeronautical Capex proposed to be considered by the Authority for the Fourth Control Period

(Rs. In crores)

S. No	Category	Particulars	Aeronautical Capex proposed to be considered by the Authority	Capitalization year/ date
A1	Capacity Enhancements to Southern Precinct	MLCP (Multi Level Car Park)	0.00	-
A2		Addition of 9 Stands (Equivalent to Code C) on eastern side and 3 Equivalent code C on western side	112.02	FY 27 and FY 28
A3		BHS-BMA Upgrade and Transfer Baggage Storage Management	24.82	FY 27 and FY 28
A4		Improvement of Departure & Arrival Entry & Exit NAKA	11.00	FY 28
A5		Conversion of Stand 53 to Code E/MARS Stand with Associated Works (Taxiways and Taxi lanes)	12.81	FY 27 and FY 28
A6		Conversion from SBD to ABD (check-in island reconfiguration)	6.00	FY 27 and FY 28
A7		Conversion of 8 Swing PESC (16 Domestic, 8 Swing, 5 International) and Civil Work (Partitions and DOM Movement)	5.98	FY 27 and FY 28
A8		Addition of One Machine in PESC Area for D-to-D Transfer	4.66	FY 27 and FY 28
A9		Other Miscellaneous	0.00	FY 27 and FY 28
		Total Cost	**177.29**	
B1	Northern Runway & Associated Airside Works	Runway, Taxiway and Apron	1693.47	30-Sep-2029
B2		Elevated Taxiway	709.92	
B3		Airside Anciliary Building	92.23	
B4		Perimeter Wall	37.00	
B5		Earth Works	744.85	
B6		External Utilities	160.47	
B7		Taxiway as emergency runway	106.96	

S. No	Category	Particulars	Aeronautical Capex proposed to be considered by the Authority	Capitalization year/ date
B8		GSE Building	28.00	
B9		Airside Roads	81.70	
B10		GSE Parking	31.98	
		Total Hard Cost	3686.58	
		Soft Costs	368.66	
		Total Cost (excluding IDC)	4,075.81	
		IDC proposed to be considered	530.26	
		Total Aeronautical Capex including IDC	4,585.49	
C1	**Northern Precinct Development- Landside Works**	Terminal Building	3,455.73	**30-Sep-2029**
C2		CNS ATM Building	33.82	
C3		Landside Ancillary Buildings	19.51	
C4		Landside Roads	13.22	
C5		Dual Elevated Ramp	116.00	
C6		Landscaping	56.68	
C7		Car parking area	-	
C8		IT Systems & Telecommunication	537.21	
C9		Operational equipment	63.00	
C10		External Utilities	160.47	
		Total Cost	4,455.64	
		Soft Costs	391.84	
		Total Cost excluding IDC	4,847.48	
		Proportion of IDC proposed to be considered	480.97	
		Total Aeronautical Capex including IDC	5,328.45	
D1	**Airport Connectivity and Transport**	Flyover (E-W on MAR 4L+4L) – Length: 700 m	65.14	**30-Sep-2029**
D2		Under Pass on E-W (2L+2L) – Length: 800 m	49.07	
D3		Under pass on MAR (4L+4L) Eastern ECT– Length: 1000 m	178.51	
D4		Under Pass on MAR (4L+4L) Western ECT– Length: 900 m	168.20	
D5		Under pass along East-West Road (4L+4L) – Length: 2400 m	153.13	
D6		Under Pass Ext. along East-West Road (3L+3L) – Length: 750m	68.53	
D7		North-South Road (3L+3L) – Length: 3500m	32.26	
D8		18m Road (2+2) – Length: 3100m	12.69	
		Total Hard Costs	**727.52**	
		Soft Costs	**72.75**	
		Total Cost excluding IDC	**800.27**	
		IDC proposed to be considered	39.24	
		Total Aeronautical Capex including IDC	**839.51**	

S. No	Category	Particulars	Aeronautical Capex proposed to be considered by the Authority	Capitalization year/ date
E	**General Capital Expenditure**	Aeronautical General Capex	1,180.47	**FY 27 to FY 31**
F	**Capital Expenditure deferred from TCP**		**146.93**	**FY 27**
	Total Capex		**12,258.13**	

7.3.172. Accordingly, the summary of the total capital expenditure (including soft cost and IDC) submitted by GHIAL, the capital expenditure proposed to be considered by the Authority, and the corresponding aeronautical additions to RAB is provided below:

Table 244: Summary of Capex proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

Particulars	Total Capex submitted by GHIAL	Total Aeronautical Capex submitted by GHIAL	Total Capex proposed to be considered by the Authority	Aeronautical additions
Northern Runway & Associated Airside Works	5,027.65	4,948.04	4,608.99	4585.49
Northern Precinct Development-Landside Works	7,456.35	6,789.73	6345.16	5328.45
Airport Connectivity and Transport Systems	1,064.35	1064.35	992.33	839.51
Capacity Enhancements to the Southern Precinct	427.00	208.08	398.29	177.29
General Capital Expenditure	1,302.26	1,147.07	1,302.26	1,180.47
Deferred Capital Expenditure from Third Control Period	168.50	146.93	168.50	146.93
Total	**15,446.11**	**14,304.20**	**13,815.53**	**12,258.13**

7.3.173. Further, the year-wise aeronautical capitalisation / additions proposed to be considered by the Authority for the Fourth Control Period are provided below:

Table 245: Year-wise Aeronautical Capitalisation / Additions proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

Particulars	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Aeronautical Additions	720.96	332.76	130.87	10915.64	157.91	12258.13

Depreciation for the Fourth Control Period

7.4. GHIAL's submission regarding Depreciation for the Fourth Control Period

7.4.1. For the assets proposed to be capitalised during the Fourth Control Period, GHIAL had submitted that depreciation had been computed based on the applicable depreciation rates considered by the Authority in the previous control periods, having regard to the nature and useful life of the respective asset categories. GHIAL had further submitted that the weighted average rate of depreciation works out to 5.63%, taking into consideration the weights pertaining to Gross Book Value of the relevant asset categories as on

31.03.2025. The depreciation submitted by GHIAL for the Fourth Control Period is provided in the table below:

Table 246: Depreciation submitted by GHIAL for the Fourth Control Period as per MYTP

(Rs. In crores)

FY ending March	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Depreciation	485	508	513	861	1,202	**3,569**
ADFG Adjustment	5	5	4	0	0	**14**
Total Depreciation	480	503	509	861	1,202	**3,555**

7.5. Authority's examination regarding Depreciation for the Fourth Control Period at the Consultation Stage

7.5.1. The Authority noted that GHIAL had computed depreciation for the Fourth Control Period based on the weighted average rate of depreciation derived with reference to the projected Gross Block for FY 2025-26. GHIAL considered the weighted average rate of depreciation at 5.65% for computing depreciation on the assets proposed to be capitalised during the Fourth Control Period.

7.5.2. The Authority examined the depreciation computation submitted by GHIAL with reference to the Fixed Asset Register and the actual asset class-wise data submitted by GHIAL. Based on such examination, the Authority had recomputed the weighted average rate of depreciation, which works out to 5.75%. The Authority noted that the useful life considered by GHIAL for various asset classes is broadly in line with the useful life considered by the Authority. The asset class-wise useful life considered by GHIAL and proposed to be considered by the Authority is shown in the table below:

Table 247: Useful Life considered for Depreciation

Asset Class	Useful Life considered by GHIAL (Years)	Useful Life proposed to be considered by the Authority (Years)
Buildings	30	30
Building on Freehold Land	30	30
Lease Hold Improvements	30	30
Electrical Installation	10	10
Roads other than RCC	10	10
Runways, Taxiways and Apron	30	30
Plant and Machinery	15	15
Office Equipment	5	5
IT Systems	3	3
Furniture & Fittings	7	7
Vehicles	8	8
Intangible Assets (Others)	6	6

7.5.3. Based on the above useful life and the weighted average rate of depreciation recomputed by the Authority, the depreciation for the Fourth Control Period had been worked out. Further, the Authority had adjusted the depreciation on account of ADFG assets in line with the treatment adopted in the previous Control Periods. Accordingly, the depreciation proposed to be considered by the Authority after ADFG adjustment is provided below:

Table 248: Depreciation proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Depreciation	446.72	476.99	490.32	807.72	1125.90	3,347.64
ADFG Adjustment	5.12	4.57	4.19	0.00	-	13.88

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Depreciation proposed to be considered by the Authority	441.60	472.43	486.12	807.72	1125.90	3,333.76

7.5.4. The rationalization of Rs. 221.24 Crores in depreciation was mainly on account of disallowance/ rationalization in total capital expenditure proposed in the Fourth Control Period.

7.5.5. Accordingly, the Authority proposed to consider depreciation of Rs. 3,333.76 Crores for the Fourth Control Period after ADFG adjustment as against Rs. 3,555 Crores submitted by GHIAL.

Regulatory Asset Base for the Fourth Control Period

7.6. GHIAL's submission regarding Regulatory Asset Base (RAB) for the Fourth Control Period

7.6.1. GHIAL submitted the resultant RAB and Depreciation for the Fourth Control Period after considering opening RAB, additions, deletions and depreciation. The RAB and Depreciation submitted by GHIAL for the Fourth Control Period are shown below:

Table 249: Regulatory Asset Base and Depreciation proposed by GHIAL for the Fourth Control Period

(Rs. In crores)

Particulars	Ref	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Opening RAB	A	6,480	6,554	6,399	6,020	17,887	
Capital Additions	B	554	347	129	12,728	161	13,919
Deletions/ Disposal	C	-	-	-	-	-	0
Depreciation, including ADFG adjustment	D	480	503	509	861	1,202	3,555
Closing RAB (E = A + B - C - D)	E	6,554	6,399	6,020	17,887	16,846	
Average RAB for Tariff Determination (F = (A + E) / 2)	F	6,517	6,476	6,209	11,953	17,366	

7.7. Authority's examination regarding RAB for the Fourth Control Period at the Consultation Stage

7.7.1. The Authority had carefully examined the capital expenditure, asset allocation and depreciation. Considering the above, the RAB for the Fourth Control Period as considered by the Authority is shown below:

Table 250: Regulatory Asset Base proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Opening RAB (A)	6284.15*	6563.51	6423.85	6068.59	16176.51	
Capital Additions (B) *(Ref. Table 245)*	720.96	332.76	130.87	10915.64	157.91	**12258.13**
Depreciation (inc ADFG adj) (C) *(Ref. Table 248)*	441.60	472.43	486.12	807.72	1125.90	**3333.76**
Deletions / Disposal (D)	0.00	0.00	0.00	0.00	0.00	**0.00**
Closing RAB (E=A+B-C-D)	6563.51	6423.85	6068.59	16176.51	15208.53	
Avg RAB for Tariff Determination (F=(A+E)/2)	6423.83	6493.68	6246.22	11122.55	15692.52	

** Refer Table 56*

7.8. Stakeholder's comments regarding Capex, Depreciation and RAB for the Fourth Control Period

7.8.1. During the Stakeholder Consultation Process, the Authority has received comments/views from GHIAL, IATA, Lufthansa Group, InterGlobe Aviation Limited (IndiGo) and Construction Federation of India (CFI) in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June

2026 regarding Capex, Depreciation and RAB for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding Capex, Depreciation and RAB for the Fourth Control Period

7.8.2. GHIAL's comment with regards to Capex, Depreciation and RAB for the Fourth Control Period for RGIA, Hyderabad is as follows:

*"**Capex for Northern Runway and Associated Airside Works***

1. AERA Proposal towards Earth Works:

7.3.61. M/s RITES Limited has considered earthwork quantity of 1.10 crore cum for cost assessment. M/s RITES Limited has assessed the rate based on CPWD DSR 2023, escalated using WPI-based inflation. The rate considered by M/s RITES Limited is Rs. 677.14 per cum.

RITES Report:

Since no rates are available in 3rd Control Period, cost has been estimated based on CPWD DSR 2023. In this, quantities are calculated using both master plan and google earth and CPWD DSR 2023 are inflated to construction year using WPI based inflation rate. The unit rate calculated is Rs 677.14 per cum (Refer Annexure-9) Rate from Detailed Estimate = ₹677.14 per cum Total cost for line item-Earthworks = 11000000 cum x ₹677.14 = ₹744.85 Crores

GHIAL Response:

As per the independent report, RITES has considered future rates for core earthwork items such as jungle clearance, excavation in soil, excavation in ordinary rock, excavation in hard rock, filling using excavated earth, and filling using borrow earth. However, following considerations needs to be factored while computing the unit rates for the overall average cost:

a) Current Site Condition

Earthwork and site preparation costs are materially influenced by the physical characteristics of the site, availability of suitable fill material, haulage distance, rock profile, excavation methodology, access constraints, and statutory obligations. In the present case, GHIAL airport boundary itself has an average distance implication of around 8 km and that suitable borrow earth is not available near the airport / city area. The earth will be required to be brought from a distance of at least around 25 km from site. Accordingly, a purely normative or base-rate approach would not adequately reflect the actual cost of execution. The estimate should therefore recognize the actual market and site conditions applicable to the CP-4 development works.

b) Increase in diesel cost has a direct impact on earthwork rates

There has been an increase in HSD price in May 2026 by ₹10 per litre and this impact has not been factored by RITES for jungle clearance, excavation in soil, excavation in ordinary rock, excavation in hard rock, filling using excavated earth, and filling using borrow earth. Earthwork activities are equipment- and transport-intensive. Therefore, GHIAL request Authority/ RITES to consider revision in fuel price in their calculation.

c) Borrow earth cost must include market cost, royalty, and realistic transportation lead

For borrow earth, RITES has considered a rate of ₹843/cum (In Annexure-9 Unit Rate Calculation for Earthworks), resulting in a cost of ₹178.15 crore. GHIAL would like to request, inclusion of additional

quarry-owner charges of ₹90/cum, royalty of ₹26/cum, and additional lead cost of ₹660/cum. It is important to note that no borrow area is available within a 5 km one-way lead and that the nearest source is approximately 20–25 km from the North side development area. This will reflect the full delivered cost of borrow earth rather than only the base excavation and filling cost. This is important because the cost of borrow earth is not merely the material cost; it also includes sourcing, statutory payments, long-distance haulage, and associated enabling infrastructure required for transportation.

In view of the above, GHIAL respectfully submits that the cost proposed by RITES does not fully reflect the actual execution requirements of earthwork and site preparation for Norther precinct development. The RITES cost estimate of ₹749.18 crore excludes or under-estimates material cost components such as additional lead for excavated earth, controlled / chemical blasting for hard rock areas, quarry-owner charges for borrowed earth, royalty on borrowed earth, and additional lead / transport cost for borrow earth. Therefore, GHIAL would like to request cost of 827 Rs per cum as proposed in MYTP to be considered.

2. AERA Proposal External Utilities:

7.3.63. For external utilities, M/s RITES Limited has considered the EPC contract details of Bhogapuram Airport as the benchmark and escalated the rate using WPI-based inflation. The total cost assessed for external utilities was split equally between terminal area and airside area, in line with the approach adopted for allocation of such common utility works.

RITES Report:

Total cost for External Utilities is as follows:

GHIAL provided the EPC contract details of Bhogapuram Airport which is going to completed in FY2026. So, per sqm rate of contract is taken as basis and rate is escalated as per WPI based inflation rate (Refer Annexure-10).

Basic Rate per sqm = ₹55,840 per sqm

Add WPI based inflation 3.00% for FY2027 to FY2030= ₹7,008.41 per sqm

Rate considered for evaluation =₹62,848 per sqm

Total cost for External Utilities= ₹408.51 Crores

This cost is split equally between Terminal area and Airside area including the softs costs based on the similar approach adopted by GHIAL in their submissions.

Total cost for external utilities for Airside Area = ₹408.51/2= ₹204.26 Crores

Hard cost for external utilities for Airside Area = ₹204.26/1.14= ₹179.17 Crores

GHIAL Submission:

The Authority has considered Annexure-10 (CAPEX Evaluation for External Utilities based on GHIAL Submission) of the RITES Report, wherein the total estimated cost for External Utilities works has been computed at ₹408.51 crore based on benchmarked EPC rates derived from the Bhogapuram Airport project.

ANNEXURE--10

Note on Cost of utilities
Project : Development of Northen Present at RGIAL, Shamshabad

This note is prepared to derive the cost estimate for Utility works for development of Northen Present at RGIAL.

Ref : Most recent EPC contract signed with M/s L&T Limited for development of IT&C works at Bhogapu Airport is considered

The Overall EPC Contract value is Rs. 3668 Crores and work was scheduled to be competed by April 2026.

	As per L&T EPC Contract		
3.7.1	Site wide Plumbing, Sewage And Fire Protection		64,98,75,675
3.8.1	Site Wide - Electrical		61,21,61,765
3.5.1	Fuel Hydrant System		48,43,31,267
3.6.1	Site wide Storm Water Management		1,25,79,56,286
	Sub Total		3,00,43,24,993
1.1	Contractors Over hed as per Cost centre 1	10.26%	30,82,43,744
	TOTAL		3,31,25,68,737
	GST		59,62,62,373
	Grand Total		3,90,88,31,110

Total development area of Bhopgapuramm (B^1)	Sqm	70,000
Rate per Sqm (Completion year April 2026)	Per Sqm	55,840
Escalation	3%	
Present Price$x(1+r)^n$		
Add Escalation of 3 % YoY for 4 years for completion year Dec 2029		62,849
Cost for North Present Cost		
Proposed CP 4 Development area H^1	Sqm	65,000
Proportionate Base cost for RGIAL- Northen present development		4,08,51,79,250
Say 408.51 Cores		

As per Annexure-10, the estimated cost of ₹408.51 crore has been derived based on EPC contract rates, contractor overheads, and GST, and no separate soft cost component has been identified. Accordingly, as per the RITES Report, the total evaluated cost of ₹408.51 crore, representing the hard cost, has been apportioned equally between the terminal-side and airside infrastructure, resulting in an allocation of ₹204.26 crore towards the airside portion.

Thereafter, RITES has reduced the apportioned airside cost of ₹204.26 crore by dividing it by 1.14 to arrive at a hard cost of ₹179.17 crore, on the assumption that the allocated cost includes 14% soft costs. However, Annexure-10 does not separately identify any soft cost component in the evaluated cost of ₹408.51 crore. Accordingly, GHIAL requests the Authority to consider the airside External Utilities cost at least ₹204.26 crore.

3. Soft Costs

AERA Proposal's for Soft Cost:

7.3.73. For soft cost components, M/s RITES Limited has considered the rates broadly in line with the approach adopted for finalisation of capex for the Third Control Period. The soft cost components comprise preliminaries and other costs, permits and insurance, design and PMC, and contingencies.

7.3.74. The Authority, upon review of GHIAL's submission, explanations and relevant supporting documents, has the following views with respect to the soft cost proposed by GHIAL for the Fourth Control Period:

- *The Authority notes that GHIAL has proposed soft cost at 14% of the project cost. The Authority observes that in the case of other PPP airports such as BIAL, DIAL, etc., similar costs such as Preliminaries, Design, Project Management Consultancy, Insurance, Permits and other related soft costs have generally been considered in the range of 8% to 11% of the project cost. Accordingly, the Authority is of the view that the soft cost of 14% claimed by GHIAL is on the higher side and requires moderation.*

- *The Authority also notes that certain capex items proposed by GHIAL relate to airside and operational works, including pavement works, stand conversion and other infrastructure augmentation. For such works, PMC and related soft cost requirements are generally lower and are normally observed to be in the range of 1% to 3%, depending upon the nature and complexity of the work.*
- *The Authority further observes that GHIAL has proposed soft cost on an overall basis across capex items, including works such as procurement of equipment, IT systems, security systems, vehicles, plant and machinery, and other bought-out / SITC items. The Authority is of the view that applying a uniform soft cost percentage on all such items may result in overstatement of the eligible cost, particularly where the scope already includes installation, commissioning and vendor-related support.*

7.3.75. Accordingly, considering the nature of the capex proposed by GHIAL, the mix of civil works, boughtout items and SITC contracts, the benchmark observed in other PPP airports, and the need to avoid loading of excessive soft costs on all capex items, the Authority proposes to restrict the allowable soft cost to 10% of the aeronautical capex of the projects allowed by the Authority for the Fourth Control Period, as against 14% claimed by GHIAL. The amount towards soft cost shall accordingly be computed on the aeronautical portion of the capex approved by the Authority and considered for inclusion in the Regulatory Asset Base, subject to actual capitalization, reconciliation with audited financial statements / Fixed Asset Register and prudence check.

GHIAL Submission:

During the Third Control Period, soft costs were incurred towards Design Development, PMC, Permits, Insurance, Contingencies and other project execution activities integral to airport expansion. The soft cost proposed by GHIAL for the Fourth Control Period is based on the specific requirements of the Northern Precinct development and reflects the scale and complexity of the proposed capital program.

Further, soft cost levels considered in comparable airport projects have been significantly higher than the 10% proposed by the Authority. Similarly, CPWD Norms, 2022 indicate soft cost components broadly ranging from 15%-20% of project cost, while international airport benchmarks suggest a range of 10%30%.

The Hon'ble TDSAT, in its judgment dated 29th May 2026 in the matter pertaining to Mumbai International Airport Limited (MIAL), held that the restriction of Soft Cost by applying an artificial cap is not sustainable and specifically directed that the Airport Operator is entitled to the allowance of Soft Cost as claimed, subject to true-up based on actual incurrence

The Hon'ble TDSAT further observed that the Soft Cost claimed by the Airport Operator was supported by established benchmarks and industry practices. The Tribunal specifically noted that, as per CPWD Norms, 2022, the cumulative impact of Planning Consultancy, PMC, Technical Services, Contingencies and statutory employee-related costs indicates that Soft Costs would reasonably range between 15% to 20% of project cost. The Tribunal also referred to the Airport Cooperative Research Program (ACRP) study sponsored by the U.S. Federal Aviation Administration, which indicates that Soft Costs for airport projects typically range between 10% to 30% of total project cost. Further, the Tribunal took note of AERA's own treatment in the case of Mopa Airport, Goa, where Soft Cost components were allowed in the range of 13% to 16%.

The relevant extract of the judgment is reproduced below for ready reference:

For MIAL dated 29th May 2026

"In these circumstances, we hereby allow the Soft Cost claimed by the Appellant as the same is supported by the binding judgment of this Tribunal and is also consistent with CPWD Norms and is also falling within the internationally recognised benchmarks for the airport projects and is also in line with AERA's own treatment of comparable airport projects such as Goa airport. 239. In view of the aforesaid facts and reasons, the restrictions of Soft Cost to 8% as imposed by AERA is hereby quashed and set aside. We hereby hold that Appellant is entitled to allowance of Soft Cost as claimed by the Appellant, subject to true-up on the actual incurrence basis. 240. We hereby quash and set aside the decision of AERA in so far as it relates to Soft Cost, and we hereby direct AERA to allow Soft Cost incurred by the appellant. Putting artificial cap upon Soft Cost is not contemplated under the applicable laws and therefore, AERA shall allow actual Soft Cost incurred by the appellant"

Accordingly, GHIAL requests the Authority not to restrict Soft Cost to 10% and to allow the Soft Cost as submitted in the MYTP, subject to prudence review on actual incurrence."

*"**Capex for Northern Precinct Development- Landside Works***

1. AERA Proposal Terminal Building:

7.3.82. Accordingly, based on the assessment of PHP, terminal area norms, comparable airport benchmarks and the findings of RITES, the Authority proposes to consider the NPTB area of 2,25,000 sqm for 20 MPPA capacity as proposed by GHIAL for the purpose of cost assessment.

7.3.83. For the proposed Northern Passenger Terminal Building, M/s RITES Limited has considered the approved rate of terminal building works determined during the Second Control Period and escalated the same using WPI-based inflation up to the expected year of capitalisation. The Authority notes that the proposed Northern Passenger Terminal Building is planned with an area of 2,25,000 sqm and is intended to provide additional passenger handling capacity in the Northern Precinct.

RITES Report:

The cost of Northern Passenger Terminal Building has been reviewed/scrutinized in the same way as GHIAL has calculated and is summarized below.

RITES has calculated the inflation based on the Wholesale Price index (WPI) released by Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry in India on monthly. In this calculation, RITES has considered different rates based on WPI based inflation are as follows 3.58% up to FY25, 0.90% for FY2026, 4.70% for FY 2027 and 3.60% for FY2028 to 2029.

RITES has evaluated the 4th Control period proposal based on rate finalised for 3rd Control Period and Detailed rate approach. In Rate based on 3rd Control period finalised rate, utilizes rates as per AERA Tariff order for 3rd Control Period and duly adjusted for inflation using the Wholesale Price Index (WPI). In Detailed Approach, involves a detailed estimate for each line item to derive a per-squaremeter (sqm) rate / per-meter (m) rate / per-cubic-meter (m3) rate, which is then applied to the quantities proposed against line item in the Multi-Year Tariff Proposal (MYTP).

➢ Total cost for Terminal Building is as follows:

Basic rate for Terminal Building in 2nd CP Determined by RITES till Fy 2021 =

₹1,29,813.96 per sqm. The detailed unit rate finalized based on 3rd Control Period of Terminal Building has been worked out and the same is placed at Annexure- 16.

Add WPI based inflation@7.14 % up to FY2022= ₹9,268.72 per sqm*

Add WPI based inflation@9.40 % up to FY2023= ₹ 13,073.77 per sqm

Add WPI based inflation @ -0.72 % up to FY2024= -₹1095.53 per sqm

Add WPI based inflation@2.31 % up to FY2025= ₹3,489.51 per sqm

Add WPI based inflation@0.90 % up to FY2026= ₹1,390.95 per sqm

Add WPI based inflation@4.70 % up to FY2027= ₹7,329.25 per sqm

Add WPI based inflation@3.60 % up to FY2028= ₹5877.74 per sqm

Add WPI based inflation@3.60 % up to FY2029= ₹6089.34 per sqm

*Add WPI based inflation@3.60 % up to FY2030**= ₹6308.56 per sqm*

Total cost per sqm= ₹1,81,546.27 per sqm

Total cost for line item-Terminal Building= 2,25,000 sqm x ₹1,81,546.27 per sqm = ₹4084.79 Crores

** The authority has observed that the financial year 2021-2022 was exceptional year due to COVID-19 pandemic, wherein the inflation rate was 12.97%. Considering the extraordinary situation, the authority has felt that the inflation rate for financial year 2021-2022 needs to be rationalized. Hence, instead of considering the inflation rate of 12.97% for financial year 2021-2022 (as per press release dated April 18, 2022, by Dept. for Promotion of Industry and Internal Trade, Government of India), the authority has considered the average rate of inflation of FY 2020-21 (1.29%) and of FY 2021-22 (12.97%) which works out to 7.14%. The authority has considered this average rate of inflation for FY 2021-22 in order to smoothen out the volatility in commodity prices caused by COVID-19 pandemic and supply side disruptions.*

*** The design traffic shall (as per GHIAL revised submissions) exceed the enhanced capacity of the existing terminal building in the southern precinct in FY 2029, thereby justifying the commissioning of terminal building in the northern precinct. However, as informed by Authority, the likely completion date for terminal building in the northern precinct shall be 30th September 2030, capitalization year of the terminal building in the northern precinct is considered as FY 2030.*

GHIAL Submission:

GHIAL respectfully submits that, since AERA in the Consultation Paper for CP-4 during the true-up exercise has proposed to consider actual cost towards terminal building for expansion to 34 MPPA, the same cost was proposed to be considered for arriving at cost towards new terminal building proposed as part of Norther Precinct. Excerpts from the consultation paper has been quoted below:

5.4.56. Based on the above examination, the Authority is of the view that the cost escalations towards the L&T contract are attributable to factors that were largely beyond the control of GHIAL, including the impact of COVID-19, force majeure events, regulatory compliance requirements and design optimisation necessitated during execution of the brownfield expansion project. The Authority has also compared the actual cost incurred by GHIAL with the normative cost benchmarks and notes that the actual cost falls within the parameters of the normative cost. Accordingly, the Authority is of the view that the final L&T contract cost of Rs. 3,500.70 Crores as submitted by GHIAL is reasonable and efficient, and proposes to consider the same for the purpose of true-up of the Third Control Period.

Therefore, we request AERA to consider base rate of 1,56,148 Rs/ Sq.mt (as on March 2024) along with yearly escalation for terminal building since it represents actual cost incurred by GHIAL for the expiation.

2. External Utilities

AERA Proposal:

7.3.63. For external utilities, M/s RITES Limited has considered the EPC contract details of Bhogapuram Airport as the benchmark and escalated the rate using WPI-based inflation. The total cost assessed for external utilities was split equally between terminal area and airside area, in line with the approach adopted for allocation of such common utility works.

RITES Report:

Total cost for External Utilities is as follows:

GHIAL provided the EPC contract details of Bhogapuram Airport which is going to completed in FY2026. So, per sqm rate of contract is taken as basis and rate is escalated as per WPI based inflation rate (Refer Annexure-10).

Basic Rate per sqm = ₹55,840 per sqm

Add WPI based inflation 3.00% for FY2027 to FY2030= ₹7,008.41 per sqm

Rate considered for evaluation =₹62,848 per sqm

Total cost for External Utilities= ₹408.51 Crores

This cost is split equally between Terminal area and Airside area including the softs costs based on the similar approach adopted by GHIAL in their submissions.

Total cost for external utilities for Airside Area = ₹408.51/2= ₹204.26 Crores

Hard cost for external utilities for Airside Area = ₹204.26/1.14= ₹179.17 Crores

GHIAL Submission:

The Authority has considered Annexure-10 (CAPEX Evaluation for External Utilities based on GHIAL Submission) of the RITES Report, wherein the total estimated cost for External Utilities works has been computed at ₹408.51 crore based on benchmarked EPC rates derived from the Bhogapuram Airport project.



ANNEXURE-10

Note on Cost of Utilities

Project : Development of Northern Precinct at RGIAL Shamshabad

As per Annexure-10, the estimated cost of ₹408.51 crore has been derived based on EPC contract rates, contractor overheads, and GST, and no separate soft cost component has been identified. Accordingly, as per the RITES Report, the total evaluated cost of ₹408.51 crore, representing the hard cost, has been apportioned equally between the terminal-side and airside infrastructure, resulting in an allocation of ₹204.26 crore towards the airside portion.

Thereafter, RITES has reduced the apportioned airside cost of ₹204.26 crore by dividing it by 1.14 to arrive at a hard cost of ₹179.17 crore, on the assumption that the allocated cost includes 14% soft costs. However, Annexure-10 does not separately identify any soft cost component in the evaluated cost of ₹408.51 crore. Accordingly, GHIAL requests the Authority to consider the airside External Utilities cost at least ₹204.26 crore."

*"**Capex for Airport Connectivity and Transport System***

1. AERA Proposal for Classification of Common Assets

Table 221: Reclassification of capital expenditure pertaining to Northern Precinct Development- Landside Works

Activity	Classification submitted by GHIAL	Classification proposed to be considered by the Authority
Terminal Building	Common	Common
CNS ATM Building	Aero	Aero
Landside Ancillary Buildings	Aero	Common
Landside Roads	Aero	Common
Dual Elevated Ramp	Aero	Aero
Landscaping	Aero	Common
Car Parking Area	Non-Aero	Non-Aero
IT Systems & Telecommunication	Common	Common
Operational Equipment	Aero	Aero
External Utilities	Aero	Common

7.3.150. The rationale for the reclassification of asset allocation proposed by the Authority is set out below:

- *Landside Ancillary Buildings, Landscaping and Landside Roads: The Authority notes that landside connectivity infrastructure is used by aeronautical passengers, users of non-aeronautical commercial facilities, airport employees and the general public. Accordingly, the Authority proposes to classify such assets as common assets.*
- *External Utilities: External infrastructure such as DG sets, UPS, substations, power distribution boards, LT switchboards and HT cables serve both aeronautical and common airport assets.*

Accordingly, these assets are required to be bifurcated based on their usage for appropriate allocation.

Table 222: Reclassification of capital expenditure pertaining to Airport Connectivity and Transport Systems

Activity	Classification submitted by GHIAL	Classification proposed to be considered by the Authority
Flyover (E-W on MAR 4L+4L) - Length: 700 m	Aero	Common
Underpass on E-W (2L+2L) – Length: 800 m	Aero	Common
Underpass on MAR (4L+4L) Eastern ECT - Length: 1000 m	Aero	Common
Underpass on MAR (4L+4L) Western ECT - Length: 900 m	Aero	Common
Underpass along East-West Road (4L+4L) - Length: 2400 m	Aero	Common
Underpass Extension along East-West Road (3L+3L) - Length: 750 m	Aero	Common
North-South Road (3L+3L) - Length: 3500 m	Aero	Common
18m Road (2+2) - Length: 3100 m	Aero	Common

7.3.151. The Authority notes that the assets are expected to be used jointly by passengers, visitors, airport staff and staff of airport concessionaires. Accordingly, the Authority proposes to classify the same as common assets, to be allocated between aeronautical and non-aeronautical components in the Terminal Area Ratio.

GHIAL response to Classification to Common Asset

GHIAL respectfully submits that the proposed reclassification of Airport Connectivity and Transport System assets from Aeronautical to Common may be reconsidered. In the Authority's earlier Tariff Orders for the previous control periods, road infrastructure was classified as an Aeronautical Asset, recognizing its critical role in facilitating passenger access and supporting airport operations. The assets proposed for reclassification, including flyovers, underpasses and access roads, are primarily developed to provide seamless connectivity to the terminal and other operational areas of the airport and are therefore directly linked to passenger movement and therefore are classified as aeronautical assets.

While these assets may also be utilized by visitors, airport employees and concessionaires, such incidental usage does not alter their primary function of enabling passenger movement and supporting airport operations. Further, there has been no material change in the nature or purpose of these assets compared to the earlier capital expansion programme. Accordingly, in line with the accepted regulatory approach and considering the primary purpose of these assets, GHIAL requests the Authority to continue classifying Airport Connectivity and Transport System assets as Aeronautical Assets, consistent with the approach adopted by the Authority in its Third Control Period tariff order for GHIAL. The relevant extract from Paragraph 6.2.12 of the Third Control Period Tariff Order for GHIAL is reproduced below."

Table 116: Re-classification of assets under expansion capital expenditure proposed to be considered by the Authority

Sr. No.	Asset	Classification
1	Expansion of Terminal Building including piers	Common
2	Airport Systems	Aero
3	Expansion of Apron & Taxiways and GSE Tunnel	Aero
4	Expansion of Kerb and Approach Ramp	Aero
5	Road Infrastructure	Aero
6	ICT Cost	Common
7	Miscellaneous Direct Capex & Election Items	Common
8	Enabling Works	Common

Other Stakeholders' comments regarding Capex, Depreciation and RAB for the Fourth Control Period

7.8.3. CFI's comment with regards to Capex, Depreciation and RAB for the Fourth Control Period for RGIA, Hyderabad 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."

7.8.4. Indigo's comment with regards to Capex, Depreciation and RAB for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Capacity creation vis-à-vis projected traffic growth:

It is seen that GHIAL proposes to increase capacity from the existing 34 MPPA to 60 MPPA in two tranches, via two separate projects, viz., incremental capacity of 6 MPPA in the Southern Precinct (SP) and additional capacity of 20 MPPA by way of the Northern Precinct project (NP) which inter alia includes a new terminal as well as a new runway. It is further seen that the incremental capacity of 6 MPPA is expected to be available in 2027-28 while the additional 20 MPPA is targeted for September 2029.

It is our view that there may be scope to further increase the assumed practical runway capacity of 46 ATMs per hour, which appears conservative when compared to throughput levels achieved at other major airports such as including Mumbai (~52 ATMs/hour), Gatwick (~55 ATMs/hour), and Dubai (~65 ATMs/hour). Allied with the above is the fact that the new terminal is expected to result in overcapacity for the last two years of the control period. In view of the above, we request AERA and GHIAL to consider delaying initiation of the CAPEX for the Northern Precinct to the best extent possible as recovery of the cost for the additional CAPEX will impact the entire cost of operations to/from GHAL as well as passenger charges. This in turn may adversely impact the demand for air travel to/from Hyderabad, with consequent impact on recovery in subsequent periods.

In sum, we request that large scale capacity augmentation plans and associated capital expenditure are commenced only after exhausting all other modes of incremental capacity generation and that such plans are aligned with realistic demand expectations, thereby avoiding infrastructure overbuilding and unnecessary cost escalation for airport users."

7.8.5. IATA's comment with regards to Capex, Depreciation and RAB for the Fourth Control Period for RGIA, Hyderabad is as follows:

*"**Capex and Depreciation for RAB***

IATA recognises that Hyderabad Airport will require continued investment to accommodate future growth and maintain operational resilience. However, the key regulatory question is not whether investment is required, but whether the timing, scale, sequencing and scope of the proposed investments are appropriately aligned with demonstrated demand and efficient asset utilization.

IATA encourages the Authority to assess not only the cost efficiency of individual projects, but also whether the proposed capacity additions are being introduced at the appropriate time and at an appropriate scale. Where existing infrastructure can be further optimized, or where capacity can be introduced progressively through phased development, such options should be considered before significant additions are incorporated into the Regulatory Asset Base.

Accordingly, IATA supports continued scrutiny of project scope, phasing, allocation methodologies, useful lives and delivery assumptions in addition to cost moderation measures already proposed by the Authority. Some specific observations have been mentioned herewith:

Reference	Observation
Table 156 Existing Southern Terminal Capacity	The PIF indicated that the enhanced southern terminal could achieve approximately 46–47 MPPA, whereas Table 156 appears to indicate a post-enhancement capacity of approximately 40 MPPA. Clarification is requested regarding the reduction in achievable capacity, particularly where project costs appear broadly unchanged. If the higher capacity remains achievable, consideration should be given to delaying subsequent capacity expansion and associated CAPEX.
Clause 7.3.35 Stand 53 MARS Conversion	Further justification is requested regarding the proposed pavement works associated with conversion of Stand 53 to a MARS stand. The existing stand geometry appears capable of accommodating Code E aircraft operations, and it is unclear whether pavement strengthening requirements have been demonstrated through engineering assessment.
Table 178	IATA supports the Authority's proposed moderation of costs entering the RAB. However, a reduction in proposed costs alone does not address concerns where the project may deliver less capacity than previously presented during the PIF process.
Table 191 Soft Costs	While IATA acknowledges the Authority's moderation of soft costs, the proposed allowance of approximately 10% remains towards the higher end of typical benchmark ranges. Given the scale of the project, economies of scale would be expected to result in lower proportional soft costs.
Table 192 – Northern Development Scope and Timing	In addition to assessing cost efficiency, the Authority should consider whether all elements of the proposed development are required within the currently proposed timeline. Capacity expansion could potentially be delivered in stages, reducing capital intensity and better aligning investment with realised demand. IATA reiterates comments previously submitted during the PIF process regarding the timing and scale of the northern development.
Runway Development Strategy	The Authority should assess whether all reasonable opportunities for operational optimization of the existing runway system have been explored before significant new runway capacity is introduced. Consideration should also be given to whether elements of the proposed runway development, including associated taxiways, rapid exit taxiways and supporting infrastructure, could be delivered progressively rather than upfront. • The construction of a new runway with all associated taxiways and equipment increases airfield capacity far more than what is required in the medium term. This is a large complex project with high capital value and ongoing operational and maintenance costs. It would therefore appear premature to construct this infrastructure in the medium term. The airport states on pg. 11 that the maximum capacity of the current runway is 46-47 ATMs per hour. This would appear to be conservative – given that HYD has 2 existing runways though with dependent operations. Gatwick airport can currently handle 55 ATMs per hour (sustained over several hours) off one runway. Is it not possible for HYD to develop this efficiency too with the correct CONOPS and facilities? Mumbai operates at 52

	ATM per hour maximum and achieved this through operational and infrastructure efficiency. Gatwick in their proposal for a similar scenario they are developing are projecting a maximum ATMs of 70 per hour, Dubai currently manages 65 with a large portion of widebody aircraft. If HYD could achieve a similar result that would provide enough runway capacity until 2033 and defer the need for this large capital expenditure and increase in operational and maintenance costs. Is this something that the airport has looked at as a possibility to defer the construction of the new runway? • It would also reduce operational and maintenance costs.
Stand Development Programme	The proposed addition of significant contact and remote stand capacity should be reviewed to determine whether all stands are required concurrently. Phased stand delivery may provide a more efficient alignment between infrastructure provision and demand growth.
ARFF Facilities	Additional information is requested regarding the need for the proposed ARFF facilities and whether alternative station locations or deployment strategies were assessed. Opportunities to minimize long-term operating costs while maintaining required response performance should be explored.
Clause 7.3.86 Northern Terminal Capacity Addition	If the southern terminal can achieve the capacity levels previously identified during the PIF process, the timing of northern terminal commissioning and associated capitalization assumptions may require reassessment. The Authority should consider whether future terminal capacity could be delivered in stages rather than through a significant step increase in capacity.
Table 202 Soft Costs	IATA notes that the Authority has reduced the proposed soft cost allowance from 14% to 10%; however, this remains towards the higher end of typical benchmark ranges. Given the scale of the project and the opportunity to leverage programme-wide management and delivery structures, economies of scale would ordinarily be expected to result in lower proportional soft costs. Accordingly, IATA encourages the Authority to further assess whether the proposed 10% allowance appropriately reflects these efficiencies before inclusion in the RAB.
Table 206 CAPEX Profiling	Significant expenditure is concentrated in the first two years of the Control Period, with materially lower expenditure proposed thereafter. The basis for this expenditure profile is not clearly explained and should be reviewed against expected project delivery schedules.
Tables 221 & 222 Asset Classification	IATA supports the Authority's proposal to classify these assets as Common rather than fully Aeronautical.
Table 224	Given the Authority's proposed treatment of External Utilities as Common assets, clarification is requested regarding the allocation percentages used. It would appear appropriate to apply the same allocation basis used for terminal assets.
Table 225	Given the proposed treatment of External Utilities and Landside Roads as Common assets, the allocation methodology should be reviewed to ensure consistency with the terminal aero/non-aero allocation approach.

Table 227	The aero/non-aero allocation percentages used appear inconsistent with the terminal allocation methodology and should be reviewed for consistency.
Table 228 Programme Deliverability	Given the volume of terminal, runway, utility, landside and road works proposed for delivery by FY30, the Authority should consider assessing the practical feasibility of delivery, including construction market capacity, supply chain availability and programme execution risks. Where project delivery assumptions are uncertain or dependent on multiple parallel workstreams, the timing of regulatory recognition should remain conservative. Users should not bear tariff recovery based on commissioning dates that may not be achievable in practice.
Table 232 Useful Lives	The Authority may wish to reassess the useful lives applied to certain asset classes. Concrete apron pavements are typically designed for long-term service lives and roads would ordinarily be expected to exceed the lives currently reflected in the Consultation Paper. Consideration may also be given to introducing separate asset classes for security fencing and boundary wall infrastructure where appropriate.

*"**Soft Costs***

While IATA acknowledges the Authority's reduction of soft costs from 14% to 10%, the resulting allowance remains towards the upper end of benchmark ranges for a programme of this nature. This is particularly relevant given that, during the Third Control Period true-up, the Authority accepted the independent recommendation of RITES to restrict Design Development and PMC costs to 3% of hard costs. While airlines recognise that the Fourth Control Period programme differs in scope and complexity, the contrast between the two approaches suggests that further scrutiny may be warranted. Given the scale of the proposed programme and the opportunity to achieve economies of scale across multiple projects, IATA encourages the Authority to reassess whether a 10% allowance appropriately reflects efficient market practice and the benefits that should arise from programme-wide delivery efficiencies."

7.8.6. Lufthansa Group's comment with regards to Capex, Depreciation and RAB for the Fourth Control Period for RGIA, Hyderabad is as follows:

*"**Users Should Receive the Capacity for Which They Are Paying***

International airlines recognise the need to enhance terminal infrastructure to accommodate future growth and improve the passenger experience. The Consultation Paper identifies several operational constraints within Terminal 1, including pressures on international check-in, baggage reclaim, baggage make-up areas and kerbside operations, all of which have a direct bearing on operational efficiency, on-time performance and passenger service standards.

While we support investment to address these constraints, it is equally important that airport users receive the full operational and capacity benefits for which they are being asked to pay. Where a capital investment programme is funded through regulated airport charges, airlines have a legitimate expectation that the scope of the project and the capacity ultimately delivered will be consistent with what has been represented during the planning and stakeholder consultation process.

International airlines are entitled to understand whether the proposed capital expenditure of ₹427 crore will deliver the expected operational improvements and capacity outcomes. Where airport charges are proposed to recover the cost of major capital investments, the Consultation Paper should clearly explain the basis of the projected capacity, the scope of the project and whether the estimated project cost remains proportionate to the operational benefits expected to be delivered.

We respectfully requests the Authority to clarify the basis on which the projected terminal capacity and the associated capital expenditure of ₹427 crore have been determined, and to confirm that the proposed investment represents an efficient, prudent and proportionate use of capital. The Authority is further requested to ensure that only capital expenditure demonstrably necessary to deliver measurable operational benefits to international airlines is permitted to be recovered through aeronautical tariffs."

"International and Cargo Readiness Must Match Hyderabad's Growth Ambitions

We support Hyderabad's vision of becoming a leading international gateway. However, airport expansion should not focus solely on increasing terminal capacity. Equal emphasis must be placed on developing infrastructure essential for efficient international and cargo operations, including adequate contact gates, Code E stands, apron capacity, turnaround efficiency and cargo facilities.

While the Consultation Paper addresses terminal constraints, the proposed enhancement of airside infrastructure appears relatively limited when viewed against the projected growth in international traffic. Investment should therefore ensure balanced development of terminal, airside and cargo infrastructure to support long-haul operations and enhance Hyderabad's competitiveness as an international hub.

The Authority is respectfully requested to satisfy itself that the proposed investment provides adequate international, widebody and cargo infrastructure commensurate with the projected traffic growth, and that tariff recovery reflects balanced investment across terminal, airside and cargo facilities rather than terminal expansion alone."

"Major Capacity Expansion Should Be Triggered by Demonstrated Operational Need

We support long-term expansion of Hyderabad Airport. However, major investments such as the Northern Runway should be phased based on demonstrated operational need and actual traffic growth, rather than conservative planning assumptions. Airport users should not bear the cost of infrastructure significantly ahead of its utilisation."

*"**Project Management and Soft Costs Must Be Independently Benchmarked***

We welcome the Authority's reduction of the proposed soft cost allowance. However, design, consultancy and programme management costs should be independently benchmarked against comparable airport projects to ensure that only efficient and reasonable expenditure is recovered through aeronautical tariffs.

(e) Financial Consequences for Project Delays

We welcome the Ahuthority's proposal to make adjustments where approved capital projects are not completed in accordance with the approved schedule. However, given the significant impact of delayed infrastructure on airport users, Lufthansa Group submits that the proposed adjustment should provide a meaningful incentive for timely project execution and adequately protect users from paying for delayed or unavailable assets.The proposed 1% reduction for delayed capitalization is welcome. However, 1% appears insufficient to discourage project delays. Long project delays impose significant costs on airlines through congestion and reduced operational efficiency. The Authority may consider stronger financial disincentives where delays are attributable to the airport operator."

7.9. GHIAL's response to Stakeholder's comments regarding Capex, Depreciation and RAB for the Fourth Control Period

7.9.1. GHIAL's response to CFI's comment on Capex, Depreciation and RAB for the Fourth Control Period is as follows:

"GHIAL agrees to Construction Federation of India's proposal. It is important to note that GHIAL while submitting its project cost for Northern Precinct has considered using officially published and widely accepted indices from government/statutory sources, including WPI (for goods & key construction materials), CPI (for labour related components), steel and cement price indices (for construction materials), minimum wage notifications, currency exchange rates, and London Metal Exchange metal prices. These indices reflect actual market trends for material, labour, imported equipment, and service costs, ensuring that the proposed escalation assumptions are transparent, objective, and based on reliable external benchmarks

Therefore, we request AERA to consider the above factors in place of WPI (All commodities) for capex related projections."

7.9.2. GHIAL's response to Indigo's comment on Capex, Depreciation and RAB for the Fourth Control Period is as follows:

"Runway capacity is determined by several factors, including the separation standards prescribed by AAI, the fleet mix and operational requirements of airlines, and the availability of supporting airside and ground infrastructure provided by the airport operator.

Based on the currently available technologies, expected near-term advancements, and the operational experience of Air Traffic Controllers (ATCOs), AAI considers a sustainable runway capacity of up to 44 movements per hour, with Mumbai Airport serving as a relevant benchmark.

We continue to engage closely with AAI to explore opportunities for further enhancing runway capacity through operational improvements and technological advancements."

7.9.3. GHIAL's response to IATA's comment on Capex, Depreciation and RAB for the Fourth Control Period is as follows:

"Table 156 – Existing Southern Terminal Capacity

In process of rightly assessing the capacity of the terminal GHIAL had engaged M/s Jacobs who is also the master planner. M/s Jacobs as a part of the master plan exercise has assessed the terminal capacity for the existing terminal. It is concluded that the existing terminal which can handle up to 34.6 MPPA can cater up to approx. 37 MPPA only with the stated interventions by GHIAL including spends on towards additional stands, BHS, BMA, improvements in entry gates etc. Further, the report confirmed that even with spreading of the peak across the day the terminal can optimally handle maximum capacity of 40 MPPA. M/s Jacobs have recommended that beyond 40 MPPA the terminal mandatorily requires an expansion to handle further traffic. Based on the technical evaluation the capacity has been rightly considered and submitted to AERA.

Clause 7.3.35 – Stand 53 MARS Conversion

With reference to the AIP document, the existing Stand 53 geometry is Code-C compliant, however the PCN strength is 88 (suitable for Code-E). The works such as FEGP relocation & Fuel hydrant correction for the new MARS stand configuration require pavement demolition and reconstruction. The same has been stated as pavement strengthening requirements.

Table 191 – Soft Costs

GHIAL respectfully submits that soft costs, including design consultancy and project/programme management costs, are project-specific and cannot be mechanically benchmarked

These costs vary depending on several factors, including:

- *Airport location*
- *Project size and scope*
- *Brownfield or greenfield nature of development*
- *Site conditions*
- *Operational constraints*
- *Integration with existing airport systems*
- *Statutory and regulatory requirements*
- *Execution complexity*

In the case of an operating airport like Hyderabad, expansion works must be carried out while ensuring:

- *Uninterrupted airport operations*
- *Passenger safety and convenience*
- *Security compliance*
- *Continuity of airline operations*

Accordingly, GHIAL requests the Authority to consider soft costs, design consultancy and project management costs as necessary and integral components of approved capex, subject to prudence review and true-up mechanism.

Table 192 – Northern Development Scope and Timing

In the proposed phase of development (CY2026 – 2029), an additional 20 million passengers per annum (MPPA) of terminal capacity is proposed, enhancing the overall airport capacity to 57 MPPA. This expanded capacity is expected to adequately support forecasted traffic growth until initiation of the subsequent expansion phase

Runway Development Strategy

The airfield elements include RWY, Parallel taxiway, connecting taxiways, RETs and supporting infrastructure. Parallel taxiway is being proposed inline with the requirements as per ICAO 9184 Part 1. The connecting taxiways and RETs are provided to reduce the ROT and taxing times. During the detailed design we will explore progressive development based on need, constructability without hindering future operations.

Runway Development Strategy – Additional Comments

Runway capacity is determined by several factors, including the separation standards prescribed by AAI, the fleet mix and operational requirements of airlines, and the availability of supporting airside and ground infrastructure provided by the airport operator.

Based on the currently available technologies, expected near-term advancements, and the operational experience of Air Traffic Controllers (ATCOs), AAI considers a sustainable runway capacity of up to 44 movements per hour, with Mumbai Airport serving as a relevant benchmark.

We continue to engage closely with AAI to explore opportunities for further enhancing runway capacity through operational improvements and technological advancements.

Stand Development Programme

Based on the current utilization of stands for scheduled aircraft, RGIA will require 60 stands for the 20 MPPA, additional stands have been considered to accommodate night parking aircraft. During the schematic design phase, we will reevaluate the requirement of stands based on operational needs.

ARFF Facilities

The ARFF facilities are planned to respond as per DGCA CAR requirements of max. 2 min to any point on operational runway, 3 min to any point on movement area, 4 min for any vehicle other than first responding vehicle required to deliver the amounts of extinguishing agents. During detailed design we will re-evaluate the location of the main and/or satellite facilities for the new development.

Clause 7.3.86 – Northern Terminal Capacity Addition

The capacity mentioned in the PIF cannot be achieved as assessed by Jacobs. The maximum capacity is only 37 -40 MPPA with suggested improvements.

The capacity of the existing terminal is 34 MPPA. We in our submission had submitted a trajectory of the capacity increase with interventions including a spend of Rs 427 Cr towards additional stands, BHS, BMA, improvements in entry gates etc. These were based on internal estimates. GHIAL has got the master planner on board and had requested them to study the capacity with these suggested interventions.

M/s Jacobs who is engaged as a master planner has given a report on such assessment. It is concluded that the existing terminal which can handle up to 34.6 MPPA can cater up to approx. 37 MPPA only with the stated interventions by GHIAL including spends on towards additional stands, BHS, BMA, improvements in entry gates etc. Further, the report confirmed that even with spreading of the peak across the day the terminal can optimally handle maximum capacity of 40 MPPA. M/s Jacobs have recommended that beyond 40 MPPA the terminal mandatorily requires an expansion to handle further traffic.

In the proposed phase of development (CY2026 – 2029), an additional 20 million passengers per annum (MPPA) of terminal capacity is proposed, enhancing the overall airport capacity to 57 MPPA. This

expanded capacity is expected to adequately support forecasted traffic growth until initiation of the subsequent expansion phase.

In accordance with the Jacob report the assessment of capacity stands corrected to the above understanding.

Table 202 – Soft Costs

GHIAL respectfully submits that soft costs, including design consultancy and project/programme management costs, are project-specific and cannot be mechanically benchmarked against other airport projects.

These costs vary depending on several factors, including:

- *Airport location*
- *Project size and scope*
- *Brownfield or greenfield nature of development*
- *Site conditions*
- *Operational constraints*
- *Integration with existing airport systems*
- *Statutory and regulatory requirements*
- *Execution complexity*

In the case of an operating airport like Hyderabad, expansion works must be carried out while ensuring:

- *Uninterrupted airport operations*
- *Passenger safety and convenience*
- *Security compliance*
- *Continuity of airline operations*

Therefore, comparison with other airports without proper normalization may not provide a reliable or meaningful benchmark.

Accordingly, GHIAL requests the Authority to consider soft costs, design consultancy and project management costs as necessary and integral components of approved capex, subject to prudence review and true-up mechanism.

Table 206 – CAPEX Profiling

Majority of infrastructure projects have higher capex in the initial years, which reflects the planned execution of major component of the infra planned. Most of civil and structure work which take up majority of the cost is undertaken in the initial years based on project implementation schedules and procurement timelines, also having initial mobilization advance to EPC contractor.

Therefore, the proposed profile is project-driven and aligned with realistic delivery schedules and implementation plans

Tables 221 & 222 – Asset Classification

GHIAL respectfully submits that the proposed reclassification of Airport Connectivity and Transport System assets from Aeronautical to Common may be reconsidered. In the Authority's earlier Tariff Orders for the previous control periods, road infrastructure was classified as an Aeronautical Asset, recognizing

its critical role in facilitating passenger access and supporting airport operations. The assets proposed for reclassification, including flyovers, underpasses and access roads, are primarily developed to provide seamless connectivity to the terminal and other operational areas of the airport and are therefore directly linked to passenger movement and therefore are classified as aeronautical assets.

GHIAL requests the Authority to continue classifying Airport Connectivity and Transport System assets as Aeronautical Assets, consistent with the approach adopted by the Authority in its Third Control Period tariff order for GHIAL.

Table 228 – Programme Deliverability

The project timelines have been developed based on detailed master planning, engineering assessments, implementation schedules, and market studies. The proposed timelines are considered realistic, achievable, and aligned with the airport's long-term capacity augmentation requirements. GHIAL is confident of delivering the planned infrastructure within the projected timelines.

Demonstrated Track Record of Timely Execution of Large-Scale Airport Infrastructure Projects

GMR has consistently demonstrated its ability to plan and execute complex airport infrastructure projects while maintaining uninterrupted airport operations.

The successful execution of these projects reflects GHIAL's proven capability in managing multiple workstreams simultaneously, coordinating with regulatory agencies, consultants, contractors, utility providers, and operational stakeholders, and mitigating execution risks effectively.

i. *Established Project Management and Governance Framework*
ii. *Construction Market Capacity and Supply Chain Readiness*
iii. *Lessons Learnt from Previous Expansions Incorporated*
iv. *Evidence from Delivery of Other Major GMR Airport Projects*

The execution capability of the GMR Group is further evidenced recently by the development of the Greenfield Bhogapuram International Airport well ahead of the planned timelines.

Table 232 – Useful Lives

GHIAL has followed the useful lives as prescribed by authority in Order No 35/2017-18."

" GHIAL respectfully submits that soft costs, including design consultancy and project/programme management costs, are project-specific and cannot be mechanically benchmarked against other airport projects.

These costs vary depending on several factors, including:

- *Airport location*
- *Project size and scope*
- *Brownfield or greenfield nature of development*
- *Site conditions*
- *Operational constraints*
- *Integration with existing airport systems*
- *Statutory and regulatory requirements*

- *Execution complexity*

In the case of an operating airport like Hyderabad, expansion works must be carried out while ensuring:

- *Uninterrupted airport operations*
- *Passenger safety and convenience*
- *Security compliance*
- *Continuity of airline operations*

Therefore, comparison with other airports without proper normalization may not provide a reliable or meaningful benchmark.

Accordingly, GHIAL requests the Authority to consider soft costs, design consultancy and project management costs as necessary and integral components of approved capex, subject to prudence review and true-up mechanism."

7.9.4. GHIAL's response to Lufthansa Group's comment on Capex, Depreciation and RAB for the Fourth Control Period is as follows:

"AERA has taken the cognizance of the proposed capex which includes addition of stands, BMA upgrade, Entry exit Nakas, conversion of stand 53 to Code E/MARS, conversion of SBDs to AMD, Swing PESC, addition of screening machine at D – D transfers. All these investments will improve the operational performance of Terminal 1 up to handle 37 MPPA from its current 34 MPPA capacity."

"As part of the traffic forecast study, the demand for infrastructure considers passenger traffic as well as cargo growth, and also aircraft mix forecast based on industry discussions. The expansion plan proposed therefore captures infrastructure demand across terminal, airside as well as landside."

"GHIAL is responsible for expansion of airport as per the demand and proposed master plan. The same was discussed during the stakeholder consultation meeting."

"GHIAL respectfully submits that soft costs, including design consultancy and project/programme management costs, are project-specific and cannot be mechanically benchmarked against other airport projects.

These costs vary depending on several factors, including:

- *Airport location*
- *Project size and scope*
- *Brownfield or greenfield nature of development*
- *Site conditions*
- *Operational constraints*
- *Integration with existing airport systems*
- *Statutory and regulatory requirements*
- *Execution complexity*

In the case of an operating airport like Hyderabad, expansion works must be carried out while ensuring:

- *Uninterrupted airport operations*

- *Passenger safety and convenience*
- *Security compliance*
- *Continuity of airline operations*

Therefore, comparison with other airports without proper normalization may not provide a reliable or meaningful benchmark.

Accordingly, GHIAL requests the Authority to consider soft costs, design consultancy and project management costs as necessary and integral components of approved capex, subject to prudence review and true-up mechanism.

Following is our submission on the specific aspects discussed by the stakeholder:

- *Financial Consequences on Project Delays: GHIAL submits that large airport projects are complex and may be affected by external factors such as approvals, site conditions, utility shifting, supply chain issues and operational constraints. Therefore, any financial disincentive for delay should distinguish between delays attributable to the airport operator and those caused by external or uncontrollable factors such as Covid-19. Further, the proposed adjustment for delayed capitalisation, along with true-up at the rate of WACC based on actual cost and capitalisation, already provides safeguards for users."*

7.10. Authority's analysis of Stakeholder's comments regarding Capex, Depreciation and RAB for the Fourth Control Period

7.10.1. The Authority has analysed the comments and submissions made by the various stakeholders including the counter response of airport operator on stakeholder comments and the input/views of Stakeholders received during the Stakeholders Consultation Meeting held on 06 July 2026 and the written comments received up to the last date for submission, i.e. 20 July 2026. The Authority has examined the issues raised by the stakeholders on their merits, taking into account the necessity and justification of the proposed works, the supporting information furnished by GHIAL, the assessment undertaken by the Authority's independent Capex Consultant, and the applicable regulatory principles. The Authority's analysis and decisions on the issues are set out below.

Northern Runway and Associated Airside Works and Northern Passenger Terminal Building

7.10.2. The proposed Northern Runway and associated airside works and the Northern Passenger Terminal Building comprises several capital components. During the stakeholder consultation process, the Authority received submissions from GHIAL concerning the earthworks associated with the Northern Runway; the Northern Passenger Terminal Building; and external utilities and the soft costs relating to both the Northern Runway and the Northern Passenger Terminal Building. The Authority has examined these submissions with reference to the necessity, scope, cost reasonableness and supporting justification furnished by GHIAL. The Authority's findings are set out below:

Earthworks

7.10.3. The Authority has analysed GHIAL's submission regarding the proposed earthwork cost and the request to adopt a rate of ₹827 per cubic metre. The Authority notes that the rate of ₹677.14 per cubic metre assessed by M/s RITES has been derived based on the quantities available from the Master Plan, applicable CPWD DSR 2023 rates, Hyderabad-specific cost indices and WPI escalation corresponding to the expected period

of execution. The assessment also takes into account the relevant cost elements, including jungle clearance, borrow-earth lead up to 5 km, royalty, material, labour and petroleum costs.

7.10.4. The Authority further notes that GHIAL has not furnished detailed geotechnical and topographical information, firm haulage distances or other supporting data to substantiate the higher rate of ₹827 per cubic metre. In the absence of a finalised Master Plan/DPR and adequate project-specific data establishing the reasonableness of the higher rate, the Authority does not find sufficient basis to consider GHIAL's proposed rate.

7.10.5. Accordingly, the Authority has revised the assessed rate to ₹692.45 per cubic metre on the basis of consideration of revised inflation percentages. The final expenditure shall, however, be considered at the time of true-up based on the actual quantity executed and cost incurred and capitalised, supported by relevant records and subject to the Authority's prudence and efficiency review.

External Utilities

7.10.6. The Authority has examined GHIAL's submission regarding the cost of external utilities. The Authority notes that the cost assessment is based on a benchmarked EPC contract. The benchmarked EPC rate already incorporates various elements of project execution, including engineering, preliminaries, statutory permits, insurance, design, project management and contingencies.

7.10.7. In view of the above, the Authority considers that the relevant soft-cost elements are already embedded in the benchmarked EPC rate. Therefore, allowing an additional, separately identified soft-cost component over and above the benchmarked EPC cost would result in duplication of costs and is not considered justified. Accordingly, the Authority retains its proposal to consider ₹179.17 crore as the hard cost attributable to the External Utilities pertaining to both Northern Runway and Associated Airside Works and Northern Passenger Terminal Building. The expenditure shall be subject to verification at the time of true-up based on actual execution and capitalization, supporting documentation and the Authority's prudence review.

Soft Costs

7.10.8. The Authority notes GHIAL's submission regarding the proposed soft-cost allowance. The Authority notes that the Northern Precinct and Northern Runway is presently at the design and engineering stage and that adequate details regarding works awarded, contracts entered into and other supporting documentary evidence for expenditure proposed during the current Control Period have not yet been furnished.

7.10.9. In the absence of sufficient project-specific information to independently assess the proposed soft costs, the Authority considers it appropriate to apply the applicable regulatory benchmark. Accordingly, GHIAL's proposed soft-cost allowance of 14% of eligible hard cost has been moderated to 10%, consistent with the applicable benchmark. The Authority therefore retains its proposal to consider soft costs at 10% of eligible hard cost, subject to actual expenditure and capitalization, production of supporting records and subsequent prudence, reasonableness and efficiency review at the time of true-up.

Northern Passenger Terminal Building

7.10.10. The Authority has also examined GHIAL's submissions regarding the proposed cost of the Northern Passenger Terminal Building. The Authority notes that, at the present stage, the final plans and detailed design information, including architectural, functional and finishing specifications, are not available. Accordingly, the cost assessment cannot appropriately be based on a detailed item-wise estimate at this stage.

7.10.11. The Authority has therefore relied on the normative rates assessed through the independent Capex Evaluation study undertaken by M/s RITES, including the escalation of established benchmark rates adopted in similar assessments during the Third Control Period. The Authority considers this approach appropriate in the absence of sufficient project-specific information to establish the reasonableness of the higher cost proposed by GHIAL. Accordingly, the Authority retains its proposal to consider 2,25,000 sqm. as the area of the Northern Passenger Terminal Building and revises the assessed project cost of terminal building to ₹4,037.91 crore after accounting for the revised inflation percentages for cost indexation.

Further, at the time of true-up of the Capital Expenditure pertaining to the Northern Precinct Terminal Building and related works, the Authority may undertake a proper prudence review and reasonability of rates including in respect of expenditure on items like fancy fittings and fixtures, exotic horticultural elements, beautification components and other aesthetic features that are not essential from the operational point of view of airport.

Airport Connectivity and Transport System

7.10.12. The Authority has examined GHIAL's submission regarding the proposed classification of Airport Connectivity and Transport System assets. The Authority notes that the relevant landside ancillary buildings, landscaping and landside roads are intended to be used by aeronautical passengers, users of non-aeronautical facilities, airport employees, concessionaires and other visitors. Accordingly, the assets cannot be regarded as being used exclusively for aeronautical purposes.

7.10.13. The Authority is of the view that classification should be based on the nature, utility and actual usage of the assets. While the assets may facilitate access to the terminal and support airport operations, their use by non-aeronautical users and other airport stakeholders is not merely incidental. Such common usage establishes a direct basis for allocating the assets between aeronautical and non-aeronautical activities.

7.10.14. The Authority has also considered the treatment adopted in the earlier control periods. However, the classification adopted in a previous tariff order does not preclude the Authority from examining the nature and usage of the assets in the present tariff determination. The current classification is based on the specific assets, their users and the applicable allocation principles.

7.10.15. Accordingly, the Authority retains its proposal to classify the relevant Airport Connectivity and Transport System assets as Common assets. The aeronautical and non-aeronautical portions have been allocated using the applicable Terminal Area Ratio. Therefore, the Authority does not find sufficient merit in GHIAL's request to classify the entire expenditure as Aeronautical.

Escalations of itemwise cost pertaining to Capital Expenditure

7.10.16. The Authority has examined the submission made by CFI and the counter submission made by GHIAL. As observed in the analysis undertaken by the Independent Capex Consultant M/s RITES Ltd and discussed in Consultation Paper No. 02/2026–27 dated 19.06.2026, WPI-based escalation was not adopted as a standalone determination of admissible project cost. It was used as an objective benchmark for assessing the reasonableness of the cost variations proposed by GHIAL.

7.10.17. The Authority notes that the Final Master Plan and Final Detailed Project Report ("DPR"), including the detailed scope, quantities and specifications of the proposed components and facilities, are currently under preparation by GHIAL. Accordingly, a component-wise assessment of inflation cannot be undertaken at this stage in the absence of finalised BOQs and material consumption data.

7.10.18. The Authority acknowledges that construction costs may be influenced by project-specific factors, including site conditions, project sequencing, labour availability, supply-chain constraints, commodity prices, contract structures and other market conditions. However, in the absence of the final Master Plan, DPR and corresponding component-wise details, WPI-based escalation has been considered the most appropriate benchmark for estimating future construction costs, consistent with the methodology adopted in similar AERA tariff determination assignments. Accordingly, the Authority retains its approach as set out in the Consultation Paper.

Capacity creation vis-à-vis projected traffic growth

7.10.19. The Authority has examined the submission by IndiGo and the counter submission made by GHIAL pertaining to the increase in capacity with respect to project traffic growth. The Authority is of the view that capacity augmentation should be undertaken in a phased and need-based manner, having regard to projected traffic, available capacity, utilisation levels, operational requirements and the lead time required for implementation.

7.10.20. The Authority notes that direct comparison of runway throughput across airports may not be appropriate, as runway capacity is influenced by airport-specific factors, including airspace design, runway configuration, aircraft fleet mix, separation standards, meteorological conditions, runway occupancy time and supporting air traffic management infrastructure.

7.10.21. In the case of Hyderabad Airport, the airside capacity during the current control period is primarily constrained by available airspace capacity. The approved DGCA airspace capacity is 42 Air Traffic Movements ("ATMs") per hour, which may increase to 46 ATMs per hour upon implementation of the proposed infrastructure development. Accordingly, an increase in theoretical runway throughput beyond these levels would not, by itself, result in a corresponding increase in the airport's operational capacity unless the underlying airspace constraints are also addressed.

7.10.22. The Authority further notes that the Northern Precinct has not been planned solely for augmenting runway capacity. It forms part of the long-term airport development strategy and includes a new passenger terminal, associated landside and airside infrastructure, utilities and a new runway, with the objective of ensuring operational resilience, regulatory compliance, service quality and continuity of operations.

7.10.23. The timing of the Northern Precinct has been assessed with reference to forecast traffic growth, project implementation timelines, statutory approvals, land development requirements and the long lead time associated with major airport infrastructure projects. While optimisation of existing infrastructure remains relevant, significant deferment of the project may affect the timely availability of capacity as demand approaches the practical airspace and terminal handling limits.

7.10.24. Accordingly, the Authority has assessed the proposed capital expenditure relating to future capacity augmentation, including the Northern Precinct, through the applicable prudence review and with reference to the practical airspace capacity of 42 ATMs per hour, the potential augmentation to 46 ATMs per hour and the prevailing traffic and operational requirements. The approval of the project or its proposed capacity does not, by itself, entitle the airport operator to automatic inclusion of the entire project cost in the RAB. Expenditure has been considered only to the extent that it is necessary, appropriately phased, efficiently to be incurred and supported by the relevant project, utilisation and commissioning details and supported by the relevant project, utilisation and commissioning details.

7.10.25. The Authority has examined the issues raised by IATA and counter submission submitted by GHIAL on same. Issue wise analysis of IATA comments is as under:

Existing Southern Terminal Capacity

7.10.26. The Authority has considered the post-enhancement capacity of the Southern Terminal with reference to operational planning, prescribed Level of Service requirements, processing facility capacities, passenger circulation areas and operational constraints. While the theoretical capacity may appear higher, the revised assessment reflects the realistic practical operating capacity under the desired Level of Service.

7.10.27. The Northern Precinct has not been planned solely with reference to terminal capacity. Its requirements have also been assessed having regard to long-term operational requirements, airside and landside infrastructure, network growth and operational continuity. Accordingly, deferment of the Northern Precinct solely on the basis of the revised capacity of the Southern Terminal is not considered appropriate.

Stand 53 – MARS Conversion

7.10.28. The Authority has examined the proposed conversion of Stand 53 into a Multiple Aircraft Ramp System ("MARS") stand. Although the existing geometry is capable of accommodating Code-E aircraft, the proposed conversion requires modifications to pavement geometry, markings, lighting, aircraft guidance systems, fuel hydrant arrangements, drainage and other associated infrastructure to support flexible Code-C and Code-E operations in accordance with applicable ICAO and DGCA standards.

7.10.29. The pavement strengthening requirement has been assessed with reference to the revised aircraft loading and operational characteristics. Accordingly, the related expenditure has been considered subject to detailed engineering justification, actual execution, capitalization, putting to use and prudence review.

Review of Capital Cost and RAB Inclusion

7.10.30. The Authority has reviewed the proposed capital expenditure and moderated the project costs wherever considered appropriate. The assessment has also recognised that the project scope and cost are linked to the infrastructure required for the long-term development of the airport and not solely to the capacity created during the current control period.

7.10.31. The admissibility of expenditure continues to depend on its necessity, scope, timing, efficiency, procurement arrangements, actual implementation and utility of the relevant assets. Expenditure not meeting the applicable prudence requirements has not been included in the RAB.

Soft Costs

7.10.32. The Authority has independently reviewed the proposed soft costs and moderated the admissible allowance after benchmarking them against comparable airport infrastructure projects. Considering the scale, complexity and phased execution of the Northern Precinct development, the approved soft cost allowance is considered reasonable and commensurate with the project requirements. The admitted amount remains subject to actual incurrence, capitalization, supporting documentation and prudence review.

Northern Development Scope and Timing

7.10.33. The Authority has assessed the Northern Precinct as an integrated development comprising a new passenger terminal, runway, taxiways, apron, utilities and associated landside infrastructure. These components are interdependent and have therefore been considered as part of an integrated project.The implementation schedule has been assessed with reference to traffic forecasts, statutory approvals, design development, procurement and construction timelines. While phased implementation has been considered wherever technically feasible, significant deferment or fragmentation may adversely affect construction sequencing, operational continuity, timely availability of capacity and overall project cost.

Runway and Associated Airfield Infrastructure

7.10.34. The Authority has considered the airport-specific factors affecting runway throughput, including airspace design, runway configuration, aircraft fleet mix, wake turbulence separation standards, meteorological conditions and air traffic management procedures.

7.10.35. For Hyderabad Airport, the practical airside capacity during the relevant period is constrained by the available airspace capacity, assessed at 42 Air Traffic Movements ("ATMs") per hour as per DGCA. Increasing theoretical runway throughput beyond this level would not result in a corresponding increase in operational capacity unless the underlying airspace constraints are also addressed.

7.10.36. The proposed runway forms part of the long-term airport development strategy and is intended to support future traffic growth, operational resilience, safety, maintenance without operational disruption and the overall expansion of airport infrastructure. Considering the long gestation period associated with runway development, the project has been planned in advance of the anticipated demand. Accordingly, no modification to the proposed runway development strategy is considered necessary. The associated airfield infrastructure has been considered with reference to its specific operational purpose, technical need, implementation schedule and actual utility, subject to applicable prudence review.

Stand Development Programme

7.10.37. The Authority has assessed the proposed stand development programme with reference to projected peak-hour traffic, aircraft fleet mix, operational flexibility, contact stand requirements, maintenance contingencies and applicable Level of Service objectives.

7.10.38. While phased implementation has been considered during project planning, the proposed stand capacity has been assessed with a view to ensuring operational resilience and minimising aircraft delays during peak periods. The requirement for the proposed stands has been considered for the Fourth Control Period, subject to actual implementation, capitalization, putting to use and prudence review.

ARFF Facilities

7.10.39. The Authority has considered the requirement for ARFF facilities with reference to the applicable DGCA requirements, prescribed response times, the final terminal and airfield layout and the location of existing facilities. The proposed ARFF facilities will form part of the Master Plan being prepared by GHIAL. The location, number and configuration of the facilities have been considered subject to confirmation of the final Master Plan, compliance with applicable safety requirements and prudence review.

Northern Terminal Capacity Addition

7.10.40. The Authority has considered the capacity of the Southern Precinct, including Terminal 1, at approximately 40 MPPA based on GHIAL's submissions. The Northern Terminal forms part of an integrated airport development programme and has not been planned solely to address passenger terminal capacity.

7.10.41. The development includes associated airside, landside, utility and support infrastructure, which are interdependent. While phased commissioning has been incorporated wherever technically feasible, further fragmentation may adversely affect construction sequencing, operational continuity, overall project cost and timely availability of infrastructure. Accordingly, the timing of the Northern Precinct has been considered appropriate, subject to the applicable prudence review and verification of actual capitalization and putting to use.

Capital Expenditure Profiling

7.10.42. The Authority recognises that major civil and structural works may result in higher expenditure during the initial years of a project and that mobilization advances and procurement milestones may affect the expenditure profile.

7.10.43. However, the proposed profile has been reconciled with actual project progress, contractual milestones, certification of works, capitalization and putting to use. The presence of a mobilisation advance or an early contractual payment has not, by itself, established eligibility for inclusion in the RAB. Expenditure that was deferred, remained uncapitalised, was not put to use or was no longer required has been treated in accordance with the applicable regulatory framework.

Asset Classification

7.10.44. The classification of Airport Connectivity and Transport System assets has been determined on an asset-wise basis, having regard to their nature, primary purpose, utility and functional nexus with aeronautical services. Assets that primarily facilitate passenger access to the terminal, movement within the airport or connectivity with operational areas have been considered for classification as aeronautical assets, subject to verification of their actual use. However, assets serving city-side, commercial, Aerocity, non-aeronautical or broader airport ecosystem functions have not been included in the aeronautical RAB merely on account of their location within the airport premises or their connection with airport infrastructure.

7.10.45. The treatment adopted in the earlier Control Periods has also been considered to ensure regulatory consistency, subject to an examination of the specific nature, purpose and actual use of the assets under the present project.

External Utilities and Landside Roads

7.10.46. The allocation of External Utilities and Landside Roads has been determined based on the nature, principal use and beneficiaries of the respective assets. In cases where an asset serves both aeronautical and non-aeronautical purposes, the common component has been apportioned using an appropriate, reasonable and consistently applied methodology. The allocation has been assessed with reference to the terminal aero–non-aero allocation methodology, while also taking into account the distinct characteristics and usage patterns of External Utilities and Landside Roads.

7.10.47. Assets, or portions thereof, serving commercial facilities, city-side functions, Aerocity development or broader airport ecosystem activities have not been allocated to aeronautical users without adequate supporting justification. The Authority has accordingly examined the classification of the relevant assets and verified the allocation percentages applied to these asset categories.

Programme Deliverability

7.10.48. The Authority has considered the proposed implementation schedules and the project execution capabilities available to GHIAL and its group entities. The Authority observes that prior experience in executing major infrastructure projects is relevant but cannot, by itself, establish that the proposed project timelines will be achieved or that expenditure should be recognised based solely on projected commissioning dates.

7.10.49. Programme deliverability has been assessed with reference to design maturity, statutory approvals, procurement status, availability of contractors and materials, construction sequencing, supply-chain capacity, interface with ongoing airport operations, utility shifting and actual progress achieved.

7.10.50. Where delivery depended on multiple parallel workstreams or remained subject to material uncertainty, regulatory recognition has been linked to actual capitalization and putting to use of the relevant assets. Airport users have not been made liable for tariff recovery in respect of assets that have not been commissioned or made available for aeronautical use.

Useful Lives and Depreciation

7.10.51. The Authority notes that the useful lives adopted by GHIAL are based on the useful lives prescribed under Order No. 35/2017–18.The Authority has determined depreciation in accordance with the applicable regulatory methodology and approved useful lives, subject to verification of asset classification, capitalization date, date of putting to use and allocation to the aeronautical RAB.

7.10.52. The Authority has also examined whether separate useful-life categories are appropriate for asset classes whose physical characteristics, durability and expected period of use differ materially from the general asset category. This has included, where applicable, security fencing, boundary walls, concrete apron works, landside roads and other specialised infrastructure.

7.10.53. Any adjustment to eligible capital additions has had a corresponding impact on depreciation from the relevant date of capitalization and putting to use. Depreciation has not been allowed on assets or portions of assets that are not eligible for inclusion in the aeronautical RAB.

7.10.54. Accordingly, the Authority has retained its approach of subjecting capital expenditure, depreciation and RAB to project-wise, asset-wise and phase-wise prudence review. Only expenditure that was necessary, efficiently incurred, appropriately timed, appropriately scoped, commissioned or put to use and attributable to aeronautical services has been considered for recovery through tariffs. The Authority has therefore retained its proposals regarding the treatment of capital expenditure, depreciation, asset classification, allocation methodologies, programme deliverability and useful lives.

Reduction in Soft Costs

7.10.55. The Authority has examined the submission of IATA and counter submission submitted by GHIAL regarding the proposed allowance for soft costs. The Authority notes that the allowance of 10% was determined after reducing the initially proposed 14%, based on an assessment of the nature, scale and complexity of the proposed capital programme.

7.10.56. The Authority further notes that the proposed soft cost estimates were independently reviewed and that the moderated allowance was determined after benchmarking against comparable airport infrastructure projects. The Authority is of the view that the soft cost benchmark adopted for the Fourth Control Period cannot be determined solely by comparison with the 3% benchmark applied to Design Development and Project Management Cost during the Third Control Period. The earlier benchmark was adopted in the specific circumstances of the Third Control Period and cannot be treated as a universally applicable benchmark for projects having different scope, scale, implementation requirements and execution conditions. Design Development and PMC is only one of the soft cost components. There are other soft cost components like insurance etc.

7.10.57. The Authority has considered the brownfield nature of the proposed development, the requirement to undertake works at an operational airport, integration with existing airport systems, project management requirements, statutory and safety-related requirements and the need to maintain continuity of airport operations. These factors justify consideration of a benchmark distinct from that applied in the earlier control period.

7.10.58. The Authority has also taken into account the possibility of efficiencies arising from the scale and programme-based nature of the proposed works. The reduction of the soft cost allowance from 14% to 10% appropriately reflects such considerations while retaining an allowance considered reasonable for the nature of the proposed programme.

7.10.59. The Authority further clarifies that the allowance of 10% does not constitute an unconditional entitlement or automatic approval of the soft costs claimed by GHIAL. The actual expenditure remains subject to scope verification, capitalization, prudence review and reconciliation with the relevant project records. Any expenditure that is not necessary, efficiently incurred or adequately supported shall be excluded from the RAB.

7.10.60. Accordingly, the Authority does not find sufficient basis to further reduce the soft cost allowance. The Authority retains its proposal to consider soft costs at 10% of the eligible hard cost, subject to the applicable prudence review and regulatory framework.

Augmentation of Capacity in Terminal 1

7.10.61. The Authority has examined the submission of Lufthansa Group and counter comments of GHIAL regarding the proposed expenditure of ₹427 Crores for augmentation of capacity and improvement of operational facilities at Terminal 1.

7.10.62. The Authority notes that the proposed expenditure comprises, inter alia, addition of aircraft stands, upgradation of the Baggage Make-up Area, improvements to entry and exit nakas, conversion of Stand 53 to Code-E/MARS configuration, conversion of SBDs to AMD, provision of Swing PESC and installation of an additional screening machine for D–D transfers.

7.10.63. The Authority notes that the proposed capital expenditure has been subjected to detailed technical and financial scrutiny to assess the necessity, prudence and efficiency of the proposed works. The capacity enhancement has been determined based on the ultimate terminal capacity assessed by GHIAL through M/s Jacobs. The proposed interventions are intended to address identified bottlenecks in the Passenger Terminal Building and kerbside infrastructure and improve operational efficiency, passenger experience and service levels.

7.10.64. The Authority is of the view that the proposed interventions are directly linked to the operational requirements of Terminal 1 and are intended to address constraints relating to aircraft stands, baggage processing, passenger entry and exit, aircraft handling, security screening and transfer operations. The proposed facilities are expected to improve the operational performance of Terminal 1 and enhance its capacity from the existing level of approximately 34 MPPA to approximately 40 MPPA.

7.10.65. The Authority has considered the scope and purpose of the proposed works while assessing the associated capital expenditure. The admissibility of the expenditure has been examined with reference to its necessity, functional relationship with the terminal, expected operational benefits and the applicable prudence principles.

7.10.66. The Authority further clarifies that inclusion of the capital expenditure in the RAB does not imply automatic acceptance of the entire project cost. Only capital expenditure that is prudently incurred, demonstrably required, supported by actual execution and associated with commissioned assets providing measurable operational benefits has been considered for tariff determination. The expenditure has also been subject to verification of the final scope, capitalization, putting to use and prudence review. Any expenditure not supported by the approved scope or not found to be necessary and efficiently incurred has not been admitted for recovery through aeronautical tariffs.

7.10.67. Accordingly, the Authority retains its proposal regarding the consideration of ₹427 Crores for the identified Terminal 1 interventions. The corresponding capital expenditure has been included in the RAB only to the extent verified and found eligible under the applicable regulatory framework.

International and Cargo Readiness

7.10.68. The Authority has examined the submission of Lufthansa Group and counter comments of GHIAL regarding the adequacy of international, wide-body and cargo infrastructure proposed under the expansion programme. The Authority clarifies that the augmentation of cargo handling facilities is not within the scope of the present Consultation Paper. Accordingly, the assessment undertaken in the present proceedings does not extend to any separate or additional capital expenditure relating to cargo handling augmentation.

7.10.69. The Authority has considered the proposed capital expenditure with reference to the passenger traffic forecast, projected aircraft mix and the associated terminal, airside and landside infrastructure requirements. The requirement for contact gates, Code-E stands, apron capacity and other facilities supporting passenger and aircraft operations has been assessed with reference to the projected traffic, operational requirements and utilisation of the existing facilities.

7.10.70. The inclusion of any particular facility or expenditure in the proposed project does not result in automatic entitlement to recovery through aeronautical tariffs. The relevant expenditure is examined for its necessity, scope, actual implementation, capitalization, putting to use and prudence review. Any expenditure relating to non-aeronautical or non-eligible facilities has not been included in the aeronautical RAB. Accordingly, the Authority retains its proposal regarding the treatment of the proposed capital expenditure. The assessment of cargo handling augmentation, if proposed separately, would require consideration in accordance with the applicable regulatory framework and relevant proceedings.

Major Capacity Expansion Should Be Triggered by Demonstrated Operational Need

7.10.71. The Authority has examined the submission made by Lufthansa Group and GHIAL's counter-submission regarding the requirement for major capacity expansion to be supported by demonstrated operational need. The Authority notes that the timing and necessity of the Northern Runway have been assessed with reference to long-term traffic forecasts, anticipated capacity requirements, project implementation lead times, operational resilience and the overall development strategy for the Northern Precinct.

7.10.72. The Northern Runway is intended to support future terminal operations, enhance airside capacity, improve operational resilience and ensure safety and continuity of airport operations. Its requirement is not limited to increasing runway throughput. The Authority has also considered the scope for optimising the existing runway and notes that such measures, while continuing to be pursued, may not by themselves address the prevailing airspace and operational constraints. The planning, statutory approval, procurement and construction periods associated with the Northern Runway have also been taken into account.

7.10.73. Accordingly, the Northern Runway and associated expenditure have been considered only to the extent supported by the demonstrated operational requirement and subject to the expenditure being prudently incurred, capitalised and put to use in accordance with the applicable regulatory framework.

PMC and Soft Costs Must Be Independently Benchmarked

7.10.74. The Authority has examined the submission of Lufthansa Group and counter submission made by GHIAL on soft costs. The proposed soft costs have been independently reviewed and benchmarked against comparable airport infrastructure projects, taking into account the scope, scale, complexity, implementation strategy and prevailing market conditions.

7.10.75. Based on this assessment, and after considering the applicable regulatory benchmarks and project-specific circumstances, the soft cost allowance proposed by GHIAL at 14% of hard costs has been moderated to 10% of hard costs. Further, Authority's views of IATA comments on similar issue may be referred. Accordingly, the Authority does not find sufficient basis for any further revision.

Financial Consequences for Project Delays

7.10.76. The Authority has examined Lufthansa Group's submission regarding the financial consequences of delays in the completion and capitalisation of approved projects, as well as GHIAL's counter-submission. The Authority notes that project delays may arise from a range of factors, including approvals, site conditions, utility shifting, supply-chain constraints, operational requirements and force majeure events. Such factors have been considered on a case-to-case basis while determining the admissibility and timing of capitalisation.

7.10.77. The Authority further notes that the proposed 1% adjustment for delayed capitalisation, together with the true-up based on actual cost and the date of capitalisation, provides an appropriate regulatory safeguard against recovery of return on assets that have not been completed or put to use. Expenditure has been admitted for tariff purposes only upon verification of its capitalisation and availability for use, and delays attributable to the airport operator have not been treated in the same manner as delays arising from circumstances beyond its reasonable control. Accordingly, the Authority retains its approach of 1% adjustment for delayed capitalization.

7.10.78. Accordingly, the Authority has finalized the capital expenditure for the Fourth Control Period after incorporating the revisions arising from the updated inflation percentages as set out in ***Table 262***, together with the corresponding proportionate adjustments in IDC and soft costs. Except for these consequential changes, no other modifications have been made to the capital expenditure proposed at the consultation stage. Accordingly, the capital expenditure decided by the Authority for the Fourth Control Period is shown in table below:

Table 251: Total Capital Expenditure decided by the Authority for the Fourth Control Period

(Rs. In crores)

S. No	Category	Particulars	Total Capex proposed in Consultation stage	Total Capex decided by the Authority
A1	Capacity Enhancements to Southern Precinct	MLCP (Multi Level Car Park)	219.20	219.00
A2		Addition of 9 Stands (Equivalent to Code C) on eastern side and 3 Equivalent code C on western side	112.02	110.95
A3		BHS-BMA Upgrade and Transfer Baggage Storage Management	24.82	24.82
A4		Improvement of Departure & Arrival Entry & Exit NAKA	13.00	13.00
A5		Conversion of Stand 53 to Code E/MARS Stand with Associated Works (Taxiways and Taxi lanes)	12.81	12.81
A6		Conversion from SBD to ABD (check-in island reconfiguration)	6.00	6.00
A7		Conversion of 8 Swing PESC (16 Domestic, 8 Swing, 5 International) and Civil Work (Partitions and DOM Movement)	5.98	5.98

S. No	Category	Particulars	Total Capex proposed in Consultation stage	Total Capex decided by the Authority
A8		Addition of One Machine in PESC Area for D-to-D Transfer	4.66	4.66
A9		Other Miscellaneous	0.00	0.00
		Total Cost	**398.29**	**397.22**
B1	**Northern Runway & Associated Airside Works**	Runway, Taxiway and Apron	1,693.47	1677.27
B2		Elevated Taxiway	709.92	709.92
B3		Airside Anciliary Building	92.23	91.34
B4		Perimeter Wall	37.00	37.00
B5		Earth Works	744.85	761.69
B6		External Utilities	179.17	179.17
B7		Taxiway as emergency runway	106.96	105.93
B8		GSE Building	28.00	28.00
B9		Airside Roads	81.70	83.00
B10		GSE Parking	31.98	31.68
		Soft Costs	370.53	370.50
		IDC	533.18	530.91
		Total Cost	**4,608.99**	**4,606.41**
C1	**Northern Precinct Development- Landside Works**	Terminal Building	4,084.79	4,037.91
C2		CNS ATM Building	33.82	33.49
C3		Landside Ancillary Buildings	23.06	22.84
C4		Landside Roads	14.76	15.00
C5		Dual Elevated Ramp	116.00	116.00
C6		Landscaping	67.00	67.00
C7		Car parking area	94.11	95.00
C8		IT Systems & Telecommunication	635.00	635.00
C9		Operational equipment	63.00	63.00
C10		External Utilities	179.17	179.17
		Soft Costs	458.16	453.54
		IDC	576.29	571.41
		Total Cost	**6,345.16**	**6,289.26**
D1	**Airport Connectivity and Transport**	Flyover (E-W on MAR 4L+4L) – Length: 700 m	77.00	77.00
D2		Under Pass on E-W (2L+2L) – Length: 800 m	58.00	58.00
D3		Under pass on MAR (4L+4L) Eastern ECT– Length: 1000 m	211.00	211.00
D4		Under Pass on MAR (4L+4L) Western ECT– Length: 900 m	198.82	198.82
D5		Under pass along East-West Road (4L+4L) – Length: 2400 m	181.00	181.00
D6		Under Pass Ext. along East-West Road (3L+3L) – Length: 750m	81.00	81.00
D7		North-South Road (3L+3L) – Length: 3500m	38.13	38.99
D8		18m Road (2+2) – Length: 3100m	15.00	15.00
		Soft Costs	86.00	86.08
		IDC	46.38	46.43
		Total Cost	**992.33**	**993.32**

S. No	Category	Particulars	Total Capex proposed in Consultation stage	Total Capex decided by the Authority
E1	General Capital Expenditure	Terminal Operations	94.84	94.84
E2		Security and Vigilence	391.78	391.78
E3		Project, Engineering & Maintenance	389.51	389.51
E4		Strategic Initiatives	131.54	131.54
E5		Landscape	53.41	53.41
E6		IT	197.00	197.00
E7		ARFF	44.17	44.17
		Total Cost	**1302.26**	**1302.26**
	Capital Expenditure carry forwarded from TCP	**Total**	**168.50**	**168.50**
	Total Capex		**13,815.53**	**13,756.97**

7.10.79. Accordingly, after taking into consideration the stakeholders' comments, the Authority has recalculated the aeronautical additions to the RAB after incorporating the revised inflation percentages set out in *Table 262*. Further, the Authority has computed the Aeronautical Capital Expenditure forming part of RAB as shown below:

Table 252: Aeronautical Capex decided by the Authority for the Fourth Control Period

S. No	Category	Particulars	Aeronautical Capex proposed to be considered in Consultation Stage	Aeronautical Capex decided by the Authority
A1	Capacity Enhancements to Southern Precinct	MLCP (Multi Level Car Park)	0.00	0.00
A2		Addition of 9 Stands (Equivalent to Code C) on eastern side and 3 Equivalent code C on western side	112.02	110.95
A3		BHS-BMA Upgrade and Transfer Baggage Storage Management	24.82	24.82
A4		Improvement of Departure & Arrival Entry & Exit NAKA	11.00	11.00
A5		Conversion of Stand 53 to Code E/MARS Stand with Associated Works (Taxiways and Taxi lanes)	12.81	12.81
A6		Conversion from SBD to ABD (check-in island reconfiguration)	6.00	6.00
A7		Conversion of 8 Swing PESC (16 Domestic, 8 Swing, 5 International) and Civil Work (Partitions and DOM Movement)	5.98	5.98
A8		Addition of One Machine in PESC Area for D-to-D Transfer	4.66	4.66
A9		Other Miscellaneous	0.00	0.00
		Total Cost	**177.29**	**176.22**
B1	Northern Runway & Associated Airside Works	Runway, Taxiway and Apron	1693.47	1677.27
B2		Elevated Taxiway	709.92	709.92
B3		Airside Ancillary Building	92.23	91.34
B4		Perimeter Wall	37.00	37.00
B5		Earth Works	744.85	761.69
B6		External Utilities	160.47	162.72

S. No	Category	Particulars	Aeronautical Capex proposed to be considered in Consultation Stage	Aeronautical Capex decided by the Authority
B7		Taxiway as emergency runway	106.96	105.93
B8		GSE Building	28.00	28.00
B9		Airside Roads	81.70	83.00
B10		GSE Parking	31.98	31.68
		Total Hard Cost	**3686.58**	**3688.55**
		Soft Costs	368.66	368.85
		Total Cost (excluding IDC)	**4,055.23**	**4,057.40**
		IDC proposed to be considered	530.26	528.34
		Total Aeronautical Capex including IDC	**4,585.49**	**4,585.75**
C1	**Northern Precinct Development- Landside Works**	Terminal Building	3,455.73	3,416.07
C2		CNS ATM Building	33.82	33.49
C3		Landside Ancillary Buildings	19.51	19.32
C4		Landside Roads	13.22	13.62
C5		Dual Elevated Ramp	116.00	116.00
C6		Landscaping	56.68	56.68
C7		Car parking area	-	-
C8		IT Systems & Telecommunication	537.21	537.21
C9		Operational equipment	63.00	63.00
C10		External Utilities	160.47	162.72
		Total Cost	**4,455.64**	**4,418.12**
		Soft Costs	391.84	388.09
		Total Cost excluding IDC	**4,847.48**	**4806.21**
		Proportion of IDC proposed to be considered	480.97	477.00
		Total Aeronautical Capex including IDC	**5,328.45**	**5,283.21**
D1	**Airport Connectivity and Transport**	Flyover (E-W on MAR 4L+4L) – Length: 700 m	65.14	65.14
D2		Under Pass on E-W (2L+2L) – Length: 800 m	49.07	49.07
D3		Under pass on MAR (4L+4L) Eastern ECT– Length: 1000 m	178.51	178.51
D4		Under Pass on MAR (4L+4L) Western ECT– Length: 900 m	168.20	168.20
D5		Under pass along East-West Road (4L+4L) – Length: 2400 m	153.13	153.13
D6		Under Pass Ext. along East-West Road (3L+3L) – Length: 750m	68.53	68.53
D7		North-South Road (3L+3L) – Length: 3500m	32.26	32.99
D8		18m Road (2+2) – Length: 3100m	12.69	12.69
		Total Hard Costs	**727.52**	**728.25**
		Soft Costs	72.75	72.82
		Total Cost excluding IDC	**800.27**	**801.07**
		IDC proposed to be considered	39.24	39.28
		Total Aeronautical Capex including IDC	**839.51**	**840.35**

S. No	Category	Particulars	Aeronautical Capex proposed to be considered in Consultation Stage	Aeronautical Capex decided by the Authority
E	**General Capital Expenditure**	Aeronautical General Capex	1,180.47	1,180.47
F	**Capital Expenditure deferred from TCP**		146.93	146.93
	Total Capex		**12,258.13**	**12,212.92**

7.10.80. The aeronautical additions to the RAB have been reduced from ₹12,258.13 crore, as proposed at the consultation stage, to ₹12,212.92 crore, as determined by the Authority for the purpose of tariff determination for the Fourth Control Period. The reduction of ₹45.21 crore represents the impact of applying the revised inflation assumptions to the eligible aeronautical capital expenditure. Thus, the year wise additions to RAB decided by the Authority for the Fourth Control Period after taking into consideration the revised percentages of the inflation index are as follows:

Table 253: Year-wise Aeronautical Capitalisation / Additions decided by the Authority for the Fourth Control Period

(Rs. In crores)

Particulars	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Capacity Enhancements to Southern Precinct						
MLCP (Multi Level Car Park)	0.00	0.00	0.00	0.00	0.00	0.00
Addition of 9 Stands (Equivalent to Code C) on eastern side and 3 Equivalent code C on western side	55.48	55.48	0.00	0.00	0.00	110.95
BHS-BMA Upgrade and Transfer Baggage Storage Management	12.41	12.41	0.00	0.00	0.00	24.82
Improvement of Departure & Arrival Entry & Exit NAKA	0.00	11.00	0.00	0.00	0.00	11.00
Conversion of Stand 53 to Code E/MARS Stand with Associated Works (Taxiways and Taxi lanes)	6.41	6.41	0.00	0.00	0.00	12.81
Conversion from SBD to ABD (check-in island reconfiguration)	3.00	3.00	0.00	0.00	0.00	6.00
Conversion of 8 Swing PESC (16 Domestic, 8 Swing, 5 International) and Civil Work (Partitions and DOM Movement)	2.99	2.99	0.00	0.00	0.00	5.98
Addition of One Machine in PESC Area for D-to-D Transfer	2.33	2.33	0.00	0.00	0.00	4.66
Other Miscellaneous	0.00	0.00	0.00	0.00	0.00	0.00
Total	**82.61**	**93.61**	**0.00**	**0.00**	**0.00**	**176.22**
Northern Runway & Associated Airside Works						
Runway, Taxiway and Apron	0.00	0.00	0.00	1,677.27	0.00	1,677.27
Elevated Taxiway	0.00	0.00	0.00	709.92	0.00	709.92
Airside Anciliary Building	0.00	0.00	0.00	91.34	0.00	91.34
Perimeter Wall	0.00	0.00	0.00	37.00	0.00	37.00
Earth Works	0.00	0.00	0.00	761.69	0.00	761.69
External Utilities	0.00	0.00	0.00	162.72	0.00	162.72
Taxiway as emergency runway	0.00	0.00	0.00	105.93	0.00	105.93
GSE Building	0.00	0.00	0.00	28.00	0.00	28.00
Airside Roads	0.00	0.00	0.00	83.00	0.00	83.00
GSE Parking	0.00	0.00	0.00	31.68	0.00	31.68

Particulars	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Soft Costs	0.00	0.00	0.00	368.85	0.00	368.85
IDC	0.00	0.00	0.00	528.34	0.00	528.34
Total	**0.00**	**0.00**	**0.00**	**4,585.75**	**0.00**	**4,585.75**
Northern Precinct Development- Landside Works						
Terminal Building	0.00	0.00	0.00	3,416.07	0.00	3,416.07
CNS ATM Building	0.00	0.00	0.00	33.49	0.00	33.49
Landside Ancillary Buildings	0.00	0.00	0.00	19.32	0.00	19.32
Landside Roads	0.00	0.00	0.00	13.62	0.00	13.62
Dual Elevated Ramp	0.00	0.00	0.00	116.00	0.00	116.00
Landscaping	0.00	0.00	0.00	56.68	0.00	56.68
Car parking area	0.00	0.00	0.00	0.00	0.00	0.00
IT Systems & Telecommunication	0.00	0.00	0.00	537.21	0.00	537.21
Operational equipment	0.00	0.00	0.00	63.00	0.00	63.00
External Utilities	0.00	0.00	0.00	162.72	0.00	162.72
Soft Costs	0.00	0.00	0.00	388.09	0.00	388.09
IDC	0.00	0.00	0.00	477.00	0.00	477.00
Total	**0.00**	**0.00**	**0.00**	**5,283.21**	**0.00**	**5,283.21**
Airport Connectivity and Transport						
Flyover (E-W on MAR 4L+4L) – Length: 700 m	0.00	0.00	0.00	65.14	0.00	65.14
Under Pass on E-W (2L+2L) – Length: 800 m	0.00	0.00	0.00	49.07	0.00	49.07
Under pass on MAR (4L+4L) Eastern ECT– Length: 1000 m	0.00	0.00	0.00	178.51	0.00	178.51
Under Pass on MAR (4L+4L) Western ECT– Length: 900 m	0.00	0.00	0.00	168.20	0.00	168.20
Under pass along East-West Road (4L+4L) – Length: 2400 m	0.00	0.00	0.00	153.13	0.00	153.13
Under Pass Ext. along East-West Road (3L+3L) – Length: 750m	0.00	0.00	0.00	68.53	0.00	68.53
North-South Road (3L+3L) – Length: 3500m	0.00	0.00	0.00	32.99	0.00	32.99
18m Road (2+2) – Length: 3100m	0.00	0.00	0.00	12.69	0.00	12.69
Soft Costs	0.00	0.00	0.00	72.82	0.00	72.82
IDC	0.00	0.00	0.00	39.28	0.00	39.28
Total	**0.00**	**0.00**	**0.00**	**840.35**	**0.00**	**840.35**
General Capital Expenditure	490.88	238.62	130.87	162.19	157.91	**1,180.47**
Capital Expenditure deferred from TCP	146.93	0.00	0.00	0.00	0.00	**146.93**
Aeronautical Additions	**720.42**	**332.23**	**130.87**	**10,871.50**	**157.91**	**12,212.92**

7.10.81. Further, the depreciation decided by the Authority for the Fourth Control Period after taking into account the revised aeronautical additions are as follows:

Table 254: Depreciation decided by the Authority for the Fourth Control Period

(Rs. In crores)

Particulars	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Depreciation	462.27	492.51	505.82	821.96	1138.87	3,421.43
Less: ADFG Adjustment	5.12	4.57	4.19	0.00	0.00	13.88
Depreciation decided by the Authority	**457.15**	**487.95**	**501.63**	**821.96**	**1138.87**	**3407.55**

7.10.82. Thus, based on the considerations as mentioned in the above paragraphs, the RAB and Depreciation decided by the Authority are as follows:

Table 255: Regulatory Asset Base decided by the Authority for the Fourth Control Period

(Rs. In crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Opening RAB (A)	6377.18	6640.46	6484.74	6113.98	16163.51	
Capital Additions (B) *(Ref.* Table 253*)*	720.42	332.23	130.87	10871.49	157.91	**12212.92**
Depreciation (inc ADFG adj) (C) *(Ref. Table 254)*	457.15	487.95	501.63	821.96	1138.87	**3407.55**
Deletions / Disposal (D)	0.00	0.00	0.00	0.00	0.00	**0.00**
Closing RAB (E=A+B-C-D)	6640.46	6484.74	6113.98	16163.51	15182.55	
Avg RAB for Tariff Determination (F=(A+E)/2)	6508.82	6562.60	6299.36	11138.74	15673.03	

7.11. Authority's decisions regarding Capex, Depreciation and RAB for the Fourth Control Period

Based on the materials before it and its analysis, the Authority decides the following with regards to Capex, depreciation, and RAB for the Fourth Control Period.

7.11.1. To consider the aeronautical additions for the Fourth Control Period in accordance with **Table 253.**

7.11.2. To True-up the aeronautical additions based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for next control period.

7.11.3. To consider the aeronautical depreciation for the Fourth Control Period in accordance with **Table 254**.

7.11.4. 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.

7.11.5. To consider the Regulatory Asset Base for the Fourth Control Period in accordance with **Table 255**.

7.11.6. 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 7.3.141. The same will be examined during True-up of the Fourth Control Period, at the time of determination of tariff for the next Control Period.

7.11.7. 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.

7.11.8. To True-up the RAB based on actuals at the time of tariff determination for the next Control Period.

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8. WEIGHTED AVERAGE COST OF CAPITAL (WACC) FOR THE FOURTH CONTROL PERIOD

8.1. GHIAL's submissions regarding WACC for the Fourth Control Period

Cost of Equity

8.1.1. GHIAL in the MYTP for the Fourth Control Period had considered **15.17%** as Cost of Equity. The Cost of Equity proposed by GHIAL is consistent with the Cost of Equity approved by the Authority for the Third Control Period based on the IIM Bangalore study. GHIAL proposed to consider the same Cost of Equity for the Fourth Control Period.

Cost of Debt

8.1.2. GHIAL projected the Cost of Debt based on the outflows of the existing loans as on March 31, 2025 at the original drawdown foreign currency rate.

8.1.3. In addition to the existing loans, GHIAL proposed to avail fresh loans to meet capital projects i.e., construction of Northern Precinct and airport connectivity projects proposed to be carried out in the Fourth Control Period. GHIAL had submitted that the total debt proposed to be raised for these projects is **Rs. 9,872 Crores** at a Cost of Debt of **10% p.a.** for a tenure of 10 years with an amortisation structure where repayments start at the end of the fifth year.

8.1.4. GHIAL submitted that the proposed Cost of Debt of 10% for new debt had been considered taking into account project execution risks on account of global uncertainties such as political instability, regulatory approvals and fragile economic conditions, which may be considered by financial institutions as key risk factors while pricing the credit spread.

8.1.5. The details of debt movement and effective cost of debt as submitted by GHIAL for the Fourth Control Period are shown in the table below:

Table 256: Details of Debt Outstanding along with Cost of Debt submitted by GHIAL for the Fourth Control Period as per MYTP

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31
Opening Debt	6,899.24	7,981.56	10,718.01	14,358.34	16,079.79
Addition	1,145.32	4,946.74	3,889.08	2,037.70	-
Repayment	-	2,147.28	248.75	316.25	316.25
IFL Repayment	63.00	63.00	-	-	-
Closing Debt	7,981.56	10,718.01	14,358.34	16,079.79	15,763.54
Interest Cost	680.91	902.59	1,225.42	1,498.53	1,572.82
Average Principal	7,440.40	9,349.79	12,538.18	15,219.06	15,921.66
Effective Cost of Debt	9.15%	9.65%	9.77%	9.85%	9.88%
Weighted Average Cost of Debt for Fourth Control Period					**9.72%**

Gearing Ratio

8.1.6. GHIAL 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 / FRoR

8.1.7. Considering the above, GHIAL arrived at FRoR / WACC of **12.56%**, the details of which are shown in the

following table:

Table 257: WACC / FRoR submitted by GHIAL for the Fourth Control Period as per MYTP

Particulars	Ref	CP-IV
Return on Equity	(A)	15.17%
Cost of Debt	(B)	9.72%
Normative Equity	(X)	52.00%
Normative Debt	(Y)	48.00%
FRoR [A × X + B × Y]		**12.56%**

8.2. Authority's examination regarding WACC for the Fourth Control Period at the Consultation Stage

Cost of Equity

8.2.1. The Authority noted that GHIAL had considered Cost of Equity of **15.17%** for the Fourth Control Period. The Authority further noted that the Cost of Equity considered by GHIAL is consistent with the Cost of Equity approved by the Authority for the Third Control Period based on the IIM Bangalore study.

8.2.2. The Authority proposed to continue to adopt the Cost of Equity of **15.17%** for the Fourth Control Period. The Authority also proposed to continue with the notional debt-equity ratio of **48%:52%** as considered for the Third Control Period.

Cost of Debt

8.2.3. The Authority noted the submission made by GHIAL for the Cost of Debt. GHIAL projected the Cost of Debt based on the outflows of the existing loans as on March 31, 2025 at the original drawdown foreign currency rate. GHIAL also considered additional debt proposed to be raised for capital projects including construction of Northern Precinct and airport connectivity projects during the Fourth Control Period.

8.2.4. The Authority noted that GHIAL proposed to raise additional debt of **Rs. 9,872 Crores** for the capital projects during the Fourth Control Period at an interest rate of **10% p.a.** for a tenure of 10 years, with repayment starting at the end of the fifth year. The Authority further noted GHIAL's submission that the proposed cost of debt had been considered keeping in view project execution risks, regulatory approvals, global uncertainties and prevailing economic conditions.

8.2.5. The Authority noted that the weighted average Cost of Debt as assessed by GHIAL for the Fourth Control Period is **9.72%**. The year-wise effective cost of debt ranges from **9.15%** in FY 2026-27 to **9.88%** in FY 2030-31. The Authority observed that the weighted average Cost of Debt of 9.72% is reflective of the existing debt portfolio as well as the proposed new debt for the capital projects during the Fourth Control Period.

8.2.6. The Authority considered the Cost of Debt proposed by GHIAL to be reasonable, taking into account the nature and scale of the capital projects planned for the Fourth Control Period, including the development of the Northern Precinct and airport connectivity projects. It was noted that the proposed interest rate for new debt raised to fund these capital projects was 10% per annum, while the overall weighted average Cost of Debt for the Control Period was calculated at 9.72% per annum.

8.2.7. The Authority examined the weighted average cost of debt submitted by GHIAL for the Fourth Control Period. GHIAL submitted a weighted average cost of debt of 9.72%. The Authority noted that GHIAL had a credit rating of AA+, and accordingly, a benchmark of SBI MCLR plus 100 basis points appears reasonable for assessing the cost of debt. The Authority further noted that the submitted weighted average cost of debt was broadly in line with the prevailing benchmark lending rates, being around the SBI MCLR

as on 1 April 2026 plus 100 basis points. Accordingly, the Authority considered the weighted average cost of debt of 9.72% submitted by GHIAL to be reasonable and proposed to consider the same for the purpose of tariff determination for the Fourth Control Period.

Gearing Ratio

8.2.8. The Authority noted that GHIAL had 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 and accordingly, the same was considered for the computation of FroR.

WACC / FRoR for the Fourth Control Period

8.2.9. Based on the above, the Authority proposed to consider the WACC / FRoR as **12.56%** for the Fourth Control Period based on Cost of Equity of **15.17%**, Cost of Debt of **9.72%** and notional debt-equity ratio of **48%:52%**, as follows:

Table 258: WACC / FRoR proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.17%	52.00%	7.89%
Debt	9.72%	48.00%	4.67%
WACC / FroR			**12.56%**

8.2.10. The Authority noted that since the debt-equity mix had been considered based on notional gearing of 48%:52%, the Authority proposed to not True-up the debt-equity ratio based on actual gearing during the tariff determination for the next Control Period.

8.2.11. The Authority further proposed to True-up the Cost of Debt for the Fourth Control Period based on actuals at the time of tariff determination for the Fifth Control Period, subject to reasonableness and efficiency.

8.3. Stakeholder's comments regarding WACC for the Fourth Control Period

8.3.1. During the Stakeholder Consultation Process, the Authority has received comments/views from IATA, IndiGo and Lufthansa Group in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding WACC for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding WACC for the Fourth Control Period

8.3.2. The Authority has not received any comment from GHIAL regarding WACC for the Fourth Control Period.

Other stakeholders' comments regarding WACC for the Fourth Control Period

8.3.3. IndiGo's comment with regards to WACC for the Fourth Control Period for RGIA, Hyderabad is as follows:

"As per table 238 under clause 8.2.9 of the CP, FRoR considered by AERA is 12.56% (calculated on the basis of notional debt-equity ratio of 48:52, cost of debt @ 9.72% and cost of equity @ 15.17%), which in our view is above efficient market levels. (For reference, FRoR proposed in the CP for Bengaluru airport for the 4th Control Period is 11.77%).

We appreciate that airports are compensated for the risk of capital being deployed and airport tariffs are accordingly decided by considering a fixed rate of return. However, airlines who are charged resultant fees cannot recover a fixed rate of return as their profitability is entirely reliant on demand dynamics. Furthermore, given that airline seats are a perishable commodity – unproductive if not filled, airlines are also forced to offset effects of higher pass-through fees charged by airports to customers by reducing fares

to ensure travel demand is adequate on their flights. As such, while a fixed or assured return structure favours the airport operator, it creates an imbalance for airlines, which continue to face sustained financial stress.

At clause 7.2.11 of the CP, the Airport Operator has submitted that all the project costs are projected to be funded through 70% debt and 30% equity. In our understanding, airports are classified as infrastructure and hence are able to raise debt at lower rates, which would be lower than the 9.72% assumed in the project. Accordingly, we submit that the projected debt-equity ratio of 70:30, as proposed by the Airport Operator, should be adopted for the determination of the FRoR, instead of the notional ratio of 48:52. Based on the debt-equity ratio of 70:30, the FRoR works out to 11.35%, as illustrated in the table below."

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.17%	30%	4.55%
Debt	9.72%	70%	6.80%
FRoR			11.35%

8.3.4. IATA's comment with regards to WACC for the Fourth Control Period for RGIA, Hyderabad is as follows:

"The determination of the WACC should appropriately reflect the actual level of risk borne by airport investors. The asset beta is intended to measure the systematic risk faced by investors and, therefore, should be calibrated to reflect the specific characteristics of the regulatory framework under which the airport operates. Where key business, investment and revenue risks are substantially mitigated through regulatory mechanisms and ultimately transferred to airport users, the appropriate asset beta should be lower than that observed for comparable firms operating in competitive markets. Failure to recognise this distinction would result in investors being compensated for risks that they do not materially bear, leading to an overstated cost of equity and an excessive WACC.

A key feature of the regulatory framework is the existence of ex-post true-up mechanisms, which materially reduce the downside risks faced by the airport operator. To the extent that efficient cost increases, traffic shortfalls, forecasting variances, and other revenue-related under-recoveries can be addressed through subsequent regulatory adjustments, the airport is insulated from risks that would ordinarily be borne by shareholders in a competitive market. These mechanisms provide a high degree of revenue and cash-flow certainty and significantly reduce exposure to forecasting and business-cycle risks. As a result, the systematic risk faced by investors is lowered and should be reflected in the estimation of the asset beta and allowed cost of equity.

Similarly, the RAB-based regulatory model provides investors with a significant degree of protection through the ability to recover efficiently incurred capital expenditure, together with an allowed return over the life of the asset. Combined with cost pass-through arrangements and true-up mechanisms, this substantially limits the airport operator's exposure to many of the risks associated with investment decisions, project delivery and demand fluctuations. In contrast, airport users are increasingly required to bear the consequences of cost overruns, changes in project scope, and other unforeseen expenditure through higher charges over time.

Further, 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.

The continued growth of the Regulatory Asset Base further reinforces the need for careful calibration of the WACC. As the RAB expands, financing costs become an increasingly significant component of airport charges. Even a modest overstatement of the allowed rate of return can result in substantial additional costs being borne by airlines and passengers over many years. It is therefore essential that AERA adopts a conservative, evidence-based approach to the estimation of WACC parameters and gives appropriate weight to the risk-mitigating features embedded within the regulatory framework.

IATA therefore urges AERA to review the proposed asset beta and make an appropriate downward adjustment to reflect the reduced risk profile arising from RAB-based regulation, cost recovery mechanisms and ex-post true-up arrangements. The allowed return should be commensurate with the risks actually faced by investors, not the risks that have effectively been transferred to airport users. Such an approach would better align regulatory outcomes with established regulatory finance principles while promoting a fair balance between investor interests and the long-term interests of airlines and passengers."

8.3.5. Lufthansa Group's comment with regards to WACC for the Fourth Control Period for RGIA, Hyderabad is as follows:

"The Allowed Return Must Reflect the Airport Operator's Actual Regulatory Risk

The proposed WACC should reflect the Airport Operator's actual risk profile. Given the regulatory true-up mechanisms and the relatively low demand and revenue risk under the AERA framework, the allowed return should be calibrated to ensure that airport users pay a fair and proportionate return on capital."

8.4. GHIAL's response to Stakeholder's comments regarding WACC for the Fourth Control Period

8.4.1. GHIAL's response to Indigo's comment on WACC for the Fourth Control Period is as follows:

"AERA has conducted a Study on Determination of Cost of Capital at Major airports through IIM Bangalore in December 2019, which is been used to calculate the cost of equity for major private airport operators under its regulatory jurisdiction in India. The study was concluded after consultation by all stakeholders including IATA and the matter has reached finality after considering necessary inputs from all stakeholder inputs.

Therefore, GHIAL respectfully disagrees with the stakeholder's contention that the proposed FroR is above efficient market levels. The FRoR is based on the cost of equity as suggested by IIM Bangalore study, and actual cost of debt. The purpose of FRoR is to provide a fair return on capital invested in long-gestation airport infrastructure assets and to ensure continued availability of capital for capacity expansion and service enhancement.

Accordingly, GHIAL submits that the FRoR proposed in the Consultation Paper is consistent with AERA's established methodology, reflects the long-term risks borne by airport investors, and remains necessary to support continued investment in airport infrastructure and capacity enhancement"

8.4.2. GHIAL's response to IATA's comment on WACC for the Fourth Control Period is as follows:

"AERA has conducted a Study on Determination of Cost of Capital at Major airports through IIM Bangalore in December 2019, which is been used to calculate the cost of equity for major private airport operators

under its regulatory jurisdiction in India. The study was concluded after consultation by all stakeholders including IATA and the matter has reached finality after considering necessary inputs from all stakeholder inputs.

Therefore, GHIAL respectfully disagrees with the stakeholder's contention that the proposed FroR is above efficient market levels. The FRoR is based on the cost of equity as suggested by IIM Bangalore study, and actual cost of debt. The purpose of FRoR is to provide a fair return on capital invested in long-gestation airport infrastructure assets and to ensure continued availability of capital for capacity expansion and service enhancement.

Accordingly, GHIAL submits that the FRoR proposed in the Consultation Paper is consistent with AERA's established methodology, reflects the long-term risks borne by airport investors, and remains necessary to support continued investment in airport infrastructure and capacity enhancement."

8.5. Authority's analysis of Stakeholder's comments regarding WACC for the Fourth Control Period

8.5.1. The Authority notes the comments of IndiGo, IATA and Lufthansa Group, as well as the response of GHIAL, regarding the Fair Rate of Return ("FRoR"), normative gearing ratio and the risk parameters underlying the WACC for the Fourth Control Period.

8.5.2. IndiGo has proposed adoption of a 70:30 debt-equity ratio, based on GHIAL's projected financing structure, in place of the normative debt-equity ratio of 48:52 adopted by the Authority. The Authority notes that the capital structure used for determination of the FRoR is a normative regulatory parameter and is not intended to replicate the actual financing structure of individual projects or the Airport Operator. Adoption of a normative capital structure ensures consistency and comparability across tariff determinations and avoids allowing the FRoR to vary merely on account of the financing choices of an individual Airport Operator.

8.5.3. The Authority further notes that the actual financing pattern of a particular project may vary depending upon the project profile, financing strategy, prevailing market conditions and other commercial considerations. Accordingly, the projected 70:30 debt-equity ratio submitted by GHIAL for its projects cannot, by itself, constitute sufficient basis for revising the normative gearing ratio used for tariff determination.

8.5.4. With regard to the cost of equity and asset beta, IATA and Lufthansa Group have submitted that the RAB-based regulatory framework, cost recovery mechanisms and ex-post true-up provisions substantially mitigate the risks borne by the Airport Operator and, therefore, warrant a lower asset beta and WACC.

8.5.5. The Authority notes that the cost of equity adopted for the present tariff determination is based on the IIM Bangalore Study on Determination of Cost of Capital, which was undertaken specifically for the purpose of determining the cost of capital.

8.5.6. The Authority has also considered the argument that the RAB-based regulatory framework and true-up provisions reduce the risk exposure of the Airport Operator. The Authority is of the view that these regulatory mechanisms do not, by themselves, eliminate or fully transfer the risks associated with airport operations and investment to airport users. Recovery through the regulatory process remains subject to applicable regulatory provisions, prudence checks, verification of expenditure, assessment of efficient costs and determination of the relevant regulatory parameters. Similarly, true-up mechanisms do not constitute an unconditional guarantee of recovery of all variations in expenditure, revenue or traffic.

8.5.7. The Authority further notes that the assessment of systematic risk for an airport business cannot be based solely on the existence of regulatory protections. The overall risk profile also needs to consider the capital-intensive and long-gestation nature of airport infrastructure, significant upfront investment requirements, project implementation and operational risks, financing requirements, traffic and revenue estimates and other commercial risks associated with airport operations.

8.5.8. The Authority also recognises that any increase in WACC has a direct bearing on the Aggregate Revenue Requirement and, consequently, on airport charges payable by airlines and passengers. The Authority has therefore considered the submissions regarding the need for an appropriate and proportionate return. However, such consideration must be balanced with the requirement to provide a reasonable return commensurate with the risks associated with investment in regulated airport infrastructure and to maintain the long-term sustainability and bankability of such investments.

8.5.9. In the absence of any new empirical evidence or material change in the underlying risk characteristics of the regulated airport sector warranting a revision of the parameters established through the IIM Bangalore Study, the Authority does not find sufficient basis to make a downward adjustment to the asset beta or other WACC parameters solely on account of the existence of RAB, cost recovery provisions or true-up mechanisms.

8.5.10. Accordingly, the Authority does not find merits in the proposal of IndiGo to adopt a 70:30 debt-equity ratio for determination of the FRoR, nor does it find sufficient basis in the submissions of IATA and Lufthansa Group to revise the asset beta or other WACC parameters adopted in the Consultation Paper.

8.5.11. The Authority, therefore, retains the normative debt-equity ratio of 48:52, the applicable cost of debt and the cost of equity determined in accordance with the established methodology and the IIM Bangalore Study. Accordingly, the FRoR of 12.56% proposed in the Consultation Paper is retained for the Fourth Control Period. Thus, the WACC/FRoR decided by the Authority for the Fourth Control Period is as follows:

Table 259: WACC / FRoR decided by the Authority for the Fourth Control Period

Particulars	Cost of Funds	Gearing	Effective Rate
Equity	15.17%	52.00%	7.89%
Debt	9.72%	48.00%	4.67%
WACC / FroR			**12.56%**

8.6. Authority's decisions regarding WACC for the Fourth Control Period

Based on the material before it and its examination, the Authority decides the following regarding WACC / FRoR for the Fourth Control Period:

8.6.1. To consider Cost of Equity, Cost of Debt, notional debt-equity ratio and WACC / FRoR for the Fourth Control Period as per **Table 259.**

8.6.2. To True-up the Cost of Debt for the Fourth Control Period based on actuals (or) SBI average 1-year MCLR plus 100 bps (whichever is lower) at the time of tariff determination for the Fifth Control Period.

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9. INFLATION FOR THE FOURTH CONTROL PERIOD

9.1 GHIAL's submission regarding Inflation for the Fourth Control Period

9.1.1 GHIAL in the MYTP for the Fourth Control Period, considered an inflation rate of 4.2% from FY 2027 onwards for the purpose of estimating Aeronautical O&M expenses for the Fourth Control Period.

9.1.2 The inflation rate adopted by GHIAL 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.

9.1.3 Specifically, GHIAL considered mean of the Inflation rate based on CPI Combined: Headline i.e. 4.2%, as per the said RBI survey.

Table 260: Inflation submitted by GHIAL for the Fourth Control Period

Financial Year	CPI Combined: Headline	Source
FY 2027 onwards	Mean as 4.2%	RBI Professional Forecaster Survey 94th round

9.2 Authority's examination regarding Inflation for the Fourth Control Period at the Consultation Stage

9.2.1 The Authority examined the submission made by GHIAL with respect to the inflation rate proposed for the Fourth Control Period.

9.2.2 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 2027 and 3.6% for FY 2028.

9.2.3 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 261: Inflation rates proposed to be considered by the Authority for the Fourth Control Period

FY ending March	FY27	FY28	FY29	FY30	FY31
WPI Inflation	4.7%	3.6%	3.6%	3.6%	3.6%

9.3 Stakeholder's comments regarding Inflation for the Fourth Control Period

9.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from GHIAL and IATA in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding inflation for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding Inflation for the Fourth Control Period

9.3.2 GHIAL's comment with regards to Inflation for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Proposal by the Authority:

9.2.2 The Authority proposes 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 2027 and 3.6% for FY 2028.

9.2.3 Further, the Authority assumes 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.

GHIAL's Response:

GHIAL, in its MYTP, had considered an inflation rate of 4.2% from FY2027 onwards based on the RBI Survey of Professional Forecasters (SPF) - 94th Round, using the CPI Combined: Headline forecast. In contrast, the Authority has proposed inflation based on the WPI: All Commodities forecast from the RBI SPF - 99th Round, resulting in inflation assumptions of 4.7% for FY2027 and 3.6% from FY2028 onwards.

GHIAL notes that the RBI has subsequently released the 100th Round of the Survey of Professional

Forecasters. Accordingly, GHIAL requests the Authority to consider the latest available CPI Combined: Headline inflation forecast under the 100th Round of the RBI SPF while finalising the inflation assumption for the Fourth Control Period."

Other Stakeholders' comments regarding Inflation for the Fourth Control Period

9.3.3 IATA's comment with regards to Inflation for the Fourth Control Period for RGIA, Hyderabad is as follows:

"IATA acknowledges AERA's proposal, as outlined in Section 7 of the Consultation Paper, to base inflation assumptions for the Fourth Control Period on credible, forward-looking benchmarks such as the RBI Survey of Professional Forecasters. The use of an independent and forward-looking macroeconomic benchmark is appropriate and represents a sound starting point for regulatory forecasting.

However, IATA emphasizes that the application of inflation assumptions particularly as a uniform escalation factor for cost projections should be carefully calibrated. As currently proposed, inflation appears to be applied as a generalized growth parameter in projecting operating expenditure across the control period. If applied mechanistically at an aggregate level, this approach risks overstating costs and exerting undue upward pressure on tariffs.

Inflation does not impact all cost components equally. Airports, as regulated entities, retain both the ability and the obligation to manage a significant portion of their cost base through efficiency improvements, procurement strategies, and productivity gains. Applying a single inflation factor across operating expenditure effectively assumes homogeneous cost sensitivity and limits incentives for cost discipline.

Specifically, applying full inflation indexation to operating expenditure forecasts without distinguishing between controllable and uncontrollable cost elements would result in automatic cost pass-through. This would dilute the principle that only efficient costs should be recoverable and would weaken incentives for the airport operator to achieve productivity improvements over the control period.

IATA notes that, under AERA's current framework, inflation is primarily used to escalate operating expenditure projections, while capital expenditure already embeds inflation through procurement pricing, escalation clauses, and contingency provisions. In addition, returns are calculated using a nominal WACC, which inherently incorporates inflation expectations. In this context, a broad application of inflation to multiple building blocks risks compounding its effect within the regulatory model.

This creates a material risk of:

Double counting, where inflation is embedded in capex and WACC while also being applied to cost projections; and

Over-indexation, where inflation is applied to cost categories that are not genuinely exposed to inflationary pressures.

A similar concern arises with regard to operating expenditure, where many cost components such as labour contracts and service agreements already incorporate expected inflation within financial forecasts. Applying an additional regulatory inflation uplift on top of these embedded assumptions would result in inflation being recognised more than once, regardless of actual efficiency outcomes.

Taken together, these effects could lead to systematic over-recovery from users, contrary to AERA's statutory mandate to ensure efficient and cost-reflective tariffs.

Accordingly, IATA submits that inflation should not be applied as a uniform escalation factor across aggregate expenditure. Instead, AERA should adopt a selective and disaggregated approach, whereby:

Inflation adjustments are limited to clearly identified uncontrollable cost elements;

Where applied, inflation is linked to specific, verifiable external indices (e.g. energy, utilities); and

Controllable costs are subject to efficiency assumptions, rather than automatic indexation.

This approach should be complemented by robust true-up mechanisms to reconcile forecast assumptions with actual outcomes over time that are deemed efficient. Such a framework would ensure that inflation is reflected in a manner that is proportionate, evidence-based and consistent with regulatory best practice. It would also safeguard against over-recovery, while preserving appropriate incentives for efficiency and cost discipline, thereby aligning with AERA's objectives of protecting user interests while allowing a fair and reasonable return to the airport operator."

9.4 GHIAL's response to Stakeholders' comments regarding Inflation for the Fourth Control Period

9.4.1 GHIAL's response to IATA's comment on Inflation for the Fourth Control Period is as follows:

"GHIAL agrees that the inflation assumptions adopted for Opex projections should be based on credible and independent forecasts, such as the RBI Survey of Professional Forecasters, as these provide an objective and transparent basis for regulatory assessment.

At the same time, Opex forecasts are developed through a detailed bottom-up evaluation of operational requirements and are not derived merely by applying a uniform inflation factor to historical costs. Airport operating expenditure is influenced by a broad range of cost drivers, including manpower, maintenance, utilities, security services, regulatory compliance obligations, and outsourced contracts, all of which are subject to varying inflationary pressures.

There is no double counting of inflation within the regulatory framework, as Opex, Capex, and WACC represent distinct regulatory building blocks and address different cost recovery elements. Further, the recognition of inflation in Opex forecasts does not weaken efficiency incentives, since all projections remain subject to AERA's prudence review and only efficient and justified costs are ultimately allowed for recovery.

In addition, the existing regulatory safeguards, including stakeholder consultation, detailed scrutiny by the Authority, and true-up mechanisms, provide adequate protection against any potential over-recovery. The use of a transparent and independently sourced inflation forecast therefore promotes regulatory certainty while avoiding the complexity, subjectivity, and administrative burden associated with highly disaggregated inflation measures.

Accordingly, GHIAL submits that operating expenditure should be indexed to an appropriate inflation benchmark, while also recognising reasonable and realistic cost escalations arising from factors that are not fully captured by general inflation indices, such as changes in regulatory requirements, market-driven wage pressures, service quality enhancements, technology adoption, and evolving operational complexities

associated with airport growth. This would ensure a more accurate reflection of the actual cost environment faced by the airport and support sustainable service delivery over the Control Period."

9.5 Authority's analysis on Stakeholder's comments regarding Inflation for the Fourth Control Period

9.5.1 The Authority has considered GHIAL's submission regarding the adoption of the inflation forecasts published in the 100th round of RBI Survey of Professional Forecasters for projecting operating expenditure during the Fourth Control Period.

9.5.2 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 operating expenditure.

9.5.3 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.

9.5.4 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.

9.5.5 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. Accordingly, the Authority has revised the inflation assumptions for the Fourth Control Period as set out below:

Table 262: Inflation rates decided by the Authority for the Fourth Control Period

Description	FY 27	FY 28	FY 29	FY 30	FY 31
WPI Inflation	4.10%	3.4%	3.4%	3.4%	3.4%

The Authority has examined IATA's comment and counter comments of GHIAL on the following:

Recognition of Inflation as Legitimate Cost Driver:

9.5.6 The Authority acknowledges that inflation is a relevant and unavoidable cost driver affecting airport operations. Across a multi-year control period, cumulative inflation effects are material and cannot be disregarded. Airport operators face genuine cost pressures from inflation in electricity, fuel, materials, labour, and contracted services. A regulatory framework that ignores inflation would impose real cost reductions on operators, contrary to principles of fair recovery. Accordingly, the Authority agrees that appropriate inflation consideration is necessary for realistic operating expenditure projections.

Acknowledgment of Differentiated Cost Sensitivity:

9.5.7 The Authority agrees with IATA that inflation does not impact all cost components equally and that airports can manage significant portions of their cost base through efficiency improvements and prudent procurement. Uniform inflation indexation across all cost categories eliminates incentives for efficiency and cost discipline. The Authority acknowledges that applying inflation mechanistically to controllable costs weakens incentives for productivity improvements. Accordingly, the Authority recognizes the validity of IATA's concern that uniform indexation inadequately distinguishes between controllable and uncontrollable cost elements. The Authority has not applied uniform WPI inflation rates across all building blocks. Inflation rates have been moderated, where ever felt necessary.

Assessment of Double-Counting Risks:

9.5.8 The Authority acknowledges IATA's concern regarding potential double-counting of inflation across capex, WACC, and operating expenditure building blocks. Capital expenditure already embeds inflation through escalation clauses; nominal WACC incorporates inflation expectations through cost of debt and equity; and applying inflation again to operating expenditure creates duplication risks. While these represent distinct contexts, if applied mechanistically without coordination, double-counting risks materialize. The Authority has ensured that there is no duplication for inflation.

Recognition of Embedded Inflation in Contracts:

9.5.9 The Authority acknowledges that cost components already incorporate expected inflation within financial forecasts and service provider quotations. Labour agreements and operating cost projections typically include inflation escalation. Applying additional regulatory inflation uplift on top of embedded assumptions results in double recognition. However, not all airport operators adequately anticipate inflation in their submissions. The Authority has ensured not to give inflationary increase where it is already embedded within submitted forecasts to avoid applying additional regulatory uplift in such cases.

Current Methodology and Enhancement:

9.5.10 The Authority's current methodology does not provide blanket inflationary increases across all costs. The Authority separately examines reasonableness and efficiency of various expenditure heads and adopts specific drivers such as passenger growth and asset additions. However, acknowledging IATA's concerns, the Authority proposes adopting a selective, disaggregated approach to inflation indexation that maintains recognition of legitimate cost pressures while addressing double-counting and efficiency concerns.

Proposed Enhanced Framework for Inflation Indexation:

9.5.11 The Authority proposes adopting a disaggregated approach whereby: (i) operating expenditure is categorized into specific cost elements and assessed for controllability; (ii) inflation indexation is applied differentially—full indexation for uncontrollable costs (utilities, fuel), limited indexation for semi-controllable costs (contracted services), and efficiency-offset indexation for controllable costs (procurement, operations); (iii) inflation adjustments are linked to specific external indices (energy indices for utilities, wage indices for labour, commodity indices for materials) rather than uniform factors; (iv) controllable costs incorporate implicit efficiency assumptions (approximately [X]% annual gains), with inflation offset by efficiency expectations; and (v) nominal WACC treatment is clearly distinguished from operating cost indexation to prevent duplication.

True-Up Mechanisms and Regulatory Adjustment:

9.5.12 The Authority affirms to robust true-up mechanisms comparing projected (indexed) operating expenditure against audited actual costs. The true-up exercise shall assess whether airport operators achieved expected

efficiency gains and address material divergences through tariff adjustments. Over-recoveries benefit users through lower subsequent tariffs; justified under-recoveries are addressed through tariff adjustments. Prudence review disallows demonstrably inefficient or avoidable costs. This framework ensures inflation recognition is proportionate, evidence-based, and consistent with regulatory best practice.

Alignment with Regulatory Mandate:

9.5.13 The Authority's statutory mandate requires tariffs be reasonable, efficient, cost-reflective, and non-discriminatory. Only prudent and efficient costs should be recoverable; tariffs should reflect actual, reasonable costs; users should be protected from over-recovery from inflated projections; and operators should receive fair compensation for legitimate cost increases. The enhanced approach balances these objectives by maintaining appropriate inflation recognition while implementing safeguards against double-counting, over-indexation, and weakened efficiency incentives.

9.6 Authority's decisions regarding Inflation for the Fourth Control Period

Based on the material before it and its examination, the Authority decides the following with respect to Inflation for the Fourth Control Period:

9.6.1 To consider the inflation rates for the Fourth Control Period as per **Table 262.**

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10. AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

10.1 GHIAL's submission regarding O&M Expenses for the Fourth Control Period

10.1.1 GHIAL projected O&M Expenses for the Fourth Control Period based on the following assumptions in their MYTP:

- **Base Year:** Projected figures of FY26, the last year of the Third Control Period, had been considered as the base year for forecasting expenses for the Fourth Control Period, with applicable growth percentages applied thereon.
- **Inflationary Increase:** GHIAL applied an inflationary increase to certain expense heads. A CPI inflation rate of 4.2% had been considered for the Fourth Control Period, based on the results of the 94th Round of the Survey of Professional Forecasters on Macroeconomic Indicators by the RBI.
- **Impact of Northern Precinct Expansion:** Following the expansion of the Southern Precinct, the commissioning of assets for the northern precinct would entail incremental cost, an additional increase of 39.23% i.e., 2/3rd of the increase in terminal area, spread equally over 2 year i.e., FY 2030 and FY 2031. The increased terminal area is expected to result in higher expenses on account of Repairs & Maintenance, Housekeeping, Manpower Hire Charges, and Security to manage the expanded operational area. Additionally, the increased passenger handling capacity is expected to drive an increase in Manpower and Administrative & General expenses.

Table 263: Calculation of increase in Terminal Area

Particulars	FY26	FY27	FY28	FY29	FY30	FY31
Terminal Area (sqm)	382,394	382,394	382,394	382,394	607,394	607,394
Terminal Area Increase	-	-	-	-	58.84%	
2/3rd of Terminal area Increase	-	-	-	-	**39.23%**	

10.1.2 The summary of the key growth/ escalation factors considered by GHIAL for projecting O&M expenses for the Fourth Control Period is set out in the table below:

Table 264: Key Growth/ Escalation Factors considered by GHIAL for projecting O&M

FY ending March	FY27	FY28	FY29	FY30	FY31
Inflation: CPI	4.2%	4.2%	4.2%	4.2%	4.2%
Terminal Area Increase Factor	-	-	-	19.61%	19.61%
Manpower Growth Factor	-	-	19.61%	19.61%	-

10.1.3 The category-wise estimation, growth assumptions and rationale submitted by GHIAL for Operating Expenses for the Fourth Control Period are summarized below:

Table 265: GHIAL's estimation, rationale and growth assumptions on O&M Expense for the Fourth Control Period

S No	Expense Head	Growth Factor considered by GHIAL	Basis of Projection as per GHIAL
1	Manpower	Real Growth: 8% Inflation: 4.2% One-time increase of	• Based on various research, the market trend showed a minimum increment of 9% to 10% is required and considered accordingly. • As Airport is a specialised industry 8% as the increase based on

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

S No	Expense Head	Growth Factor considered by GHIAL	Basis of Projection as per GHIAL
		19.61% each in FY29 and FY30	the attritions was considered. • Manpower head count increase of 39.23% i.e., 2/3rd of the increase in terminal area, spread equally over 2 year i.e., FY2029 and FY2030 to cater to new development at Northern Precinct.
2	Utility	Inflation: 4.2% One-time increase of 19.61% each in FY30 and FY31	• As the commissioning of assets at the Northern Precinct would entail incremental costs, GHIAL further projected an additional increase of 39.23% (i.e., two-thirds of the terminal area expansion), spread equally over FY 2030 and FY 2031.
3	Rent	YoY: 5%	• The lease rent paid to the Government of Telangana, along with other rental expenses, was projected to increase contractually by 5% year-on-year
4	Rates & Taxes	Inflation: 4.2% One-time increase of 19.61% each in FY30 and FY31	• Projected to increase year-on-year based on inflation rate of 4.2% with further projected increase due to terminal area by 39.23% i.e., 2/3rd of the increase in terminal area, spread equally over FY 2030 and FY 2031.
5	Professional & Consultancy, Recruitment Charges, Printing & Stationery, Travelling & Conveyance, Communication Cost, Advertisement & Sales Promotions, Corporate Cost, Security Cost, Other admin expenses	Real Growth: 8% Inflation: 4.2% One-time increase of 19.61% each in FY30 and FY31	• The overall expenditure of the Company from FY 2018-19 (pre-COVID period) through FY 2024-25 (post-expansion period) reflected a compounded annual growth rate (CAGR) of approximately 12.44%, which represented a normalized growth trajectory across phases of disruption, recovery, and capacity expansion. • The adoption of an 8% real growth assumption reflected a conservative and balanced approach, factoring in expected operational efficiencies, improved capacity utilization post expansion, and disciplined cost management practices. • Capacity augmentation resulted in a step-up in fixed and semi-variable costs, hence a one-time increase of 19.61% each in FY30 and FY31 was considered.
6	Director's Sitting Fee	Inflation: 4.2%	• Projected to increase year-on-year based on an inflation rate of 4.2%.
6	Forex Fluctuations	Real Growth: 8% Inflation: 4.2%	Forex fluctuation would account in the books in the following scenarios • Forex currency given to employees for foreign travel – The difference between the forex rate movement at the time of giving foreign currency to employees an encashment of foreign currency returned by the employees. • Any foreign creditors for supply of material or services are to be restated as on the balance sheet date. Hence the forex rate movement at the time of accounting the invoice and the repayment will be considered as forex movement. • Keeping in view of the forex fluctuations, major capex spent and the manpower increase in the CP4 period, GHIAL considered 8% as real growth in forex fluctuations.
7	Payment to Auditors	Real Growth: 8% Inflation: 4.2%	• In line with other expenses projected at a growth rate of 8%, this expenses had also been estimated to increase accordingly.

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

S No	Expense Head	Growth Factor considered by GHIAL	Basis of Projection as per GHIAL
8	Repair & Maintenance:	1.5% of asset additions Inflation: 4.2% One-time increase of 19.61% each in FY30 and FY31	• GHIAL initiated phased equipment replacements due to end-of-life cycles and BCAS compliance. Accordingly, repairs and maintenance expenses were projected at 1.5% of gross block additions, with inflation adjustments for FY2026 and FY2027–FY2029. • With the Northern Precinct, new runway, and elevated cross taxiway developments, equipment under AMC/CMC will increase. Therefore, expenses were expected to rise proportionally to a 39.23% terminal area expansion (two-thirds of total growth), spread evenly over FY2030 and FY2031, plus a 4.2% inflationary increase.
9	House Keeping expenses and Consumables	Real Growth: 8% Inflation: 4.2% One-time increase of 19.61% each in FY30 and FY31	• Housekeeping expenditure comprises contracted costs (agreement and term contracts) and other material-related costs. The majority of these expenses are manpower-related, projected to grow with inflation at 4.2% during the 4th Control Period, alongside a real growth rate of 8%. • Additionally, due to the operationalization of the Northern Precinct, an extra increase of 39.23% (two-thirds of the terminal area expansion) was anticipated, spread evenly over FY2030 and FY2031
10	Insurance:	YoY: 10% One-time increase of 19.61% each in FY30 and FY31	• A year-on-year premium escalation of 10% had been factored throughout the 4th Control Period. • With the Northern Precinct project expected to be completed by mid-FY2030, a proportionate increase in insurance expenses was accounted for in FY2030, with the full-year impact reflected in FY2031, alongside the annual 10% increase.
11	Manpower Hire Charges	Real Growth: 8% Inflation: 4.2% One-time increase of 19.61% each in FY29 and FY30	• After the completion of the Northern Precinct, GHIAL's operational area would expand significantly. Consequently, costs were projected to grow annually by 4.2% inflation and 8% real growth, with an additional one-time increase of 39.23% (representing two-thirds of the terminal area expansion) spread evenly over FY2029 and FY2030 to accommodate the new developments.
12	Security Expenses, Stores & Spares and Other Operating Expenses	Real Growth: 8% Inflation: 4.2% One-time increase of 19.61% each in FY30 and FY31	• Following the completion of the expansion project, GHIAL would incur higher expenses for security, stores and spares, and other operating costs. These expenses were projected to increase annually by inflation and a real growth rate of 8% from FY2026 onwards, along with a one-time increase of 39.23% (equivalent to two-thirds of the terminal area expansion) distributed evenly over FY2030 and FY2031.

10.1.4 Based on the above, the Total O&M expenses submitted by GHIAL for the Fourth Control Period are shown in the table below:

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

Table 266: Total O&M expenses submitted by GHIAL for the Fourth Control Period

(Rs in Crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Staff cost	255.24	287.24	386.64	520.45	585.70	2,035.27
Administration & general expense	315.47	372.31	430.38	576.33	743.50	2,437.99
Electricity & Water charge	65.29	68.03	70.89	88.36	110.13	402.70
Operating expense	536.16	705.25	810.54	1,012.56	1,206.02	4,270.53
Concession Fee	216.87	245.96	281.75	313.09	348.90	1,406.57
Total	1,389.03	1,678.79	1,980.20	2,510.78	2,994.25	10,553.06

10.1.5 GHIAL had also submitted the basis of allocation of O&M between Aeronautical and Non-Aeronautical expense as per the table below:

Table 267: Ratio considered by GHIAL to apportion the common expenses for the Fourth Control Period

Particulars - Common Expenses	Ratio used	FY27	FY28	FY29	FY30	FY31
Payroll Related Expenses	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Advertisement & Business Promotion	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Rent	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Rates and Taxes	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Security Charges	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Legal and Professional Charges	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Corporate Cost allocation	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
General Administrative Expenses	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Communication Costs	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Office Maintenance	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Asset Written off	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Printing and Stationery	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Recruitment Charges	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Travelling and Conveyance	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Directors Sitting Fees	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
CSR Expenses	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Donations and Contributions to Electoral Fund	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Forex fluctuation (gain)/loss / Hedge Break Cost	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Payment to Auditors	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Other Admin Expenses	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Provision for bad and doubtful debts	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

Particulars - Common Expenses	Ratio used	FY27	FY28	FY29	FY30	FY31
Bad debts	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Bank Charges	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Electricity & Water charges	Aero	100%	100%	100%	100%	100%
Insurance	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Repairs & Maintenance	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Stores and Spares	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Housekeeping Expenses	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Operating & Maintenance Expenses	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Manpower Outsourcing	GFA Ratio	86.92%	87.08%	87.12%	89.37%	89.43%
Strategic, Management and Technical Service Fee	Aero-Non Aero Expense Ratio	88.63%	88.67%	88.76%	88.43%	87.65%
Digitalisation Expense	Aero	100%	100%	100%	100%	100%
CGF	Non-Aero	0%	0%	0%	0%	0%

10.1.6 Accordingly, the Aeronautical Portion of various expenses (recategorized in line with previous Tariff Order) for the Fourth Control Period using above allocation principles and ratio as submitted by GHIAL is given below:

Table 268: Aeronautical O&M Expenses submitted by GHIAL for the Fourth Control Period

(Rs in Crores)

Expense	FY27	FY28	FY29	FY30	FY31	Total
Staff Cost	217.5	245.08	330.02	452.58	509.54	1754.72
Rates & Taxes (incl. Property Tax)	8.73	9.11	9.5	12.13	15.13	54.6
Community development	1.31	19.01	39.02	63.04	66.71	189.1
Bank Charges	12.27	15.62	14.26	14.62	14.63	71.4
Forex Fluctuations	0.37	0.42	0.47	0.53	0.59	2.38
Security Cost	22.69	25.58	28.8	39.73	53.51	170.31
Repairs and Maintenance	142.17	153.65	162.17	203.42	253.57	914.99
Stores & Spares	17.69	19.91	22.4	30.19	40.64	130.83
Insurance Cost	17.65	20.5	23.65	35.81	49.83	147.44
Land Lease Rent to GoT	16.37	17.2	18.07	19.26	20.23	91.13
Manpower Outsourcing (Technical Service) Expenses	117.54	132.34	178.17	241.68	272.03	941.77
Housekeeping Cost	43.87	49.38	55.57	75.03	101.01	324.86
General Admin Cost:						
Advertisement & Business Promotion	23.67	26.64	30	40.31	54.04	174.66
Professional & Consultancy Charges	52.29	58.86	66.3	88.95	118.8	385.2
Corporate Cost allocation	69.08	77.77	87.61	117.5	156.77	508.74
Communication Costs	2.32	2.61	2.94	4.05	5.46	17.39
Printing and Stationery	0.73	0.83	0.93	1.28	1.72	5.49
Recruitment Charges	6.71	7.56	8.51	11.42	15.24	49.44
Travelling and Conveyance	53.04	59.72	67.26	90.24	120.48	390.74

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

Expense	FY27	FY28	FY29	FY30	FY31	Total
Directors Sitting Fees	0.18	0.19	0.19	0.2	0.21	0.97
Payment to Auditors	0.9	1.01	1.14	1.28	1.43	5.75
Other Admin Expenses	5.71	6.44	7.25	9.95	13.4	42.75
Collection Charges	6.02	6.57	7.27	7.79	8.4	36.05
Operating Expenses	5.69	6.4	7.21	9.69	12.99	41.98
Utility Expense	65.29	68.03	70.89	88.36	110.13	402.7
Concession Fee	176.07	201.33	232.58	259.81	290.27	1160.06
Digitization Expense	52.00	52.00	52.00	52.00	52.00	260.00
Strategic, Management and Technical Service Fee	81.73	192.29	218.3	249.16	274.43	1015.92
Total	**1219.59**	**1476.05**	**1742.48**	**2220.01**	**2633.19**	**9291.37**

10.2 Authority's examination regarding Aeronautical Operation and Maintenance (O&M) Expenses for the Fourth Control Period at the Consultation Stage

10.2.1 The Authority carefully examined GHIAL's submissions related to Operation and Maintenance (O&M) Expenses for the Fourth Control Period taking into account the tariff setting principles to ensure that only the efficient, justified and reasonable expenses were allowed.

10.2.2 The Authority reviewed the O&M Expenses and proposed to adopt the following broad methodology for determining the Operating Expenses for the Fourth Control Period:

(i) **Base year:** The Authority proposed to adopt the actual aeronautical expenditure of FY 2025-26 (as per Table 144) as the base year for forecasting expenses for the Fourth Control Period.

(ii) **Inflationary increase:** The Authority proposed to adopt the WPI inflation rate for the Fourth Control Period based on the results of the 99th round of professional forecasters on macroeconomic indicators by the RBI as the standard escalator across most O&M expenses, except in the case of:

- Employee costs, where an inflationary rate of 6% Y-o-Y had been considered;
- R&M cost on new asset additions, which is forecasted using the phased percentage-of-CAPEX methodology linked to asset gross block; and

(iii) **Terminal Area increase factor:** GHIAL's adoption of the Terminal Area Increase Factor of 39.23% (as stated in Table 263) to be applied in equal proportion over FY 2029-30 and FY 2030-31, namely, a step-up of 19.61% in FY 2029-30 followed by a further step-up of 19.61% in FY 2030-31 (over the FY 2029-30 base), would result in a compounded aggregate increase of ~43%, which exceeded the intended two-thirds of the terminal area expansion (i.e., 39.23%). The Authority hence proposed to consider the terminal area increase factor of 18.01% in FY2030 and FY2031.

(iv) **Manpower Growth Factor:** The Authority noted that GHIAL considered an increase in manpower by the factor of 39.23% (equivalent to two-thirds of the terminal area expansion) distributed evenly over FY2029 and FY2030. The Authority further noted, that the capitalisation of the Northern Precinct Terminal Building is scheduled to occur in the latter half of FY 2029-30, and the corresponding operational requirement for additional manpower would, accordingly, arise from FY 2029-30 onwards. Accordingly, the Authority proposed to moderate the Manpower Growth Factor to 18.01% in FY 2029-30 and 18.01% in FY 2030-31, which on a compounded basis, yields an aggregate increase of approximately 39.23% corresponding to two-thirds of the terminal area expansion factor adopted by GHIAL.

(v) **Concession Fee**, which was computed at 4% of the forecasted aeronautical revenue

10.2.3 The summary of the key growth/ escalation factors proposed to be considered by the Authority for projecting O&M expenses for the Fourth Control Period is as follows:

Table 269: Key Growth/Escalation Factors proposed to be considered by the Authority for the Fourth Control Period

FY ending March	FY27	FY28	FY29	FY30	FY31
Inflation: WPI	4.7%	3.6%	3.6%	3.6%	3.6%
Terminal Area Increase Factor	-	-	-	18.01%	18.01%
Manpower Growth Factor	-	-	-	18.01%	18.01%

10.2.4 As part of the tariff determination exercise for the Fourth Control Period, the Authority applied rationalized growth/escalation factors to the aeronautical expense heads for projection of aeronautical O&M for the Fourth Control Period.

10.2.5 The Authority proposed not to consider expenses viz. Assets written off, CSR, Donation & Contribution to Electoral Fund, Provision for Bad Debts/Doubtful advance, Bad Debts for arriving at Aeronautical Operating Expenditure for projecting the expense for the Fourth Control Period

10.2.6 The Authority examined GHIAL's submission regarding Aeronautical O&M for the Fourth Control Period and presented its examination in the subsequent paragraphs:

Manpower Expense:

10.2.7 The manpower expenses submitted by GHIAL for the Fourth Control Period are as follows:

Table 270: Aeronautical Manpower Expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Staff Cost	217.50	245.08	330.02	452.58	509.54	1754.72

10.2.8 The Authority examined GHIAL's submission in respect of the Manpower Expenses for the Fourth Control Period, and noted that GHIAL adopted the projected costs for FY26 as the base, with the said base being escalated by applying

(a) a real year-on-year growth rate of 8% per annum, in addition to

(b) an inflation rate of 4.2% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL proposed a one-time Manpower Growth Factor of 19.61% in FY29 and 19.61% in FY30, on account of the headcount addition associated with the Northern Precinct expansion.

10.2.9 The Authority assessed the historical Compound Annual Growth Rate (CAGR) of the Manpower expenses incurred by GHIAL during the Third Control Period (i.e., FY22 to FY26) and observed that the said expenses grew at a CAGR of ~11.4% during the Third Control Period. The Authority further observed that the said growth rate was largely attributable to the increase in manpower headcount consequent to the terminal expansion undertaken during the Third Control Period (i.e., the commissioning of the 34 MPPA terminal expansion).

10.2.10 The Authority further took note of the manpower count submitted by GHIAL for the Fourth Control Period as per the table below:

Table 271: Manpower Count and Expense per Employee as submitted by GHIAL

(Rs. In crores)

Manpower Count at the closing of FY	FY27	FY28	FY29	FY30	FY31
Aero Manpower (A)	367	367	494	648	664
Common Manpower (B)	518	518	645	792	857
GFA Ratio (C)	86.92%	87.08%	87.12%	89.37%	89.43%
Total Aero Manpower (D=A+B*C)	817	818	1,056	1,356	1,431
Total Aeronautical Manpower Cost (E) (in Crores)	217.50	245.08	330.02	452.58	509.54
Expense per Employee (E/D) (in Crores)	0.27	0.30	0.31	0.33	0.36

10.2.11 The Authority noted that the manpower count and the corresponding manpower expenses submitted by GHIAL in the Multi-Year Tariff Proposal were premised on the projected FY 2025-26 base figures, the said projections being framed at the time of submission of the Tariff Proposal. The Authority observed that the actual FY 2025-26 manpower count, as subsequently furnished by GHIAL vide its submission dated 02.05.2026, was now available on record. Consistent with the regulatory principle that forward-looking projections ought to be anchored to the most recent and verifiable empirical data, the Authority accordingly proposed to adopt the actual FY 2025-26 manpower count as the base for projecting the Salaries and Wages over the Fourth Control Period, in lieu of the projected base figure originally submitted.

10.2.12 The Authority observed that Rajiv Gandhi International Airport, Hyderabad ("RGIA"), having been operational since 2008, is a mature airport with established operational systems, processes, and manpower deployment frameworks. The Authority was of the considered view that, in the case of an airport at this stage of operational maturity, the Airport Operator ought to have, in the ordinary course, implemented adequate measures to ensure operational efficiency, particularly in respect of manpower deployment, allocation, and productivity.

10.2.13 The Authority further observed that GHIAL had, in the Multi-Year Tariff Proposal, projected substantial investments in technology and digitalisation initiatives during the Fourth Control Period, inter alia, on account of automation, digital workflows, and process re-engineering. The Authority was of the considered view that the progressive implementation of the said technology investments ought to yield commensurate efficiency gains in manpower deployment, and consequently, GHIAL ought to be in a position to moderate the growth trajectory of its manpower costs over the Fourth Control Period. Allowing an escalation in Salaries and Wages materially above the prevailing rate of inflation, in the face of the said technology-driven efficiency potential, would result in airport users bearing a cost that is neither reflective of the optimisation expected from a mature airport nor consistent with the principle of economic efficiency.

10.2.14 Having regard to (i) the operational maturity of RGIA; (ii) the substantial technology investments envisaged during the Fourth Control Period; and (iii) the historical trend of Salaries and Wages, the Authority proposed to:

(a) escalate the Salaries and Wages at a growth rate of 6% per annum, the said rate being marginally above the prevailing rate of inflation, so as to allow for a reasonable real-term escalation while preserving the efficiency imperative; and

(b) consider a manpower growth factor of 18.01% in FY 2029-30 and a further 18.01% in FY 2030-31, on account of the augmentation in operational requirements consequent upon the commissioning of the expanded terminal capacity.

10.2.15 Based on the foregoing, the Authority accordingly proposed the Manpower Count and Manpower expense as per the table below:

Table 272: Manpower Count and Manpower expense proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

Manpower Count & Expense	FY27	FY28	FY29	FY30	FY31	Total
Total Aero Manpower (A)	783	783	783	924	1,090	
Increase %	*0%*	*0%*	*0%*	*18.01%*	*18.01%*	
Expense per Employee (in Crores) (B)	0.20	0.21	0.22	0.23	0.25	
Increase %	*6%*	*6%*	*6%*	*6%*	*6%*	
Aeronautical Manpower Expenses (C=B*A)	**154.79**	**164.08**	**173.93**	**217.57**	**272.15**	**982.52**

Rates & Taxes

10.2.16 The Authority examined GHIAL's submission in respect of the Rates and Taxes for the Fourth Control Period, and noted that GHIAL had projected the said expense by escalating the FY 2025-26 base figure at the CPI inflation rate of 4.2% per annum, supplemented by a one-time Terminal Area Increase Factor of 39.23% to be applied in equal proportion over FY30 and FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion.

10.2.17 On this basis, GHIAL had requested the Authority to consider the Rates & Taxes as per the table below:

Table 273: Aeronautical Rates & Taxes Expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Rates & Taxes Expenses submitted by GHIAL	8.73	9.11	9.50	12.13	15.13	54.60

10.2.18 The Authority, on the basis of its analysis of the historical Rates and Taxes expenses incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, on account of the inherent nature of the underlying components, comprising principally property tax, the quanta of which are determined by the relevant governmental authorities and are subject to periodic and discretionary revisions.

10.2.19 The Authority was of the view that, given the highly variable nature of Rates and Taxes expenses, projection on the basis of historical CAGR would not yield a reliable estimate. The Authority was, accordingly, of the considered view that escalation at the prevailing rate of inflation, supplemented by the Terminal Area Increase Factor (to capture the impact of the Northern Precinct expansion on property-related taxes), constituted a reasonable and methodologically sound basis for the projection of Rates and Taxes expenses for the Fourth Control Period.

10.2.20 The Authority hence proposed to project Rates & Taxes at the inflation rate on a rationalized FY26 base figure along with the moderated terminal area increase factor of 18.01% each in FY30 and FY31 on account of the increase in terminal area consequent to the Northern Precinct expansion.

10.2.21 Based on the foregoing, the Aeronautical portion of Rates & Taxes proposed to be considered by the Authority for the Fourth Control Period is as follows:

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Table 274: Aeronautical Rates & Taxes Expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Rates & Taxes Expenses	7.58	7.85	8.14	9.95	12.16	45.69
Increase %	*4.7%*	*3.60%*	*3.60%*	*22.26%*	*22.26%*	

Bank Charges

10.2.22 The Aeronautical Bank charges as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 275: Aeronautical Bank Charges as submitted by GHIAL in the MYTP for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Bank Charges submitted by GHIAL	12.27	15.62	14.26	14.62	14.63	71.40

10.2.23 The Authority analysed GHIAL's submission regarding Bank Charges, i.e., amortization of upfront fee incurred towards loans for Expansion Capex in the Fourth Control Period and noted that total Bank Charges had been projected by GHIAL, cumulatively, to be Rs. 81.14 Cr over the five years in the Fourth Control Period. The break-up of the Bank Charges submitted by GHIAL is as follows:

Table 276: Break-up of the Bank Charges submitted by GHIAL

(Rs. In crores)

Particulars (Rs Cr)	FY27	FY28	FY29	FY30	FY31	Total
Bond 1	4.91	2.81	0.00	0.00	0.00	7.72
Bond 3	0.00	0.00	0.00	0.00	0.00	0
NCD 1	1.12	1.12	1.12	1.12	1.12	5.6
NCD 2	0.62	0.62	0.62	0.62	0.62	3.1
NCD 3	0.43	0.43	0.43	0.43	0.43	2.15
Refinancing	2.09	2.09	2.09	2.09	2.09	10.45
Refinancing	0.00	0.96	2.23	2.23	2.23	7.65
Expansion Loan	4.93	9.89	9.87	9.87	9.87	44.43
Total	**14.12**	**17.94**	**16.37**	**16.37**	**16.37**	**81.17**

10.2.24 The Authority was of the view that given the adjustments proposed by the Authority in the Project Cost for Expansion Capex in the Fourth Control Period, similar adjustment was to be considered for the Bank Charges as the Debt requirement to fund the Project Cost reduces proportionately.

10.2.25 The adjustment factor proposed to be considered by the Authority for adjustment of Bank Charges proportionate to the adjustments proposed to be considered by the Authority for Expansion Capex is provided below:

Table 277: Adjustment Factor for Bank Charges proposed to be considered by the Authority

Particulars (Rs Cr)	Capex Submitted by GHIAL (A)	Capex Proposed by the Authority (B)	Adjustment Factor (B/A)
Total Capital Expenditure for 4th CP	15,446.11	13,815.53	89.44%

10.2.26 The Authority proposed to proportionately adjust the Bank Charges pertaining to Proposed Debt based on adjustment factor pertaining to Expansion Capex in the Fourth Control Period (i.e. 89.44%). The adjusted Bank Charges are provided below:

Table 278: Aeronautical Bank Charges proposed to be considered by the Authority

Particulars (Rs Cr)	FY27	FY28	FY29	FY30	FY31
Total Bank Charges as per GHIAL's Submission	14.12	17.94	16.36	16.36	16.36
Adjusted Factor (as per Table 277)	89.44%				
Total Adjusted Bank Charges as per Authority's Analysis (A)	12.63	16.05	14.63	14.63	14.63
Aeronautical Bank Charges as per Authority (GFA Ratio*A)	11.31	14.37	13.10	13.10	13.10

10.2.27 Based on the foregoing, Aeronautical Bank charges proposed to be considered by the Authority as per the table below:

Table 279: Aeronautical Bank charges as proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Bank Charges	11.31	14.37	13.10	13.10	13.10	65.00

Forex Fluctuations

10.2.28 The forex fluctuations as submitted by GHIAL in the MYTP for the Fourth Control Period are provided in the table below:

Table 280: Aeronautical Forex fluctuations as submitted by GHIAL in the MYTP for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Forex fluctuations submitted by GHIAL	0.37	0.42	0.47	0.53	0.59	2.38

10.2.29 The Authority examined GHIAL's submission in respect of the Foreign Exchange Fluctuation Cost (hereinafter, "Forex Fluctuations") for the Fourth Control Period, and noted that GHIAL had projected the said cost by escalating the projected FY26 base figure at:

(a) a real year-on-year growth rate of 8% per annum, in addition to

(b) an inflation rate of 4.2% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum.

10.2.30 The Authority observed that the Forex Fluctuations during the Third Control Period exhibited highly variable behavior, with the said cost recording negative values (i.e., foreign exchange gains) in certain years and positive values (i.e., foreign exchange losses) in others. The Authority was of the view that the said variability was inherent to the nature of the underlying item namely, the mark-to-market revaluation of foreign currency-denominated obligations which was driven by exogenous currency movements rather than by airport operations.

10.2.31 The Authority observed that GHIAL had projected costs on account of foreign exchange fluctuations for the Fourth Control Period arising from the timing differential between the date of incurrence of the underlying expense/liability and the date of its actual realisation or settlement. The Authority, however, noted that GHIAL had not furnished a detailed break-up of the said projection, including the underlying

transactions, the currency exposure profile, the assumed exchange rates, and the basis of estimation. Accordingly, the Authority proposed not to consider the said cost at this stage for the purpose of computation of the Aggregate Revenue Requirement (ARR) for the Fourth Control Period, and the same would be trued up at the time of tariff determination for the Fifth Control Period, on the basis of the actual forex losses incurred during the Fourth Control Period, supported by appropriate documentation and prudence justification.

Security Charges

10.2.32 The Authority analysed GHIAL's submission regarding Security Expenses for the Fourth Control Period and noted that GHIAL had considered costs for FY 2026 as the base for projecting the expenses for the Fourth Control Period. GHIAL had considered an annual growth rate of 8% p.a. along with an inflation rate of 4.2% p.a., i.e., an effective growth rate of 12.53% p.a. In addition to this, GHIAL had considered a terminal area increase factor of 19.61% in FY30 and 19.61% in FY31 respectively. On this basis, GHIAL had requested the Authority to consider the Security Expenses as per the table below:

Table 281: Aeronautical Security Expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Security Expenses submitted by GHIAL	22.69	25.58	28.80	39.73	53.51	170.31

10.2.33 The Authority analysed the historical growth rates pertaining to the security expense and observed that the same had been highly inconsistent over the relevant period. The Authority further noted that there was a decline in security expenses in FY26 as compared to FY25, and that no discernible trend could be established on the basis of the past growth rates.

10.2.34 The Authority further noted that the security expense head is primarily driven by the increase in security-related requirements, particularly towards the engagement of outsourced security personnel and the expense is largely manpower-driven in nature.

10.2.35 The Authority noted that these security personnel were planned for deployment in the terminal building as well as landside access, kerbside, common circulation areas, administrative offices, etc.

10.2.36 In view of the foregoing, and consistent with the approach adopted by the Authority in past tariff determinations, the Authority proposed to escalate the Security expenses over the Fourth Control Period at the rate of 6% on a rationalized FY26 base figure, marginally higher than inflation. Further, the Authority proposed to apply an adjusted terminal area expansion factor of 18.01% in FY30 and 18.01% in FY31, so as to align with the commissioning of the Northern Precinct Terminal.

10.2.37 The Aeronautical Security Expense proposed to be considered by the Authority for the Fourth Control Period is as follows:

Table 282: Aeronautical Security Expense proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Security Expenses	18.38	19.48	20.65	25.83	32.31	116.65
Increase %	*6.0%*	*6.0%*	*6.0%*	*25.1%*	*25.1%*	

Repairs & Maintenance

10.2.38 The Authority analysed GHIAL's submission regarding Repairs and Maintenance expenses (Building, Plant & Machinery, IT and Others) which had been projected considering 1.5% of asset additions, inflation rate of 4.6% p.a., along with terminal area expansion factor of 19.63 % and 19.63 % in FY30 and FY31 respectively. On this basis, GHIAL had requested the Authority to consider the R&M as per the table below:

Table 283: R&M Expense submitted by GHIAL for the Fourth Control Period

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical R&M Expenses submitted by GHIAL	142.17	153.65	162.17	203.42	253.57	914.99

10.2.39 The Authority analysed the historical growth rates pertaining to the R&M expense and observed that the same had been highly inconsistent over the relevant period. The Authority further noted that there was a decline in R&M expenses in FY26 in comparison to the previous year, and that no discernible trend could be established on the basis of the past growth rates.

10.2.40 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed to project the Aeronautical Repairs and Maintenance Expenses for the Fourth Control Period on the following basis:

a. **Base Component:** The Repairs and Maintenance Expenses for the FY26 base year, escalated at the inflation rates set out at **Table 261** of this Tariff Order.

b. **Incremental Component on New Asset Additions:** An additional allowance equivalent to 0.5% of the value of the asset additions capitalized during each year of the Fourth Control Period, to address the incremental Repairs and Maintenance expenditure attributable to the said additions.

10.2.41 The Aeronautical Repair & Maintenance Expense proposed by the Authority for the Fourth Control Period is as per the table below:

Table 284: R&M Expense proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY26	FY27	FY28	FY29	FY30	FY31	Total (FY27-FY31)
Asset Addition (A)		720.96	332.76	130.87	10915.64	157.91	
Incremental Component on new asset addition (B= A*0.5%)		3.60	1.66	0.65	54.58	0.79	61.29
Base Component (C)		113.37	122.39	128.40	133.65	190.93	
Inflation (D)		4.7%	3.6%	3.6%	3.6%	3.6%	
Total Aeronautical R&M Expenses E=B+C*(1+D)	113.37	122.31	128.37	133.65	193.04	200.78	778.14
Increase %		*7.9%*	*4.96%*	*4.11%*	*44.44%*	*4.01%*	

Stores & Spares (Consumables)

10.2.42 The Authority examined GHIAL's submission in respect of the Stores and Spares Expenses for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had requested the Authority to consider the Consumables expense as per the table below:

Table 285: Aeronautical Stores & Spares (Consumables) submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Stores & Spares (Consumables) submitted by GHIAL	17.69	19.91	22.40	30.19	40.64	130.83

10.2.43 The Authority, on the basis of its analysis of the historical Stores and Spares Expenses incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expense were highly variable, with the said expenses recording negative growth in FY25 and FY26.

10.2.44 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Stores and Spares Expenses, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.45 The Authority hence proposed to consider escalation at inflation rate on rationalized FY26 base figure along with consideration of moderated terminal area expansion factor of 18.01% and 18.01% in FY30 and FY31 respectively for projecting Stores & Spares expenses.

10.2.46 The Aeronautical Stores & Spares (Consumables) Expense proposed by the Authority for the Fourth Control Period is as per the table below:

Table 286: Aeronautical Stores & Spares (Consumables) Expense proposed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Stores & Spares (Consumables)	13.75	14.25	14.76	18.05	22.06	82.87
Increase %	4.7%	3.6%	3.6%	22.3%	22.3%	

Insurance

10.2.47 The Authority examined GHIAL's submission in respect of the insurance expenses for the Fourth Control Period, and noted that GHIAL had projected the key insurance policies for the airport including Large Risk Policy (Property Damage & Business Interruption (BI)), AOL/3rd Party Liability Policy, Terrorism Policy and Cyber Security Policy by escalating the projected FY26 base figure at 10%. On this basis, GHIAL had submitted the insurance expense as per the table below:

Table 287: Aeronautical Insurance Expense submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Insurance submitted by GHIAL	17.65	20.50	23.65	35.81	49.83	147.44

10.2.48 GHIAL had computed premium on Large Risk Policy based on the closing Gross Block and gross revenue during the policy period. The premiums on other insurance policies were escalated at 10% p.a.

10.2.49 The Authority undertook an analysis of the historical trend of insurance premium expenditure actually incurred by GHIAL during the Third Control Period. The Authority observed that the insurance premium had registered a Compounded Annual Growth Rate (CAGR) of 13.8% during the period FY22 to FY26, as derived from the audited/actual figures submitted by GHIAL.

10.2.50 Upon comparing the proposed escalation of 10% per annum with the historical CAGR of 11.8% (FY22-FY25), the Authority observed that the escalation sought by GHIAL for the Fourth Control Period was lower than the actual growth trend witnessed during the Third Control Period. The proposed rate was therefore conservative in nature and does not result in any over-projection of costs to be recovered from airport users.

10.2.51 The Authority noted that the said growth in premium was broadly attributable to the expansion in the insured asset base of the airport consequent to the ongoing capacity augmentation and capital expenditure program and found the escalation of 10% p.a. on premiums for other insurance policies to be reasonable.

10.2.52 The Aeronautical Insurance Expense proposed by the Authority for the Fourth Control Period is as per the table below:

Table 288: Aeronautical Insurance Expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Insurance Expense	8.95	9.85	10.84	11.92	13.11	54.67
Increase %	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	

Land Lease Rent

10.2.53 The Authority examined GHIAL's submission in respect of the Rent Expenses for the Fourth Control Period, and noted that GHIAL had projected the said expenses, comprising principally the lease rent payable to the Government of Telangana, by applying a contractual escalation of 5% on a year-on-year basis, consistent with the contractual provisions governing the said rentals. On this basis, GHIAL had submitted the Rent expense as per the table below:

Table 289: Aeronautical Land Lease Rent Expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Land Lease Rent Expenses submitted by GHIAL	16.37	17.20	18.07	19.26	20.23	91.13

10.2.54 The Authority noted that as per the Land Lease Agreement, GHIAL was liable to pay Rent towards the leased land at a 5% yearly escalation to the Government of Telangana and was of the view that GHIAL's

projection of Aeronautical Land Lease Rent Expenses based on the contractual rate was reasonable and accordingly proposed to consider GHIAL's submission.

10.2.55 The Aeronautical Land Lease Rent expenses proposed to be considered by the Authority for the Fourth Control Period are as follows:

Table 290: Aeronautical Land Lease Rent Expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Land Lease Rent Expenses	16.53	17.36	18.22	19.13	20.09	91.33
Increase %	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	

Manpower Hire Charges

10.2.56 The Authority had examined GHIAL's submission in respect of the Manpower Hire Charges for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Manpower Growth Factor of 19.61% in FY29 and 19.61% in FY30, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Manpower Hire Charges as per the table below:

Table 291: Aeronautical Manpower Hire Charges submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Manpower Hire Charges submitted by GHIAL	117.54	132.34	178.17	241.68	272.03	941.77

10.2.57 The Authority, on the basis of its analysis of the historical Manpower Hire Charges incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, with the said expenses recording negative growth in FY23.

10.2.58 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Manpower Hire Charges, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.59 The Authority noted that this expense pertains to manpower deputation and outsourced manpower services deployed for operational and project-related requirements. The key components include manpower deputation for general Capex activities, E&M support services for landscaping works in landside and airside areas, manpower deployment for landside building operations, and manpower supply for baggage handling and other operational support functions.

10.2.60 In view of the foregoing, and consistent with the approach adopted by the Authority in past tariff determinations, the Authority proposed to escalate the Manpower Hire Charges over the Fourth Control Period at the rate of 6% on a rationalized FY26 base figure, marginally higher than inflation. Further, the

Authority proposed to apply an adjusted terminal area expansion factor of 18.01% in FY30 and 18.01% in FY31, so as to align with the commissioning of the Northern Precinct Terminal.

10.2.61 The Aeronautical Manpower Hire Charges proposed by the Authority for the Fourth Control Period are as per the table below:

Table 292: Aeronautical Manpower Hire Charges proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Manpower Hire Charges	92.39	97.93	103.81	129.85	162.44	586.42
Increase %	*6.0%*	*6.0%*	*6.0%*	*25.1%*	*25.1%*	

Housekeeping Expenses

10.2.62 The Authority examined GHIAL's submission in respect of the Housekeeping Expenses for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY 2025-26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Housekeeping expense as per the table below:

Table 293: Aeronautical Housekeeping expense submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Housekeeping Charges submitted by GHIAL	43.87	49.38	55.57	75.03	101.01	324.86

10.2.63 The Authority, on the basis of its analysis of the historical Housekeeping Expenses incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable on account of the full annualized impact of the housekeeping contract for the expanded terminal being reflected in FY26 and a one-time deep cleaning activity undertaken (amounting to Rs 9 Crores) during FY26 across the old terminal areas to align hygiene and service standards with the newly expanded facilities.

10.2.64 The Authority observed that the said one-time deep cleaning expenditure is, by its very nature, non-recurring and non-representative of the steady-state housekeeping cost profile reasonably expected to obtain over the Fourth Control Period. Accordingly, the inclusion of the said one-time cost in the FY 2025-26 base figure would result in an artificially elevated base, which, when subjected to compounding escalation over the Fourth Control Period, would yield an unwarranted build-up of Housekeeping Expenses.

10.2.65 The Authority accordingly proposed to revise the FY 2025-26 base figure by excluding the one-time deep cleaning expenditure for the projection of Housekeeping cost for the Fourth Control Period.

10.2.66 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in

past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed escalation at the inflation rate on a rationalized FY26 base figure, along with the moderated terminal area increase factor of 18.01% in FY30 and 18.01% in FY31 for the projection of Housekeeping Expense for the Fourth Control Period.

10.2.67 The Aeronautical Housekeeping Expenses proposed by the Authority for the Fourth Control Period are as per the table below:

Table 294: Aeronautical Housekeeping Charges proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Housekeeping Charges	44.85	46.46	48.14	58.85	71.95	270.25
Increase %	*-13.5%*	*3.6%*	*3.6%*	*22.3%*	*22.3%*	

Admin and General Expenses:

10.2.68 The Admin and General Expenses comprise of Professional and Consultancy Expenses, Recruitment Charges, Printing and Stationery, Travelling and Conveyance, Communication Costs, Director's Sitting Fee, Advertising and Sales Promotion, Corporate Cost Allocation, Payment to Auditors and Other Admin Expenses.

10.2.69 Authority's Examination of the expenses under Admin & General Expenses are in the subsequent paragraphs.

Advertisement & Business Promotions

10.2.70 The Authority examined GHIAL's submission in respect of the Advertisement & Business Promotions Expenses for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Advertisement & Business Promotion expense as per the table below:

Table 295: Aeronautical Advertisement & Business promotion submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Advertisement & Business promotion submitted by GHIAL	23.67	26.64	30.00	40.31	54.04	174.66

10.2.71 The Authority, on the basis of its analysis of the historical Advertisement & Business Promotions expense incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, with the said expenses recording negative growth in FY26.

10.2.72 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Advertisement & Business Promotions expense, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical precedent.

10.2.73 The Authority noted that RGIA is a mature airport operating in a large metropolitan, technology-oriented, and commercially developed environment, having already established its brand identity, passenger engagement framework, and commercial ecosystem during the preceding Control Periods. In such a steady-state operational context, Advertising & Business Promotion expenses are recurring in nature and are not driven by the expansion of the airport's operations, and are not, therefore, expected to escalate in proportion to traffic growth or terminal area augmentation. Accordingly, the Authority was of the considered view that the prevailing rate of inflation constitutes the most appropriate escalation factor for the projection of the said expenses for the Fourth Control Period, being consistent with the maturity profile of the airport.

10.2.74 The Authority, pursuant to the classification and apportionment framework adopted for True-up of Advertisement & Business Promotion expenses for the Third Control Period, had projected the Advertisement and Business Promotion expenses for the Fourth Control Period by escalating the rationalized FY26 figure at inflation rate.

10.2.75 The Aeronautical Advertisement & Business Promotion expenses to be considered by the Authority for the Fourth Control Period are as follows:

Table 296: Aeronautical Advertisement & Business Promotion Expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Advertisement & Business promotion	8.66	8.97	9.29	9.63	9.97	46.52
Increase %	*4.7%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	

Professional & Consultancy Charges

10.2.76 The Authority examined GHIAL's submission in respect of the Professional & Consultancy Charges for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Advertisement & Business Promotion expense as per the table below:

Table 297: Aeronautical Professional and Consultancy expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Professional and Consultancy expenses submitted by GHIAL	52.29	58.86	66.30	88.95	118.80	385.20

10.2.77 The Authority, on the basis of its analysis of the historical Professional & Consultancy Charges incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, with the said expenses recording negative growth in FY24 and FY26.

10.2.78 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Professional & Consultancy Charges, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.79 The Authority was further of the considered view that the Professional & Consultancy Charges do not bear a direct or proportionate correlation with the increase in the terminal area at the Airport. The said position is borne out by the historical experience during the Third Control Period itself, wherein the said expense head, in fact, registered a decrease in FY 2023-24, being the year of capitalisation of the 34 MPPA terminal expansion, notwithstanding the substantial augmentation in the terminal area in the said year.

10.2.80 The Authority examined the details of Legal costs incurred by GHIAL 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.

10.2.81 The Authority also noted that even in the concession agreements executed by the Government of India for recent airports, legal expenses are 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 GHIAL from the base year expenditure considered for projecting Professional and Consultancy / Consultancy and Legal costs for the Fourth Control Period.

10.2.82 The Authority hence proposed to exclude legal expenses of Rs. 1.71 Crores incurred by GHIAL in FY 2025-26 from the rationalized base year and escalate the balance Professional & Consultancy costs year-on-year by the rate of inflation.

10.2.83 Based on the foregoing, the Aeronautical Professional & Consultancy Charges expenses proposed to be considered by the Authority for the Fourth Control Period are as follows:

Table 298: Aeronautical Professional and Consultancy expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Professional and Consultancy expenses	33.44	34.64	35.89	37.18	38.52	179.68
Increase %	*-0.6%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	

Corporate Cost Allocation

10.2.84 The Authority examined GHIAL's submission in respect of the Corporate Cost Allocation for the Fourth Control Period, and noted that GHIAL projected the said expenses by escalating the FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31,

on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Corporate Cost Allocation as per the table below:

Table 299: Aeronautical Corporate Cost submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Corporate Cost submitted by GHIAL	69.08	77.77	87.61	117.50	156.77	508.74

10.2.85 The Authority noted that the Corporate Cost arises from shared corporate functions performed by GAL (the holding company) through Centers of Excellence for the multi-airport group, with proportionate allocation to RGIA on a shared services basis.

10.2.86 The Authority further noted GHIAL's submission that the allocated costs are largely composed of group-level employee costs, consultancy services, capability-building initiatives, and business promotion expenditure, all of which were headquarter-centric in nature and did not have a direct link/connection with the level of airport operation or the extent of terminal area of the airport.

10.2.87 The Authority, on the basis of its analysis of the historical Corporate Cost Allocation incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, with the said expenses recording negative growth in FY23.

10.2.88 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Corporate Cost Allocation, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.89 The Authority noted that GHIAL had adjusted the Corporate Cost Allocation to factor in the increase in the passenger terminal area consequent to the ongoing capacity expansion at the airport. The Authority, however, was of the considered view that the Corporate Cost Allocation is predominantly driven by the employee cost at the corporate/headquarter level, which does not bear a direct connection with the increase in the terminal building area. Accordingly, the Authority did not propose to escalate the said allocation on the basis of terminal area expansion, and instead proposed to project the same at an annual escalation of 6% on a rationalized FY26 base figure, in line with the methodology discussed in the foregoing paragraphs. Further detailed workings and the basis of allocation of corporate cost need to be submitted by GHIAL to assess the reasonableness and efficiency of corporate cost allocation by GHIAL for True-up during the tariff determination of the Fifth Control Period.

10.2.90 Based on the foregoing, the Aeronautical Corporate Cost Allocation expenses proposed to be considered by the Authority for the Fourth Control Period are as follows:

Table 300: Corporate Cost submitted by GHIAL and proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Corporate Cost	76.07	80.63	85.47	90.60	96.03	428.79
Increase %	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	

Communication Cost

10.2.91 The Authority examined GHIAL's submission in respect of the Communication Cost for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Communication Cost as per the table below:

Table 301: Aeronautical Communication Cost submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Communication Cost submitted by GHIAL	2.32	2.61	2.94	4.05	5.46	17.39

10.2.92 The Authority noted that Communication costs include Leased Line Charges/VPN for GHIAL's administration purposes across RGI airport, and mobile expenses for operating staff. These costs are non-recoverable from any concessionaires.

10.2.93 The Authority, on the basis of its analysis of the historical Communication Cost incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, with the said expenses recording negative growth in FY24.

10.2.94 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Communication Cost, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.95 The Authority was further of the considered view that the Communication Cost does not bear a direct or proportionate correlation with the increase in the terminal area at the Airport. The said position was borne out by the historical experience during the Third Control Period itself, wherein the said expense head, in fact, registered a decrease in FY 2023-24, being the year of capitalisation of the 34 MPPA terminal expansion, notwithstanding the substantial augmentation in the terminal area in the said year.

10.2.96 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed escalation at the inflation rate on a rationalized FY26 base figure, for the projection of Communication Cost for the Fourth Control Period.

10.2.97 The Aeronautical Communication Cost proposed to be considered by the Authority for the Fourth Control Period is as follows:

Table 302: Communication Cost proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Communication Cost	2.03	2.11	2.18	2.26	2.34	10.92
Increase %	*4.7%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	

Printing & Stationery

10.2.98 The Authority examined GHIAL's submission in respect of the Printing & Stationery Expense for the Fourth

Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Aeronautical Printing & Stationery expense as per the table below:

Table 303: Aeronautical Printing and Stationery expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Printing and Stationery expenses submitted by GHIAL	0.73	0.83	0.93	1.28	1.72	5.49

10.2.99 The Authority, on the basis of its analysis of the historical Printing & Stationery Expense incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, with the said expenses recording negative growth in FY25.

10.2.100 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Printing & Stationery Expense, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.101 The Authority further observed that GHIAL, in its Tariff Proposal, had placed on record its intent to undertake comprehensive digitalisation and automation of airport operational processes during the Fourth Control Period. The Authority was of the view that the progressive implementation of such digital initiatives ought to result in a commensurate and tangible reduction in the consumption of physical printing and stationery materials across the airport's operational and administrative functions.

10.2.102 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed escalation at the inflation rate on a rationalized FY26 base figure for the projection of Printing & Stationery Expense for the Fourth Control Period.

10.2.103 The Aeronautical Printing & Stationery Expense proposed to be considered by the Authority for the Fourth Control Period is as follows:

Table 304: Printing & Stationery Cost proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Printing and Stationery expenses	0.66	0.68	0.71	0.73	0.76	3.54
Increase %	*4.7%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	

Recruitment Charges

10.2.104 The Authority examined GHIAL's submission in respect of the Recruitment Charges for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26

base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Manpower Growth Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Aeronautical Recruitment charges as per the table below:

Table 305: Aeronautical recruitment Charges submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Recruitment expenses submitted by GHIAL	6.71	7.56	8.51	11.42	15.24	49.44

10.2.105 The Authority noted that GHIAL pays the recruiting agency a minimum of 2 months' salary (up to 6 months' salary, based on the category of the employees) of the newly joined employee based on the agreed CTC and assumed these costs to increase in line with the manpower growth.

10.2.106 The Authority, on the basis of its analysis of the historical Recruitment Charges incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expenses were highly variable, with the said expenses recording negative growth in FY26.

10.2.107 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Recruitment Charges, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.108 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed escalation at the inflation rate on a rationalized FY26 base figure, along with moderated Manpower Growth Factor of 18.01% in FY30 and 18.01% in FY31 for projection of Recruitment Charges for the Fourth Control Period.

10.2.109 The Aeronautical Recruitment Charges proposed to be considered by the Authority for the Fourth Control Period are as follows:

Table 306: Aeronautical Recruitment expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Recruitment expenses	4.71	4.88	5.05	6.18	7.55	28.36
Increase %	*4.7%*	*3.6%*	*3.6%*	*22.3%*	*22.3%*	

Travelling & Conveyance

10.2.110 The Authority examined GHIAL's submission in respect of the Travelling & Conveyance Expense for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis GHIAL had submitted the Travelling & Conveyance expense as per the table below:

Table 307: Aeronautical Travelling & Conveyance expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Travelling & Conveyance expenses submitted by GHIAL	53.04	59.72	67.26	90.24	120.48	390.74

10.2.111 The Authority, on the basis of its analysis of the historical Travelling & Conveyance Expense incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expense were highly variable, with the said expense recording negative growth in FY26.

10.2.112 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Travelling & Conveyance Expense, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.113 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed escalation at the inflation rate on a rationalized FY26 base figure for the projection of Travelling & Conveyance Expense for the Fourth Control Period.

10.2.114 The Aeronautical Travelling & Conveyance Expense proposed to be considered by the Authority for the Fourth Control Period is as follows:

Table 308: Travelling & Conveyance expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Travelling & Conveyance expenses	25.01	25.91	26.85	27.81	28.81	134.40
Increase %	*4.7%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	

Directors Sitting Fees

10.2.115 The Authority examined GHIAL's submission in respect of the Directors' Sitting Fee Expenses for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at the CPI inflation rate of 4.2% per annum, without applying any real growth factor or other escalation. On this basis, GHIAL had submitted the Directors Sitting Fee as per the table below:

Table 309: Aeronautical Directors Sitting Fee submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Directors Sitting Fee submitted by GHIAL	0.18	0.19	0.19	0.20	0.21	0.97

10.2.116 The Authority was of the view that GHIAL's submission of projecting the Directors Sitting Fee with inflation as an escalation rate is justifiable and hence proposed to project the Aeronautical Directors' Sitting Fee Expenses for the Fourth Control Period by escalating the rationalized FY26 base figure only at the inflation rate.

Table 310: Directors Sitting Fee proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Directors Sitting Fee	0.20	0.21	0.22	0.23	0.23	1.09
Increase %	4.7%	3.6%	3.6%	3.6%	3.6%	

Payment to Auditors

10.2.117 The Authority examined GHIAL's submission in respect of the Payment to Auditors for the Fourth Control Period and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at the CPI inflation rate of 4.2% per annum, along with real growth factor of 8%. On this basis, GHIAL had submitted the Payment to Auditor expense as per the table below:

Table 311: Aeronautical Payment to Auditor submitted by GHIAL for the Fourth Control Period

(Rs. In Crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Payment to Auditor	0.90	1.01	1.14	1.28	1.43	5.75

10.2.118 The Authority, on the basis of its analysis of the historical Payment to Auditors incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expense were highly variable, with the said expense recording negative growth in FY24.

10.2.119 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Payment to Auditors, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.120 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed escalation at the inflation rate on a rationalized FY26 figure for the projection of Payment to Auditors Expense for the Fourth Control Period.

Table 312: Payment to Auditor Fee proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Payment to Auditor	1.17	1.22	1.26	1.30	1.35	6.30
Increase %	4.7%	3.6%	3.6%	3.6%	3.6%	

10.2.121 The Aeronautical Payment to Auditors Expenses proposed for consideration by the Authority for the Fourth Control Period were marginally higher than GHIAL's submission, owing to the higher actual base figure for FY26 used in projecting the said expenses.

Other Admin Expenses

10.2.122 The Authority examined GHIAL's submission in respect of the Other Admin Expenses for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the projected FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted Other Admin Expense as per the table below:

Table 313: Aeronautical Other Admin Expense submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Other Admin Expense submitted by GHIAL	5.71	6.44	7.25	9.95	13.40	42.75

10.2.123 The Authority noted that the expenses classified by GHIAL under the head "Other Administrative Expenses" comprise the following components:

- Membership fees paid to professional bodies such as CAPA (Centre for Aviation), CFO Next, APAO (Association of Private Airport Operators), CEO Next, and similar industry/professional forums;
- Subscription charges for books, periodicals, and professional publications; and
- Meeting and seminar expenses incurred for internal team meetings and related engagements.

10.2.124 The Authority, on the basis of its analysis of the historical Other Admin Expenses incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expense were highly variable, with the said expense recording negative growth in certain years.

10.2.125 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Other Admin Expenses, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.126 The Authority, in the absence of a detailed sub-component-wise break-up of the expenses booked under this head and the consequent inability to undertake a granular prudence and efficiency assessment, proposed to project the expense for the Fourth Control Period by adopting 50% of the rationalized FY26 base as the starting point, with annual escalation at the prevailing inflation rate.

10.2.127 Having regard to the foregoing examination, the Aeronautical Other Admin Expenses proposed to be considered by the Authority for the Fourth Control Period are as follows:

Table 314: Other Admin Expense proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Other Admin Expense	3.08	3.19	3.30	3.42	3.54	16.53
Increase %	*-47.7%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	

CSR Expenses

10.2.128 The Authority noted GHIAL'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.

10.2.129 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 rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore 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'.*

10.2.130 In this regard, the Authority is of the view that the CSR is a mandatory Social Responsibility of the Company (as per Section 135(1) of 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 passthrough expenditure of the companies, otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies.

10.2.131 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.

10.2.132 The Authority proposed not to consider CSR expenses as part of Aeronautical O&M expenses for the Fourth Control Period.

Operating Expenses:

10.2.133 The Authority examined GHIAL's submission in respect of the Other Operating Expenses for the Fourth Control Period, and noted that GHIAL had projected the said expenses by escalating the FY26 base figure at:

(a) an inflation rate of 4.2% per annum, in addition to

(b) a real year-on-year growth rate of 8% per annum,

resulting in a combined effective annual escalation of approximately 12.53% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Operating Expenses as per the table below:

Table 315: Aeronautical Operating Expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Operating Expenses	5.69	6.40	7.21	9.69	12.99	41.98

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

10.2.134 The Authority noted that operating expenses relate to day-to-day operational support services provided by various operators, including the GA Terminal Operator and Car Park Operator.

10.2.135 The Authority, on the basis of its analysis of the historical Operating Expenses incurred by GHIAL during the Third Control Period, observed that the year-on-year growth rates of the said expense were highly variable, with the said expense recording negative growth in FY23.

10.2.136 The Authority was of the view that, given the highly variable and bidirectional nature of the year-on-year movements in Operating Expenses, the application of a real growth rate of 8% per annum to the said expense was not supported by the historical experience.

10.2.137 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposed escalation at the inflation rate on a rationalized FY26 figure for the projection of Operating Expenses for the Fourth Control Period.

10.2.138 The Aeronautical Operating Expenses proposed to be considered by the Authority for the Fourth Control Period are as follows:

Table 316: Operating Expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Operating Expense	2.98	3.09	3.20	3.32	3.44	16.03
Increase %	4.7%	3.6%	3.6%	3.6%	3.6%	

Collection Charges

10.2.139 The Authority examined GHIAL's submission regarding Collection Charges for the Fourth Control Period wherein the expenses were escalated at the passenger growth rate.

Table 317: Aeronautical Collection Charges submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Collection Charges submitted by GHIAL	6.57	7.38	8.38	9.00	9.67	41.00

10.2.140 The Authority was of the view that GHIAL's submission of projecting the Collection Charges with PAX growth rate as escalation factor was justifiable and hence proposed to project the Collection Charges for the Fourth Control Period by escalating the FY26 base figure only at the PAX growth rate for the Fourth Control Period.

Table 318: Collection Charges proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Aeronautical Collection Charges	6.79	7.63	8.65	9.30	9.99	42.36
Increase %	*14.7%*	*12.4%*	*13.4%*	*7.5%*	*7.4%*	

10.2.141 The Aeronautical collection charges proposed by the Authority were higher than those submitted by GHIAL, the said variation was attributable to the application of the FY 2026-27 passenger growth rate to

the actual FY 2025-26 passenger base, as against the application of the said growth rate to the projected FY 2025-26 passenger base as adopted by GHIAL in its Multi-Year Tariff Proposal.

Utility Expense

10.2.142 The Authority examined GHIAL's submission in respect of the Utility Expenses for the Fourth Control Period and noted that GHIAL had projected the said expenses by escalating the FY26 base figure at an inflation rate of 4.2% per annum. In addition, GHIAL had proposed a one-time Terminal Area Increase Factor of 19.61% in FY30 and 19.61% in FY31, on account of the increase in terminal area consequent to the Northern Precinct expansion. On this basis, GHIAL had submitted the Utility Expenses as per the table below:

Table 319: Utility Expenses submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Utility Expense	65.29	68.03	70.89	88.36	110.13	402.7

10.2.143 The Authority examined the methodology adopted by GHIAL for projecting the Utility Expenses over the Fourth Control Period. GHIAL had proposed to escalate the said expenses considering two principal drivers, namely:

(i) the prevailing rate of inflation, to account for the year-on-year increase in tariffs of utilities such as power, water, and other allied services; and

(ii) the expansion in the Terminal Area of RGIA consequent to the ongoing capacity augmentation, which results in a corresponding increase in the consumption of utilities (lighting, HVAC, water, etc.).

10.2.144 The Authority further noted that Utility Expenses reflected in the said table represented the net expenses borne by GHIAL after recovery of the proportionate utility charges from concessionaires, commercial occupants, and other third-party users of the airport infrastructure.

10.2.145 The Authority further noted that the percentage of utility cost recovery from concessionaires has registered a noticeable improvement during FY26 as compared to the preceding year. Electricity recovery had increased to 55.32% in FY26 from 48.14% in the previous year and water recovery had increased to 33.62% in FY26 from 27.09% in FY25.

10.2.146 The Authority, considering the improving trajectory of utility cost recovery from concessionaires, proposed to project the recovery percentages for the Fourth Control Period at the FY26 actual levels of 55.32% (electricity) and 33.62% (water) as the minimum baseline, with the expectation that GHIAL shall progressively enhance the said recoveries through improved metering, billing, and contractual enforcement.

10.2.147 The Authority noted that linking utility expenses to the Terminal Area was a rational and technically sound basis, inasmuch as utility consumption at an airport terminal is directly correlated with the built-up area being operated, maintained, illuminated, and air-conditioned. The use of inflation as a secondary escalator further captured the price-side movement, independent of the volume/area-side movement.

10.2.148 In view of the foregoing, the Authority found the growth rate considered by the Operator to be justifiable and reasonable. Accordingly, the Authority proposed to project the Utility Expenses for the Fourth Control Period in the following manner:

(i) Base Year: Actual Utility Expense incurred in FY26 shall be taken as the base.

(ii) Escalation – Price Component: The base figure shall be escalated annually by the prevailing inflation rate over the Control Period.

(iii) Escalation – Volume/Area Component: In addition to the inflation-linked escalation, a moderated Terminal Area increase factor of 18.01% shall be applied in FY30 and again in FY31, to capture the step-up in utility consumption arising from the commissioning of the expanded terminal facilities.

10.2.149 The Authority took note of the detailed break-up of utility expense for FY26 and projected the electricity and water consumption as per the table below:

Table 320: Utility expense projection at Unit level for the Fourth Control Period

Particulars		FY27	FY28	FY29	FY30	FY31	Total
Electricity	**Units**						
Units Generated -DG Set (A)	Kwh	51,381	53,227	55,144	67,418	82,430	
Units Generated - Solar (B)	Kwh	11,520,535	11,934,364	12,364,286	15,116,248	18,482,056	
Units Purchased (C)	Kwh	175,455,307	181,757,832	188,305,456	230,217,251	281,477,791	
Energy Recovered (D)	Kwh	103,471,264	107,188,052	111,049,382	135,766,026	165,995,906	
Net Energy Consumption (E=A+B+C-D)	**Kwh**	**83,555,960**	**86,557,371**	**89,675,504**	**109,634,890**	**134,046,370**	
Total Power Charges (Net)	**Rs Cr**	**47.82**	**49.53**	**51.32**	**62.74**	**76.71**	**288.12**
Water	**Units**						
Rainwater (A)	KL	154,701	160,258	166,031	202,985	248,182	
Water Drawn from Borewell (B)	KL	0	0	0	0	0	
Water Recycled through STP (C)	KL	398,485	412,799	427,670	522,857	639,278	
Water Recycled through STP – Landscaping (D)	KL	126,073	130,602	135,306	165,422	202,255	
Water Drawn from Borewell – Landscaping (E)	KL	270,754	280,480	290,584	355,260	434,363	
Water Purchased (F)	KL	840,395	870,583	901,945	1,102,694	1,348,222	
Water Recovered (G)	KL	601,963	623,586	646,050	789,844	965,712	
Net Water Consumption (H=A+B+C+D+E+F-G)	**KL**	**1,188,446**	**1,231,136**	**1,275,486**	**1,559,376**	**1,906,589**	
Total Water Charges	**Rs Cr**	**2.29**	**2.38**	**2.46**	**3.01**	**3.68**	**13.82**

10.2.150 Based on the above, Utility expense proposed to be considered by the Authority for the Fourth Control Period is as per the table below:

Table 321: Utility expense proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Utility Expense	50.11	51.91	53.78	65.75	80.39	301.94
Increase %	*4.7%*	*3.6%*	*3.6%*	*22.3%*	*22.3%*	

CGF Expense

10.2.151 The Authority noted that GHIAL, in its Multi-Year Tariff Proposal (MYTP) for the Fourth Control Period, had treated Cargo, Ground Handling and Fuel Farm (CGF) Services as Non-Aeronautical in nature, and had not submitted the operating expenses pertaining to CGF operations for the purpose of computation of the Aggregate Revenue Requirement (ARR).

10.2.152 The Authority noted that the expenditure submitted by GHIAL under the head Cargo, Ground Handling and Fuel Farm (CGF) primarily pertains to expenses relating to the Fuel Farm facility. The Authority observed that, in respect of Cargo and Ground Handling activities, dedicated concessionaires have been appointed, who are responsible for undertaking the related capital expenditure as well as operating and maintenance expenditure for the respective facilities/services. Accordingly, the operating expenses of the Airport Operator under the CGF head are not materially attributable to Cargo and Ground Handling activities. However, the Fuel Farm facility is operated by the Airport Operator itself, and the related operating and maintenance expenses, including manpower, utilities, repair and maintenance, consumables, safety compliance and other operational costs, are therefore incurred by GHIAL. Hence, the Authority had considered the expenditure under the CGF head as being primarily related to Fuel Farm operations.

10.2.153 The Authority further observed that fuel offtake at an airport is closely linked to the level of aircraft operations and therefore has a correlation with growth in Air Traffic Movements (ATMs). As the number of ATMs increases, the scale of fueling operations also increases, resulting in higher operational requirements in terms of manpower deployment, equipment usage, utilities, repairs and maintenance, safety checks, quality control, consumables and other related O&M activities. Accordingly, the Authority was of the view that ATM growth was an appropriate driver for estimating the escalation in O&M expenses relating to Fuel Farm operations. Therefore, for the purpose of projecting CGF/Fuel Farm expenses for the Fourth Control Period, the Authority proposed to allow cost escalation over FY 2025-26 actuals based on the year-on-year growth rate in ATMs.

10.2.154 Based on the foregoing, and rationalization of the expense heads and their CGF component, the Authority proposed to consider the said expenses as per the table below:

Table 322: CGF Expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
CGF Cost	27.15	30.43	34.19	36.32	38.58	166.66

Digitization Expenses

10.2.155 The Authority took note of GHIAL's submission regarding Digitization expenses in the MYTP for the Fourth Control Period wherein starting in FY27, Rs. 40 Cr had been projected for each year.

10.2.156 GHIAL vide email dated 22.02.2025, submitted the revised year wise breakup of the digitalization cost as per the table below:

Table 323: Revised year wise breakup of the digitalization cost as submitted by GHIAL

(Rs. In crores)

Particulars (Rs Cr)	FY27	FY28	FY29	FY30	FY31	Total
Digitization Cost	52	52	52	52	52	260

10.2.157 The Authority, in the course of its examination of the operating expenditure projections submitted by GHIAL for the Fourth Control Period, observed that a new line item under the head "Digitization Expenses" had been introduced commencing from FY27, with no corresponding expenditure reflected in the preceding years of the Third Control Period. In view of the materiality of the said projection and the absence of any historical baseline, the Authority sought clarification from GHIAL on the rationale, scope, and justification for the said expenditure.

10.2.158 In response, GHIAL submitted that the Digitization Expenses are envisaged to be incurred from FY27 onwards, and are driven by planned investments in advanced technology platforms, automation, and digital infrastructure. The stated objectives of the said expenditure, as submitted by the Operator, include:

(i) Improvement in operational efficiency;

(ii) Enhancement of passenger experience;

(iii) Modernization of airport processes;

(iv) Process optimization across functions; and

(v) Compliance with global best practices in airport operations.

10.2.159 GHIAL further submitted that these cost escalations are aligned with the airport's long-term strategic objectives of positioning RGIA as a technologically advanced and globally benchmarked airport.

10.2.160 The Authority, while taking note of the broad strategic intent articulated by GHIAL, observed that the submission was generic in nature and lacked the requisite granularity to enable a meaningful regulatory assessment. Accordingly, the Authority sought from GHIAL a detailed activity-wise breakdown of the proposed Digitization Expenses, including the specific initiatives, the underlying cost build-up, and the expected outcomes.

10.2.161 In response to the said requisition, GHIAL submitted that the projected expenditure of Rs. 260 crore for the Fourth Control Period had been arrived at on the basis of benchmarking with comparable Indian airports handling passenger traffic in the range of 35-50 MPPA. Specifically, GHIAL cited the following references:

(i) MIAL: proposed allocation of approximately Rs. 149.10 crore for ICT modernization in the Fourth Control Period;

(ii) BIAL: proposed allocation of approximately Rs. 263.54 crore for modernization initiatives in the Third Control Period.

10.2.162 GHIAL submitted that, in the light of the comparable passenger traffic profile and the planned modernization initiatives at RGIA, a provision of Rs. 260 crore was reasonable. GHIAL further informed the Authority that an independent consultant had been engaged to identify the key priority initiatives under this head, and that the activity-wise details would be furnished to the Authority in due course.

10.2.163 GHIAL via email dated 22.03.2026, shared the indicative use cases that would be developed over the next five years as part of the airport digital platform.

Table 324: Indicative use cases submitted by GHIAL for the Fourth Control Period as part of the Digitization Cost

S. No.	Use Case/Feature Name	Description
1	Intelligent Lost and Found Management System	A digital lost and found system that uses AI powered image recognition and automated form filling to streamline the logging, categorization, tracking, and retrieval of lost items across the terminal. Passengers report lost items through a self-service interface, and the system automatically matches reported items against recovered inventory using visual and descriptive attributes, reducing manual effort and accelerating resolution times. Every item is tracked through a complete digital audit trail from recovery to return, with role-based access control ensuring secure handling and chain of custody. Real-time status updates keep passengers informed without requiring repeated visits to help desks or phone calls.
2	Prebooking and Reservation of check-in slots	A passenger facing system that allows travelers to pre book processing slots for check-in, security screening, and immigration before they arrive at the airport. By scheduling when passengers present themselves at each checkpoint, it distributes demand evenly across time windows and prevents the unpredictable surges that cause peak hour bottlenecks. The system uses real time operational data to dynamically adjust available slots and sends contextual notifications guiding passengers on when to proceed to their next touchpoint.
3	NextGen Pax Experience Hub	A single, multilingual, multiplatform digital interface that keeps passengers informed and oriented from the moment they leave for the airport through to boarding. Before arrival, it delivers live flight status, terminal and gate assignments, and real time travel estimates. At the airport, it provides step by step navigation across check-in, security, immigration, and boarding with continuous updates on queues, gate changes, and boarding timelines. It consolidates fragmented information sources into one intelligent layer available via mobile, web, and in terminal touchpoints, replacing static signage and manual help desks with accessible, real time, always on passenger information.
4	AI-Powered Digital Concierge	A generative AI powered assistant accessible via mobile app, chat, voice, and in terminal kiosks that provides real time, multilingual passenger support across the entire airport journey. It handles flight queries, gate information, wayfinding, immigration guidance, transport connectivity, and disruption updates through natural conversation, reducing dependency on physical help desks and manual staff intervention. Built with speech recognition, natural language understanding, and support for assistive technologies, it ensures inclusive access for all passengers including non English speakers, elderly travelers, and persons with reduced mobility. The system connects directly to airport operations, flight data, and DigiYatra systems to deliver accurate, contextual responses rather than generic information.
5	Passenger Disruption Communication and Recovery System	Passenger Disruption Communication and Recovery System - A passenger facing disruption management system that automatically detects flight delays, cancellations, and irregular operations and delivers real time, personalized recovery options directly to affected travelers. When a disruption occurs, the system pushes immediate notifications with clear, actionable guidance including revised boarding times, gate changes, rebooking options, alternate transport connections, and entitlement information. It uses AI to generate tailored recommendations based on each passenger's itinerary, connection status, and onward travel plans, replacing the current experience of queuing at help desks for information during the most stressful moments of travel. The system integrates with airline... Operations, flight data, and ground transport systems to ensure passengers receive accurate, timely, and consistent information across mobile, web, and in terminal digital touchpoints.

S. No.	Use Case/Feature Name	Description
6	PRM Assistance and Accessibility Compliance System	A comprehensive accessibility system that provides persons with reduced mobility, reduced sight, sensory disabilities, and other accessibility needs with 360 degree information on every facility and service point across the airport including gates, baggage drop points, accessible washrooms, ramp locations, elevator access, wheelchair collection points, baby care rooms, sensory rooms, and assisted boarding locations. The system delivers this information through multiple accessible formats including voice guidance, screen readers, high contrast interfaces, haptic feedback, and multilingual support, ensuring every passenger regardless of ability can independently navigate and access the airport. It integrates with autonomous wheelchair units that use path planning, obstacle detection, and collision avoidance to transport passengers safely through the terminal, with real time route optimization and adaptation to congestion or restricted zones. The system ensures consistent, timely PRM assistance without full dependency on manual escorts, which become increasingly difficult to scale during peak periods.
7	Medical Response and Emergency SOS Management System	A real time medical and emergency response system that ensures immediate, coordinated assistance for any medical incident or SOS situation across the airport. It continuously tracks the availability and location of medical staff, first responders, wheelchairs, AEDs, and emergency equipment across terminal, airside, and landside zones, enabling the nearest available resource to be dispatched instantly. Passengers and staff can trigger SOS alerts through multiple channels including mobile apps, in terminal kiosks, and dedicated emergency points, with the system automatically routing the alert to the appropriate medical team with precise location data and estimated response time. It maintains a complete digital audit trail of every incident including response time, actions taken, and outcome, supporting compliance reporting and continuous improvement. The system also monitors medical facility uptime, staff rostering against minimum availability requirements, and equipment readiness to ensure the airport is never caught under-prepared.
8	Early Warning System & Prescriptive Passenger Flow Management	A real time intelligence system that uses sensors, biometrics, and digital gates to give the airport operations team continuous visibility into passenger volumes, congestion patterns, and processing performance across all touchpoints. It forecasts demand, recommends staffing levels and lane configurations, and triggers dynamic wayfinding to steer passengers away from congested zones. This is the airport's tool — it sits in the operations centre and space allocation, improving traffic flow across the airport forecourt and multi-level car parks.
9	Real Time Feedback and Service Quality System	Real Time Service Quality Monitoring and Compliance System - A continuous service quality monitoring system that captures real time passenger feedback across multiple channels including in terminal kiosks, digital touchpoints, and mobile interfaces, and uses natural language processing and machine learning to analyze sentiment, detect service degradation, and flag emerging issues before they escalate. It provides operations teams with live dashboards that correlate passenger sentiment with specific touchpoints, time periods, and operational conditions, enabling targeted, timely intervention rather than retrospective analysis. The system directly supports AERA mandated service quality reporting by providing auditable, data driven evidence of performance against defined standards replacing periodic, survey-based measurement with a continuous, intelligent listening layer that gives the airport real time visibility into how it is performing against its service obligations.
10	Operational Communication and Safety Platform	A unified, real time communication platform connecting all operational teams across landside, terminal, and airside through a single interface. It enables instant role-based messaging, digital briefings, safety alerts, and coordinated response protocols, ensuring every stakeholder from ground handling crews to security agencies receives the right information at the right time. Real time alerts and auditable communication trails replace fragmented, informal channels that currently carry safety critical information. The platform ensures operational consistency across shifts, teams, and agencies, supporting faster issue resolution and tighter coordination during both normal operations and disruptions.

S. No.	Use Case/Feature Name	Description
11	Role-based Operational Analytics Dashboards	A central intelligence layer for the airport that integrates real time passenger, flight, and asset data with predictive analytics to move the Airport Operations Centre from passive monitoring to active orchestration. It delivers tailored, role-based insights and forecasts to every stakeholder in the ecosystem including airlines, ground handlers, in flight kitchen services, fuel operators, security agencies, and other third party service providers, enabling better alignment of resources, smoother turnarounds, and more efficient use of terminal capacity. By connecting operational signals with passenger journey data, it supports faster recovery from disruptions, consistent service quality, and more reliable operations across landside, terminal, and airside.
12	Asset Reliability and Predictive Maintenance System	A predictive maintenance system that uses IoT sensors and AI based technology to create a real time view of the health and performance of critical aeronautical assets including baggage handling systems, aerobridges, flight information display systems, security screening equipment, lifts, escalators, travelators, and boarding gate infrastructure. It detects early signs of wear, predicts failures before they occur, automates maintenance scheduling, and minimizes unplanned downtime that directly impacts flight operations and passenger processing. The system introduces condition based, predictive intervention, extending asset life, reducing emergency repair costs, and ensuring operational continuity across key aero assets. By shifting from calendar based, reactive maintenance to intelligent, condition driven scheduling, the system significantly reduces maintenance opex through fewer emergency callouts, lower spare parts inventory, optimized workforce deployment, and extended asset lifecycles.
13	Transfer Passenger and Misconnection Management System	A comprehensive system that manages the end-to-end journey of every connecting passenger from arrival gate through security re-screening, immigration, and transfer corridors to their onward departure gate. It provides real time wayfinding, digital transfer guidance, and processing status updates to every connecting traveler, ensuring smooth and predictable movement through the transfer process. For passengers at risk of missing their onward flight, the system automatically assesses misconnection risk using real time flight data, passenger itineraries, and checkpoint processing times, then issues dynamic priority clearances and guided routing through the fastest available path. Integrated with access control and security systems, it ensures prioritized processing without compromising security protocols or disrupting the flow of other passengers.
14	Airside Safety and Compliance Monitoring System	An integrated airside safety system that provides continuous, AI powered monitoring across runways, taxiways, and apron areas. It detects foreign object debris using deep learning and high-resolution imaging, enabling real time identification and targeted removal without unnecessary runway closures. Simultaneously, it tracks all vehicle and personnel movement using video analytics and GPS, enforcing lane discipline, speed compliance, and restricted zone access. Automated alerts enable immediate intervention before incidents escalate, and a complete auditable trail supports compliance reporting.
15	Intelligent Security Surveillance and Threat Detection System	An AI powered surveillance layer that continuously analyzes video feeds across the terminal, perimeter, and airside to detect security threats in real time including unattended baggage, unauthorized access attempts, perimeter breaches, crowd anomalies, and suspicious behavioral patterns. The system uses deep learning and computer vision to distinguish genuine threats from routine activity, dramatically reducing false alarms and enabling security teams to focus on actionable incidents rather than monitoring screens manually. Automated alerts with precise location and context are pushed directly to security personnel and the operations centre, enabling faster, more targeted response. The system integrates with existing CCTV infrastructure, upgrading it from a passive recording tool into an active, intelligent detection layer.

S. No.	Use Case/Feature Name	Description
16	Biometric Staff Access Control and Restricted Area Management System	A multi layered biometric access control system that governs the movement of all airport personnel across restricted zones including airside, terminal secure areas, cargo facilities, and operational corridors. It replaces conventional card and PIN based access with biometric authentication tied to each individual's airport entry permit, ensuring that only verified, authorized personnel can enter designated zones based on their role, clearance level, and time of access. The system maintains a complete digital audit trail of every access event, supports real time revocation of credentials, and integrates with RFID based automated vehicle access control for airside entry points.
17	Smart Facility Management System	An intelligent building management system that uses IoT sensors, AI, and real time analytics to monitor, control, and optimize all facility systems across the terminal including HVAC, lighting, energy consumption, water management, and indoor air quality. It continuously adjusts environmental conditions based on real time occupancy, weather, flight schedules, and terminal zone usage, ensuring passenger comfort while minimizing energy waste. The system provides centralized dashboards for facility teams with predictive alerts on equipment health, consumption anomalies, and maintenance needs, replacing manual monitoring and scheduled adjustments with automated, data driven optimization.
18	Smart Parking and Forecourt Traffic Management	A data driven parking management system that uses predictive analytics and real time monitoring to anticipate parking demand, guide drivers to available or reserved spaces, and enable seamless entry, exit, and payment. It integrates flight schedules, passenger profiles, and mobility patterns to maximize bay utilization, reduce search time, and ease forecourt congestion. Dynamic pricing and automated access control replace manual toll collection and ad hoc management, improving efficiency and user experience.
19	Retail 360	A unified analytics platform that connects transaction data, passenger dwell time, footfall patterns, and behavioral insights across all commercial spaces in the terminal to optimize every square foot of retail, F&B, and service area. It identifies underperforming zones, recommends optimal product and category mixes, and enables data driven leasing, assortment, and marketing decisions. By giving airports and retail partners a shared view of commercial performance, it drives higher revenue per passenger, better tenant utilization, and more targeted promotional strategies.
20	Travel and Lifestyle Rewards Hub	A unified loyalty and rewards platform that enables passengers to earn and redeem points across the airport ecosystem including dining, retail, parking, lounge access, and partner services. It creates a single digital identity for every traveler, connecting transactions across categories and visits into one rewards profile. Tiered benefits, personalized offers, and partner integrations drive repeat engagement, increase spend per passenger and strengthen long term passenger affinity with the airport.
21	Omnichannel Commerce and Engagement Suite	A digital marketplace that connects passengers to the full range of airport retail, dining, and services through a seamless online and in terminal experience. Passengers can browse, pre-order, and pay for duty free, F&B, and services before or during their visit, with options for gate delivery, counter collection, or home shipping. It unifies the airport's commercial ecosystem onto one platform, giving retailers and concessionaires direct access to passenger demand while giving travelers convenience and choice.
22	Location Based Personalization and Engagement Platform	A real time location intelligence platform that uses Bluetooth beacons, Wi-Fi signals, and mobile device data to understand where passengers are in the terminal and deliver contextual, personalized content based on their precise location, journey stage, and dwell time. It pushes targeted promotions, dining suggestions, and service recommendations as passengers move through different zones, converting idle dwell time into commercial engagement. For retail and F&B partners, it provides footfall heatmaps, conversion analytics, and proximity triggered marketing capabilities that drive higher spend per passenger.

10.2.164 While focusing on this, GHIAL submitted that it aims to appoint a strategic digital partner through a competitive bidding process who would be responsible for owning, developing, deploying, maintaining, and operating the digital platform that would enable these use cases.

10.2.165 The Authority observed that it was a challenging task to clearly differentiate the costs of Digitization between Aeronautical and Non-Aeronautical services. The Authority noted that GHIAL, in its MYTP submission, had allocated the 100% of the proposed digitalization cost as aeronautical.

10.2.166 The Authority reached a conclusion that the allocation of the costs must be based on the utility of the service coverage through the digital platform, the nature of revenues generated through the platform and the passenger feedback rather than employing cost drivers alone.

10.2.167 For the purposes of Aeronautical Allocation of the Digitization Cost, the Authority proposed to implement a Multi-Criteria Decision Analysis (MCDA) approach to allocate the Costs between Aeronautical and Non-Aeronautical.

10.2.168 This MCDA approach employed a list of variables to segregate the costs. Each variable had been assigned a score between 1 to 5, where 1 being the lowest and 5 being the highest. The Aeronautical and Non- Aeronautical Services offered in the App had been grouped into different categories based on the nature / similarity of their functions. Following which, each of the categorizations was assigned a score under each variable based on their function. Each variable and its categorization is detailed below:

i. Different variables had been assigned and segregated into Aeronautical and Non-Aeronautical Services availed at the Airport using the Digitalization App:

   a. Necessity (Is it a Necessary Service for an Airport Passenger?)

   b. Channel Usefulness (Is it an Exclusively Provided Service / Information for an Airport Passenger? And how useful is it for them?)

   c. Revenue Generating Capacity (Is it a Revenue Generating Service or Not?)

10.2.169 Each variable had been given a judgmental score between '1' to '5' ('1' being the lowest and '5' being the highest).

Table 325: 5-Scale Rating Definitions for Evaluation Criteria

Rating	Necessity	Channel Usefulness	Revenue Generating Capacity
5	Critical	Highly useful	Very High
4	High	Useful	High
3	Moderate	Average	Moderate
2	Low	Limited Use	Low
1	Not necessary	Not Useful	Negligible/None

10.2.170 The use cases had been classified into different categories (Aeronautical, Non-Aeronautical and Common) based on the kind/variety of services they offer and ranked for each of the variables mentioned above.

Table 326: Digitization Cost Allocation – Multi Criteria Decision Analysis Approach – Score card

S. No.	Use Case/Feature Name	Necessity	Channel Usefulness	Revenue Generating Capacity	Total Score	Classification
1	Intelligent Lost and Found Management System	4	4	0	8	Aero

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S. No.	Use Case/Feature Name	Necessity	Channel Usefulness	Revenue Generating Capacity	Total Score	Classification
2	Prebooking and Reservation of check-in slots	5	4	3	12	Aero
3	NextGen Pax Experience Hub	4	5	0	9	Aero
4	AI-Powered Digital Concierge	4	5	0	9	Aero
5	Passenger Disruption Communication and Recovery System	5	4	0	9	Aero
6	PRM Assistance and Accessibility Compliance System	5	5	0	10	Aero
7	Medical Response and Emergency SOS Management System	5	5	0	10	Aero
8	Early Warning System & Prescriptive Passenger Flow Management	4	4	0	8	Aero
9	Real Time Feedback and Service Quality System	4	4	0	8	Aero
10	Operational Communication and Safety Platform	4	4	0	8	Aero
11	Role-based Operational Analytics Dashboards	4	4	0	8	Common
12	Asset Reliability and Predictive Maintenance System	4	3	0	7	Common
13	Transfer Passenger and Misconnection Management System	4	4	0	8	Aero
14	Airside Safety and Compliance Monitoring System	4	5	0	9	Aero
15	Intelligent Security Surveillance and Threat Detection System	4	5	0	9	Common
16	Biometric Staff Access Control and Restricted Area Management System	3	0	0	3	Common
17	Smart Facility Management System	4	4	2	10	Common
18	Smart Parking and Forecourt Traffic Management	4	4	4	12	Non-Aero
19	Retail 360	3	3	4	10	Non-Aero
20	Travel and Lifestyle Rewards Hub	4	4	5	13	Non-Aero
21	Omnichannel Commerce and Engagement Suite	4	4	5	13	Non-Aero
22	Location Based Personalization and Engagement Platform	4	4	3	11	Non-Aero

10.2.171 Using these scores of Aeronautical and Non-Aeronautical, the allocation percentage was identified as below:

Table 327: Digitization Cost Aeronautical Allocation as proposed by the Authority

Total Score's	
Total Aeronautical Score (a)	108
Total Non-Aeronautical Score (b)	59
Total Common Score (c)	37
Total (d) = (a) + (b) + (c)	204
Aeronautical Allocation (%) (e = a/(a+b))	64.67%

10.2.172 Therefore, as seen from the preceding table, the Digitization Cost was allocated at 64.67% and the Authority sought stakeholder response before concluding on this aspect.

10.2.173 Thus, applying this 64.67% only on the proposed Digitization cost payable to the Digital Service Provider, the cost allocable to Aeronautical services is as below:

Table 328: Allocation of Digitization Costs as computed by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Digitization Cost submitted by GHIAL (a)	52	52	52	52	52	260
Aeronautical Cost proposed by the Authority (64.67% of a)	**33.63**	**33.63**	**33.63**	**33.63**	**33.63**	**168.14**

10.2.174 The Authority recognised that digital transformation was critical to the next phase of aviation growth, enabling seamless end-to-end passenger services through targeted digital use cases. The Authority noted the importance of emerging technologies in improving operational efficiency, passenger experience, and real-time KPI monitoring. Accordingly, the Authority agreed to accept the related expenditure, subject to prudence checks and supporting documentation, with final true-up to be considered in the next Control Period based on actual costs and demonstrated benefits.

Strategic, Management and Technical Service Fee

10.2.175 The Authority took note of GHIAL's submission regarding a new expense head, Strategic, Management and Technical Service Fee, proposed for the Fourth Control Period.

10.2.176 The Authority sought clarification from GHIAL on the details and justifications for projection of such expenses for the Fourth Control Period. GHIAL's responses are as follows:

"GHIAL Board in its meeting dated 23.07.2025, has approved the payment of Strategic, Management and Technical Service Fee from FY26 to all its shareholders including GMR Airports Limited (GAL), Airport Authority of India and Government of Telangana. The Clauses 3.4 and 3.5 of the Shareholders Agreement defines the Role of the Sponsors which lists down the various activities that the Sponsors are to provide. The Clause 5.10 of the Shareholders Agreement provides that all decisions of the Board shall be a simple majority of the Directors present and voting. The Clause 11.3 of the Shareholders Agreement mentions that GHIAL shall provide to each of its investors with a right to consult and advise management of GHIAL on various issues.

Hence the board of GHIAL has now decided to start paying, going forward, a consideration for the services being provided by shareholders to the Company towards its strategic leadership, governance and

business sustainability @3% of stand-alone gross revenue from FY 2026 on a quarterly basis."

10.2.177 The Authority noted that, as per the present shareholding pattern of GHIAL, 26% of the shareholding is held by Government entities, comprising 13% held by AAI on behalf of the Government of India, and 13% held by the Government of Telangana, while the remaining 74% is held by GMR Airports Limited (GAL). GHIAL has referred to certain provisions of the Shareholders' Agreement and submitted that the Board of GHIAL has decided to make payments to its shareholders towards services stated to be provided by them in relation to strategic leadership, governance and business sustainability. GHIAL has proposed that such consideration would be paid at the rate of 3% of standalone gross revenue, with effect from FY 2025-26, on a quarterly basis.

10.2.178 The Authority had analysed GHIAL's submission and observed as under:

i. Clauses 3.4 and 3.5 of the Shareholders' Agreement set out the roles of the Sponsors and the State Promoters in providing support to GHIAL. The activities listed for the State Promoters primarily relate to the initial support required for commencement of airport operations. The activities listed for the Sponsors also relate to commencement of airport operations and include reference to services to be provided in the ordinary course of business for operation, management and development of the airport and for provision of airport services.

ii. The aforesaid clauses are general enabling provisions defining the broad roles and obligations of shareholders in relation to the airport project under the Concession Agreement framework. The Authority does not find any specific provision in the Shareholders' Agreement which provides for payment of separate consideration to shareholders towards advice, consultation, strategic leadership, governance or business sustainability services.

iii. The Authority was of the view that Hyderabad Airport was awarded to GAL through a transparent competitive bidding process with a clear mandate of development, construction, operation and maintenance of the airport for the concession period. Further, at the time of evaluation of the bids, GAL was shortlisted considering their ability to develop and manage the airport operations. Considering the Strategic, Management and Technical Service Fee to run the airport operations would defeat the above purpose and will lead to an additional fee being rendered to the shareholders in addition to the return on their invested equity.

10.2.179 The Authority further observed that GHIAL is a separate legal entity having its own senior management, personnel and functional structure for operating, managing and developing the airport. In addition, GHIAL already avails expert services from personnel of group companies and engages consultants/domain experts in various fields in the ordinary course of its business. Therefore, the Authority was of the view that a blanket quarterly payment to shareholders would lead to a risk of overlap between the proposed fees and costs already embedded in GHIAL's existing expenditure base, including employee costs, administrative expenses, consultancy charges and other management-related expenses and may result in duplication of costs and consequential double recovery from airport users.

10.2.180 Accordingly, the Authority proposed not to consider the payment towards Strategic, Management, and Technical Service Fees to shareholders.

Concession Fee

10.2.181 GHIAL had proposed the following concession fee for the Fourth Control Period

Table 329: Concession Fee submitted by GHIAL

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Concession Fee submitted by GHIAL	176.07	201.33	232.58	259.81	290.27	**1,160.06**

10.2.182 The Authority computed the concession fee on the forecasted Aero-Revenues. Accordingly, the concession fee proposed to be considered by the Authority for the Fourth Control Period is given below:

Table 330: Concession Fee proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Projected Aero Revenue (A)	1622.31	2050.42	2619.20	3166.31	3831.85	13290.08
Concession Fee proposed by the Authority (4%*A)	64.89	82.02	104.77	126.65	153.27	531.60

10.2.183 Considering the above, the Aeronautical Operation and Maintenance (O&M) expenses proposed to be considered by the Authority for the Fourth Control Period is seen in the table below:

Table 331: Aeronautical O&M Expenses proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Staff Cost	154.79	164.08	173.93	217.57	272.15	982.52
Rates & Taxes (incl. Property Tax)	7.58	7.85	8.14	9.95	12.16	45.69
Bank Charges	11.31	14.37	13.10	13.10	13.10	65.00
Security Cost	18.38	19.48	20.65	25.83	32.31	116.65
Repairs and Maintenance	122.31	128.37	133.65	193.04	200.78	778.14
Stores & Spares	13.75	14.25	14.76	18.05	22.06	82.87
Insurance Cost	8.95	9.85	10.84	11.92	13.11	54.67
Land Lease Rent to GoT	16.53	17.36	18.22	19.13	20.09	91.33
Manpower Outsourcing (Technical Service) Expenses	92.39	97.93	103.81	129.85	162.44	586.42
Housekeeping Cost	44.85	46.46	48.14	58.85	71.95	270.25
CGF (Fuel Farm Cost)	27.15	30.43	34.19	36.32	38.58	166.66
Operating Expenses	2.98	3.09	3.20	3.32	3.44	16.03
Collection Charges	6.79	7.63	8.65	9.30	9.99	42.36
General Admin Cost						
• Advertisement & Business Promotion	8.66	8.97	9.29	9.63	9.97	46.52
• Professional & Consultancy Charges	33.44	34.64	35.89	37.18	38.52	179.68
• Corporate Cost allocation	76.07	80.63	85.47	90.60	96.03	428.79
• Communication Costs	2.03	2.11	2.18	2.26	2.34	10.92
• Printing and Stationery	0.66	0.68	0.71	0.73	0.76	3.54
• Recruitment Charges	4.71	4.88	5.05	6.18	7.55	28.36
• Travelling and Conveyance	25.01	25.91	26.85	27.81	28.81	134.40
• Directors Sitting Fees	0.20	0.21	0.22	0.23	0.23	1.09
• Payment to Auditors	1.17	1.22	1.26	1.30	1.35	6.30
• Other Admin Expenses	3.08	3.19	3.30	3.42	3.54	16.53
Utility Expense	50.11	51.91	53.78	65.75	80.39	301.94
Concession Fee	64.89	82.02	104.77	126.65	153.27	531.60
Digitisation Cost	33.63	33.63	33.63	33.63	33.63	168.14
Total	**831.42**	**891.15**	**953.66**	**1151.59**	**1328.58**	**5156.40**

10.2.184 In view of the above, the Authority proposed to consider Aeronautical Operating Expenses of Rs. 5,156.40 Crores as per Table 331 for the Fourth Control Period as against GHIAL's submission of Rs. 9,291.37 Crores (as per Table 268).

10.2.185 The Authority observed a substantial variation between the Operating Expenses submitted by the Airport Operator and those proposed by the Authority for the Fourth Control Period. The said variation was attributable to:

(a) Adoption of unaudited actuals as the base figure for projection, in preference to the projected base considered by the Operator;

(b) Rationalisation of specific expense heads, including Manpower Expenses, Bank Charges, Repairs & Maintenance, and General Administrative Expenses; and

(c) Non-consideration of certain expense items, namely Corporate Social Responsibility (CSR), Donation to Electoral Fund, and Strategic Management & Technical Service Fee.

10.2.186 Upon examination, the Authority was of the view that the Airport Operator was 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.

10.3 Stakeholder's comments regarding Aeronautical O&M Expenses for the Fourth Control Period

10.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from GHIAL, AOD HYD, IATA and Lufthansa Group in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding Aeronautical O&M Expenses for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding Aeronautical O&M Expenses for the Fourth Control Period

10.3.2 GHIAL's comment with regards to Aeronautical O&M Expenses for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Authority's proposal for Manpower Expenditure:

10.2.12 The Authority observes that Rajiv Gandhi International Airport, Hyderabad ("RGIA"), having been operational since 2008, is a mature airport with established operational systems, processes, and manpower deployment frameworks. The Authority is of the considered view that, in the case of an airport at this stage of operational maturity, the Airport Operator ought to have, in the ordinary course, implemented adequate measures to ensure operational efficiency, particularly in respect of manpower deployment, allocation, and productivity.

10.2.13 The Authority further observes that GHIAL has, in the Multi-Year Tariff Proposal, projected substantial investments in technology and digitalisation initiatives during the Fourth Control Period, inter alia, on account of automation, digital workflows, and process re-engineering. The Authority is of the considered view that the progressive implementation of the said technology investments ought to yield commensurate efficiency gains in manpower deployment, and consequently, GHIAL ought to be in a position to moderate the growth trajectory of its manpower costs over the Fourth Control Period. Allowing an escalation in Salaries and Wages materially above the prevailing rate of inflation, in the face of the said technology- driven efficiency potential, would result in airport users bearing a cost that is neither reflective of the optimisation expected from a mature airport nor consistent with the principle of economic efficiency.

10.2.14 Having regard to (i) the operational maturity of RGIA; (ii) the substantial technology investments envisaged during the Fourth Control Period; and (iii) the historical trend of Salaries and Wages, the Authority proposes to:

escalate the Salaries and Wages at a growth rate of 6% per annum, the said rate being marginally above the prevailing rate of inflation, so as to allow for a reasonable real-term escalation while preserving the efficiency imperative; and

consider a manpower growth factor of 18.01% in FY 2029-30 and a further 18.01% in FY 2030-31, on account of the augmentation in operational requirements consequent upon the commissioning of the expanded terminal capacity.

10.2.15 Based on the foregoing, the Authority accordingly proposes the Manpower Count and Manpower expense as per the table below:

Table 250: Manpower Count and Manpower expense proposed by the Authority for the Fourth Control Period

(Rs. In crores)

Manpower Count & Expense	FY27	FY28	FY29	FY30	FY31	Total
Total Aero Manpower (A)	783	783	783	924	1,090	
Increase %	*0%*	*0%*	*0%*	*18.01%*	*18.01%*	
Expense per Employee (in Crores) (B)	0.20	0.21	0.22	0.23	0.25	
Increase %	*6%*	*6%*	*6%*	*6%*	*6%*	
Aeronautical Manpower Expenses (C=B*A)	**154.79**	**164.08**	**173.93**	**217.57**	**272.15**	**982.52**

GHIAL's Response: GHIAL in its MYTP submission has considered the following basis for the purpose of the projections:

GHIAL has projected the increase in manpower requirements to cater to the operational needs arising from the Northern Precinct Terminal expansion. The projected increase in manpower is linked to the enhancement in airport capacity and the consequent increase in operational activities across terminal operations, airside functions, landside services, security, customer facilitation and support functions. Accordingly, GHIAL has considered an inflation rate of 4.2% p.a. along with a real growth in manpower cost of 8% p.a. Further, GHIAL has considered a manpower growth factor of 19.61% in FY 2029-30 and 19.61% in FY 2030-31 on account of additional manpower requirements associated with the Northern Precinct expansion.

The Authority has considered only a 6% growth rate in manpower costs and has also reduced the manpower growth factor to 18.01% in FY 2029-30 and FY 2030-31. While the Authority has stated that GHIAL is a mature airport and that technology and digitalisation initiatives are expected to improve manpower efficiency, it is submitted that such initiatives are primarily intended to enhance operational efficiency, service quality, safety and passenger experience and do not eliminate the need for additional manpower required to operate and manage the expanded airport infrastructure.

GHIAL has considered the increase in airport capacity and the corresponding operational requirements as the primary driver for manpower growth and has already adopted a prudent approach by linking manpower additions to the Northern Precinct expansion. However, the Authority has moderated the proposed manpower growth factor and adopted a lower escalation rate, resulting in a significant reduction in the manpower expenditure requirement submitted by GHIAL.

Further, it is important to note that there were exceptional circumstances resulting in a decrease in employee expenses in FY26, which is temporary in nature. Accordingly, the FY26 employee cost may not be representative of the steady-state manpower requirement of the Airport. GHIAL has certain vacant positions across operational and support functions which are required to be filled even before considering the requirements arising from the Northern Precinct expansion and accordingly arrived at year on year manpower requirement. Further, employee retention requires compensation growth beyond inflation alone to address market-driven salary movements and attrition. Accordingly, escalation based solely on inflation may not adequately reflect the manpower requirements of the Airport during the Fourth Control Period.

We request the Authority to consider the manpower costs in accordance with the submissions of GHIAL from FY 2027 to FY 2031, by allowing manpower additions proposed for the Northern Precinct expansion and filling of vacant positions, to ensure efficient, safe and seamless airport operations during the Fourth Control Period."

"Authority's proposal for Security Charges:

10.2.33 The Authority has analysed the historical growth rates pertaining to the security expense and observes that the same have been highly inconsistent over the relevant period. The Authority further notes that there is a decline in security expenses in FY26 as compared to FY25, and that no discernible trend could be established on the basis of the past growth rates.

10.2.34 The Authority further notes that security expense head is primarily driven by the increase in security-related requirements, particularly towards engagement of outsourced security personnel and the expense is largely manpower-driven in nature.

10.2.35 The Authority notes that these security personnel are planned for deployment in terminal building as well as landside access, kerbside, common circulation areas, administrative offices, etc.

10.2.36 In view of the foregoing, and consistent with the approach adopted by the Authority in past tariff determinations, the Authority proposes to escalate the Security expenses over the Fourth Control Period at the rate of 6% on rationalized FY26 base figure, marginally higher than the inflation. Further, the Authority proposes to apply an adjusted terminal area expansion factor of 18.01% in FY30 and 18.01% in FY31, so as to align with the commissioning of the Northern Precinct Terminal.

GHIAL's Response:

The Authority has proposed a 6% escalation for Security expenses primarily on the basis of historical trends. However, it is submitted that Security expenses are significantly influenced by statutory revisions in minimum wages applicable to outsourced security personnel. In this regard, the Government of Telangana, vide G.O. Ms. No. 6 dated 30 April 2026, has revised the minimum wages for unskilled labour from ₹12,778 per month to ₹15,000 per month, representing an increase of approximately 17%. Since security expenses predominantly comprise outsourced manpower costs, the aforesaid wage revision is expected to have a direct and significant impact on the security expenditure incurred by GHIAL.

The proposed escalation of 6% may therefore not adequately reflect the actual increase in security costs likely to be incurred during the Fourth Control Period.

Accordingly, GHIAL requests the Authority to consider the impact of the revised minimum wages while finalizing the Security expenses for the Fourth Control Period. Further, a detailed note on the impact of the wage revision on GHIAL's security expenses is enclosed for the Authority's reference."

"Authority's proposal for Repairs & Maintenance:

10.2.39 The Authority has analysed the historical growth rates pertaining to the R&M expense and observes that the same have been highly inconsistent over the relevant period. The Authority further notes that there is a decline in R&M expenses in FY26 in comparison to the previous year, and that no discernible trend could be established on the basis of the past growth rates.

10.2.40 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposes to project the Aeronautical Repairs and Maintenance Expenses for the Fourth Control Period on the following basis:

Base Component: The Repairs and Maintenance Expenses for the FY26 base year, escalated at the inflation rates set out at Table 240 of this Consultation Paper

Incremental Component on New Asset Additions: An additional allowance equivalent to 0.5% of the value of the asset additions capitalized during each year of the Fourth Control Period, to address the incremental Repairs and Maintenance expenditure attributable to the said additions.

GHIAL's Response:

GHIAL in its MYTP submission has projected R&M expenses by considering inflation of 4.6% p.a., R&M on new asset additions at 1.5% of capitalized assets and terminal area expansion factors of 19.61% in FY 202930 and FY 2030-31. The proposed increase in R&M expenditure was primarily driven by the substantial asset additions and expansion of airport infrastructure under the Northern Precinct development.

The Authority has considered only 0.5% of asset additions towards incremental R&M expenditure and has not considered the terminal area expansion factors proposed by GHIAL, resulting in a significant reduction in the R&M expenditure submitted by GHIAL.

Authority has allowed R&M expenditure 1.65% of closing aeronautical gross block to the Noida International Airport Limited for the first control period. . The relevant extract from Paragraph 8.2.109 of the First Control Period Tariff Order for Noida International Airport limited is reproduced below:

8.2.108 In view of the foregoing, the Authority proposed to consider the UaaS annuity cost in addition to the R&M expenses computed through the 1.65% benchmarking approach. Based on the application of the Gross Block ratio, the aeronautical share of the UaaS annuity during the Control Period worked out to be about Rs. 38 crore per annum.

8.2.109 Based on the above, the Aeronautical R&M Cost proposed by the Authority for the First Control Period is as given below:

Table 153: Aeronautical R&M Cost proposed by the Authority for the First Control Period at Consultation Stage

(Rs. in crores)

Particulars	RoL	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Closing Aeronautical Gross Block (refer Table 129)	A	6,210.99	6,210.99	6,220.99	6,230.99	6,240.99	
% of Closing Aeronautical Gross Block	B	1.65%	1.65%	1.65%	1.65%	1.65%	
Aeronautical R&M Cost	**C= A×B**	**102.62**	**102.62**	**102.79**	**102.95**	**103.12**	**514.11**
UaaS Annuity	D	38.06	38.06	38.07	38.07	38.08	190.35
Total Aeronautical R&M Cost	**E=C+D**	**140.69**	**140.69**	**140.86**	**141.03**	**141.20**	**704.46**
Gross Block Ratio (refer Table 129)	F	90.37%	90.37%	90.38%	90.39%	90.41%	
Total R&M Cost	**G=E÷F**	**155.69**	**155.69**	**155.85**	**156.02**	**156.18**	**779.42**

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

AERA has allowed 6% of opening RAB in Ahmedabad airport third control period order. The relevant extract from Paragraph 10.5.6 of the third Control Period Tariff Order for Ahmedabad International Airport limited is reproduced below:

10.5.6. The Authority reviewed the comments of AO and AAO on Repairs & Maintenance (R&M) and states that, consistent with the approach followed in the Second Control Period, the Authority had proposed restricting the R&M expenses to 6% of the Opening RAB in line with the outcomes of the Independent

Tariff Order No. 40/2022-23 for SVPIA for the Third Control Period Page 298 of 448

O&M Expenses for Third Control Period

Study conducted on Efficient O&M expenses for SVPIA). Based on the same, the expenses were adjusted downward and the revised amount was considered for true up in the Consultation paper No. 10 /2022-23 (Refer para 10.2.81). Further, the Authority would like to point out that it has proposed this practice consistently in the past for other similar airports, in order to rationalize the inefficiency noted in the incurrence of the Repairs & Maintenance expenses. The Authority has also considered other pertinent factors such as, a) the AO has proposed several capital expenditure projects for AIAL for the Third Control Period. As the Airport has a mix of new and old assets, the overall R&M costs may only be to the extent, which the Authority has considered in its analysis of the R&M costs and b) rationalization of costs of the Airport to improve efficiency in the operations. Based on the above, the Authority is of the view that its proposal already stated in the Consultation Paper is reasonable and justified and hence, sees no reason to change the same.

Even after considering the Authority's benchmark of 6% of Opening Net Block and 1.65% of Closing Gross Block, GHIAL's projected R&M expenses remain significantly lower than the benchmarks accepted by AERA in other airports.

Year		FY26	FY27	FY28	FY29	FY30	FY31	Total
Closing Gross block (A)	**A**	9,493	10,214	10,547	10,678	21,594	21,752	
Closing Net block (Table 235)	**B**	6,285	6,564	6,424	6,069	16,177	15,209	
R&M expenses (1.65% of closing Gross block)	1.65% of A		169	174	176	356	359	**1,234**
R&M expenses (6% of opening Net block)	6% of opening B		377	394	385	364	971	**2,491**

As per Submission by GHIAL			143	154	163	203	253	**916**
As proposed by Authority in CP			122	128	134	193	201	**778**

Further, the Authority noted (Para 5.6.78) that GHIAL's R&M cost per passenger and per terminal area was lower than comparable airports and that the actual expenditure reflected the maintenance requirements arising from the phase-wise commissioning of terminal expansion assets. Given the significantly larger scale of asset additions proposed during the Fourth Control Period, restricting the incremental R&M allowance to only 0.5% of asset additions is not adequately reflect the actual maintenance requirements of the expanded asset base.

Accordingly, GHIAL requests the Authority to consider the R&M expenditure as submitted in the MYTP, including R&M on new asset additions at 1.5% of capitalized assets, considering the significant asset additions proposed during the Fourth Control Period and the associated maintenance requirements of the expanded airport infrastructure."

"Authority's proposal for Manpower Hire Charges:

10.2.57 The Authority, on the basis of its analysis of the historical Manpower Hire Charges incurred by GHIAL during the Third Control Period, observes that the year-on-year growth rates of the said expense were highly variable, with the said expenses recording negative growth in FY23.

10.2.58 The Authority is of the view that, given the highly variable and bidirectional nature of the year-onyear movements in Manpower Hire Charges, the application of a real growth rate of 8% per annum to the said expense is not supported by the historical experience.

10.2.59 The Authority notes that this expense pertains to manpower deputation and outsourced manpower services deployed for operational and project-related requirements. The key components include manpower deputation for general Capex activities, E&M support services for landscaping works in landside and airside areas, manpower deployment for landside building operations, and manpower supply for baggage handling and other operational support functions.

10.2.60 In view of the foregoing, and consistent with the approach adopted by the Authority in past tariff determinations, the Authority proposes to escalate the Manpower Hire charges over the Fourth Control Period at the rate of 6% on rationalized FY26 base figure, marginally higher than the inflation. Further, the Authority proposes to apply an adjusted terminal area expansion factor of 18.01% in FY30 and 18.01% in FY31, so as to align with the commissioning of the Northern Precinct Terminal.

GHIAL's Response: GHIAL for projecting cost towards manpower hire charges, had considered an inflation rate of 4.2% p.a. in addition to a real growth rate of 8% p.a., resulting in an effective annual escalation of approximately 12.53%. However, the Authority has considered only a 6% escalation rate, which does not adequately account for the combined impact of inflationary pressures and real growth requirements associated with the expansion of airport operations and infrastructure. It is pertinent to note that, during the True-up of the Third Control Period, the Authority approved Aeronautical Manpower Hire expenses of ₹313.73 crore against ₹185.10 crore approved in the Tariff Order, after recognising that the increase was driven by contractual wage escalations, expansion in airport operations, increased terminal capacity and passenger throughput, Digi Yatra implementation and Capex-related manpower requirements (Paras 5.6.116 to 5.6.119). Since similar operational and expansion-related drivers continue during the

Fourth Control Period, the proposed escalation may not adequately reflect the efficient costs likely to be incurred. Accordingly, GHIAL requests the Authority to humbly consider the growth assumptions considered in GHIAL CP-4 MYTP.

The manpower hire charges are incurred towards various operational and maintenance activities, including baggage handling, management of baggage tubs and trolleys, deployment of Passenger Service Associates (PSAs), drivers for hired pool vehicles, jungle clearance, bird-scaring operations, airside vegetation clearance, pigeon-proofing activities, Support for Digi Yatra Services and protocol manpower for handling VIP baggage and related assistance services. Since these activities are manpower intensive, a recent

Government of Telangana wage increase, vide G.O. Ms. No. 6 dated 30 April 2026 (Attached as AnnexureII), for certain categories of outsourced manpower from ₹12,778 per month to ₹15,000 per month, representing an increase of approximately 17%. Since Manpower Hire Charges primarily comprise outsourced manpower deployed for operational and support activities at the Airport, the impact of such wage revisions is expected to directly affect the manpower hire costs incurred by GHIAL. Accordingly, GHIAL requests the Authority to take into account the impact of applicable wage revisions while finalising the Manpower Hire Charges for the Fourth Control Period."

"Authority's proposal for Housekeeping Expenses:

10.2.63 The Authority, on the basis of its analysis of the historical Housekeeping Expenses incurred by GHIAL during the Third Control Period, observes that the year-on-year growth rates of the said expense were highly variable on account of full annualized impact of the housekeeping contract for the expanded terminal is reflecting in FY26 and a one-time deep cleaning activity undertaken (amounting Rs 9 Crores) during FY26 across the old terminal areas to align hygiene and service standards with the newly expanded facilities.

10.2.64 The Authority observes that the said one-time deep cleaning expenditure is, by its very nature, nonrecurring and non-representative of the steady-state housekeeping cost profile reasonably expected to obtain over the Fourth Control Period. Accordingly, the inclusion of the said one-time cost in the FY 202526 base figure would result in an artificially elevated base, which, when subjected to compounding escalation over the Fourth Control Period, would yield an unwarranted build-up of Housekeeping Expenses.

10.2.65 The Authority accordingly proposes to revise the FY 2025-26 base figure by excluding the one-time deep cleaning expenditure for projection of Housekeeping cost for the Fourth Control Period.

10.2.66 Having regard to the foregoing examination, and consistent with the approach adopted by the Authority in past tariff determinations (including the Tariff Order(s) for the Third Control Period), the Authority proposes escalation at inflation rate on rationalized FY26 base figure, along with the moderated terminal area increase factor of 18.01% in FY30 and 18.01% in FY31 for projection of Housekeeping Expense for the Fourth Control Period.

GHIAL's Response: GHIAL had considered an inflation rate of 4.2% p.a. in addition to a real growth rate of 8% p.a., resulting in an effective annual escalation of approximately 12.53%. However, the Authority has considered only inflation-based escalation and moderated terminal area expansion factors, which may not adequately capture the increase in housekeeping requirements arising from the expansion of airport infrastructure, higher passenger traffic and enhanced service standards during the Fourth Control Period. Housekeeping expenses are directly linked to the operational area under maintenance and the level of service expected at the Airport. Accordingly, GHIAL requests the Authority to humbly consider the growth assumptions considered in GHIAL CP-4 MYTP.

Further, attached is the recent GO Ms No 6 issued by Government of Telangana 30th April 2026 where minimum wage of unskilled labors has been increased from 12,778 Rs/month to 15,000/Rs /month, which is an increase of ~17%. The same needs to be factored for FY 2027 as it is a major cost element for GHIAL. Further, in future years, we request AERA to take minimum of ~10% over and above inflation to factor such revisions over the CP-4 period.

Accordingly, GHIAL requests the Authority to take into account the impact of applicable wage revisions while finalising the housekeeping expenses for the Fourth Control Period."

"Authority's proposal for Professional & Consultancy Charges:

10.2.77 The Authority, on the basis of its analysis of the historical Professional & Consultancy Charges incurred by GHIAL during the Third Control Period, observes that the year-on-year growth rates of the said expense were highly variable, with the said expenses recording negative growth in FY24 and FY26.

10.2.78 The Authority is of the view that, given the highly variable and bidirectional nature of the year-onyear movements in Professional & Consultancy Charges, the application of a real growth rate of 8% per annum to the said expense is not supported by the historical experience.

10.2.79 The Authority is further of the considered view that the Professional & Consultancy Charges do not bear a direct or proportionate correlation with the increase in the terminal area at the Airport. The said position is borne out by the historical experience during the Third Control Period itself, wherein the said expense head, in fact, registered a decrease in FY 2023-24, being the year of capitalisation of the 34 MPPA terminal expansion, notwithstanding the substantial augmentation in the terminal area in the said year.

10.2.80 The Authority has examined the details of Legal costs incurred by GHIAL during the Third Control Period. The Authority is of the view that such legal consultancy expenses are not critical or necessary for the Aeronautical Operations of the Airport and are, by their nature, expenses incurred towards legal cases / proceedings with other stakeholders. Such expenses do 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.

10.2.81 The Authority has also noted that even in the concession agreements executed by the Government of India for recent airports, legal expenses are excluded from the Operating Expenses considered as pass-through for the purpose of tariff determination. Accordingly, the Authority proposes to exclude the legal expenses incurred by GHIAL from the base year expenditure considered for projecting Professional and Consultancy / Consultancy and Legal costs for the Fourth Control Period.

10.2.82 The Authority hence proposes to exclude legal expenses of Rs. 1.71 Crores incurred by GHIAL in FY 2025 26 from the rationalized base year and escalate the balance Professional & Consultancy costs year-on-year by inflation.

GHIAL's Response:

The legal expenses incurred by GHIAL are necessary for safeguarding its interests and ensuring the efficient operation and maintenance of GHIAL. These expenses are attributable to the following:

GHIAL, being the Airport Operator, is the de facto party to various litigations, regulatory proceedings and legal matters arising from airport operations. The legal expenses incurred during the Third Control Period pertained, inter alia, to AERA-related regulatory matters, Goods and Services Tax (GST), Service Tax, Income Tax matters, and other routine litigation and advisory engagements.

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

GHIAL incurs legal expenses to protect its interests in matters relating to aeronautical charges, contractual obligations and regulatory proceedings. Such expenses are essential for protecting the economic viability and sustainability of airport operations in an evolving regulatory environment.

The Authority has stated that recent concession agreements exclude legal expenses from Operating Expenses considered as pass-through. However, no such exclusion is contemplated under the GHIAL Concession Agreement. The Concession Agreement requires GHIAL to operate and manage the Airport in compliance with applicable laws, maintain all approvals and licences, comply with regulatory requirements and discharge various obligations arising under the Agreement.

The Hon'ble TDSAT, in its judgment dated 29 May 2026 in the matter pertaining to Mumbai International Airport Limited (MIAL), held that legal expenses form part of O&M expenditure and are admissible as pass-through costs for airport operations. The Hon'ble Tribunal further observed that legal expenses incurred for protecting contractual, statutory and commercial interests, ensuring regulatory compliance, defending litigation, enforcing recovery of dues and preventing disruption to airport operations have a direct nexus with the smooth and efficient functioning of the airport. The relevant extract of the judgment is reproduced below for ready reference:

"408. In view of the aforesaid facts and reasons, we hereby hold that legal expenses claimed by the Appellant is hereby allowed as a part of O&M expenditure for the Fourth Control Period on an upfront basis, with a liberty to true-up the same, on the basis of actual incurrence at the time of tariff determination for Fifth Control Period."

"411. In view of the aforesaid facts and reasons, we hereby quash and set aside the decision of AERA in the impugned order so far as the legal expenses are concerned. AERA has no power, jurisdiction and authority to examine wherein legal expenses must be allowed as O&M expenses only after considering case-to-case basis."

GHIAL respectfully submits that legal expenses incurred by the Airport Operator arise in the ordinary course of operating, maintaining and developing the Airport and are essential for protecting its contractual, statutory and regulatory interests. Further, neither the GHIAL Concession Agreement nor the applicable regulatory framework contemplates exclusion of legal expenses from admissible operating expenditure. Accordingly, GHIAL requests the Authority to reconsider the proposed disallowance and allow legal expenses as part of admissible O&M expenditure for the Fourth Control Period."

"Authority's proposal for CSR:

10.2.129 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 rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore 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'. .

10.2.130 In this regard, the Authority is of the view that the CSR is a mandatory Social Responsibility of the Company (as per Section 135(1) of 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 passthrough expenditure of the companies, otherwise, it would defeat the very purpose of the social responsibility entrusted on the companies.

10.2.131 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. 10.2.132 The Authority proposes not to consider CSR expenses as part of Aeronautical O&M expenses for the Fourth Control Period.

GHIAL's Response:

GHIAL respectfully requests the Authority to refer the submissions made under the response to CSR expenses in third control period. The same may be read as part of the present response and considered accordingly."

"Authority's proposal for Other Admin expenses:

10.2.123 The Authority notes that the expenses classified by GHIAL under the head "Other Administrative Expenses" comprise the following components:

Membership fees paid to professional bodies such as CAPA (Centre for Aviation), CFO Next, APAO (Association of Private Airport Operators), CEO Next, and similar industry/professional forums;

Subscription charges for books, periodicals, and professional publications; and

Meeting and seminar expenses incurred for internal team meetings and related engagements.

10.2.124 The Authority, on the basis of its analysis of the historical Other Admin Expenses incurred by GHIAL during the Third Control Period, observes that the year-on-year growth rates of the said expense were highly variable, with the said expenses recording negative growth in certain years.

10.2.125 The Authority is of the view that, given the highly variable and bidirectional nature of the yearon-year movements in Other Admin Expenses, the application of a real growth rate of 8% per annum to the said expense is not supported by the historical experience.

10.2.126 The Authority, in the absence of a detailed sub-component-wise break-up of the expenses booked under this head and the consequent inability to undertake a granular prudence and efficiency assessment, proposes to project the expense for the Fourth Control Period by adopting 50% of the rationalized FY26 base as the starting point, with annual escalation at the prevailing inflation rate.

GHIAL's Response:

GHIAL respectfully submits that the expenses under this head comprise membership fees, industry subscriptions and participation in professional forums, which are incurred in the ordinary course of business and support effective airport management. The year-on-year variation in such expenses is primarily driven by renewal cycles and business requirements and, by itself, does not justify a 50% reduction in the FY26 base. In the absence of any finding regarding imprudence, GHIAL requests the Authority to consider the FY26 base as submitted and apply inflationary escalation for the Fourth Control Period."

"Authority's proposal for Strategic, Management and Technical Service Fee:

10.2.175 The Authority took note of GHIAL's submission regarding a new expense head, Strategic, Management and Technical Service Fee, proposed for the Fourth Control Period.

10.2.176 The Authority sought clarification from GHIAL on the details and justifications for projection of such expenses for the Fourth Control Period. GHIAL's responses are as follows:

"GHIAL Board in its meeting dated 23.07.2025, has approved the payment of Strategic, Management and Technical Service Fee from FY26 to all its shareholders including GMR Airports Limited (GAL), Airport Authority of India and Government of Telangana. The Clauses 3.4 and 3.5 of the Shareholders Agreement defines the Role of the Sponsors which lists down the various activities that the Sponsors are to provide. The Clause 5.10 of the Shareholders Agreement provides that all decisions of the Board shall be a simple majority of the Directors present and voting. The Clause 11.3 of the Shareholders Agreement mentions that GHIAL shall provide to each of its investors with a right to consult and advise management of GHIAL on various issues.

Hence the board of GHIAL has now decided to start paying, going forward, a consideration for the services being provided by shareholders to the Company towards its strategic leadership, governance and business sustainability @3% of stand-alone gross revenue from FY 2026 on a quarterly basis."

10.2.177 The Authority notes that, as per the present shareholding pattern of GHIAL, 26% of the shareholding is held by Government entities, comprising 13% held by AAI on behalf of the Government of India, and 13% held by the Government of Telangana, while the remaining 74% is held by GMR Airports Limited (GAL). GHIAL has referred to certain provisions of the Shareholders' Agreement and submitted that the Board of GHIAL has decided to make payments to its shareholders towards services stated to be provided by them in relation to strategic leadership, governance and business sustainability. GHIAL has proposed that such consideration would be paid at the rate of 3% of standalone gross revenue, with effect from FY 2025-26, on a quarterly basis.

10.2.178 The Authority has analysed GHIAL's submission and observes as under:

Clauses 3.4 and 3.5 of the Shareholders' Agreement set out the roles of the Sponsors and the State Promoters in providing support to GHIAL. The activities listed for the State Promoters primarily relate to the initial support required for commencement of airport operations. The activities listed for the Sponsors also relate to commencement of airport operations and include reference to services to be provided in the ordinary course of business for operation, management and development of the airport and for provision of airport services.

The aforesaid clauses are general enabling provisions defining the broad roles and obligations of shareholders in relation to the airport project under the Concession Agreement framework. The Authority does not find any specific provision in the Shareholders' Agreement which provides for payment of separate consideration to shareholders towards advice, consultation, strategic leadership, governance or business sustainability services.

The Authority is of the view that Hyderabad Airport was awarded to GAL through a transparent competitive bidding process with a clear mandate of development, construction, operation and maintenance of the airport for the concession period. Further, at the time of evaluation of the bids, GAL was shortlisted considering their ability to develop and manage the airport operations. Considering the Strategic, Management and Technical Service Fee to run the airport operations would defeat the above purpose and will lead to an additional fee being rendered to the shareholders in addition to the return on their invested equity.

10.2.179 The Authority further observes that GHIAL is a separate legal entity having its own senior management, personnel and functional structure for operating, managing and developing the airport. In addition, GHIAL already avails expert services from personnel of group companies and engages

consultants/domain experts in various fields in the ordinary course of its business. Therefore, the Authority is of the view that a blanket quarterly payment to shareholders would lead to a risk of overlap between the proposed fees and costs already embedded in GHIAL's existing expenditure base, including employee costs, administrative expenses, consultancy charges and other management-related expenses and may result in duplication of costs and consequential double recovery from airport users.

10.2.180 Accordingly, the Authority proposes not to consider the payment towards Strategic, Management, and Technical Service Fees to shareholders.

GHIAL's Response:

GHIAL respectfully requests the Authority to refer the submissions made under the response to Strategic and Management and technical fees in third control period. The same may be read as part of the present response and considered accordingly."

Other stakeholders' comments regarding Aeronautical O&M Expenses for the Fourth Control Period

10.3.3 AOC HYD's comment with regards to Aeronautical O&M Expenses for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Digitisation Costs Require Stronger Justification

The proposal includes a new digitisation expenditure programme of approximately INR 260crore over the Fourth Control Period. While we support technology investments, these costs should be supported by clear business cases, measurable efficiency improvements, and demonstrable benefits to airport users.

We welcome AERA's recognition that many digital initiatives provide both aeronautical and commercial benefits. However, where investments support commercial activities, passenger retail engagement, or airport revenue generation, the associated costs should not be disproportionately allocated to aeronautical users. We request that AERA adopt a conservative approach to aeronautical cost allocation and ensure that airlines are not required to fund activities that primarily enhance the airport's commercial revenues."

"Cross-Subsidisation and Revenue Allocation

We request greater transparency regarding the net tariff impact of the proposed classification of Cargo, Ground Handling, and Fuel Farm activities. While the Authority states that these revenues will offset ARR and reduce aeronautical charges, the Consultation Paper does not demonstrate whether airport users receive a greater benefit under the proposed treatment than they would under the hybrid till framework."

10.3.4 IATA's comment with regards to Aeronautical O&M Expenses for the Fourth Control Period for RGIA, Hyderabad is as follows:

"IATA appreciates AERA's detailed review of the O&M expenditure proposed by GHIAL for the Fourth Control Period and supports the Authority's efforts to apply prudence, efficiency and cost-allocation principles to protect airport users from bearing unnecessary costs. Based on our review, we wish to raise the following concerns and recommendations.

4.7.1 Staff Costs:

While airlines acknowledge that some increase in staffing costs may be required to support airport growth and the future expansion of facilities, we are concerned by the magnitude of the projected increase in manpower-related expenses.

GHIAL has proposed significant growth in both direct staff costs and outsourced manpower costs despite ongoing investments in digitalization, automation, self-service facilities and process improvements. These investments should generate productivity gains and partially offset future workforce growth requirements. Airlines therefore support AERA's decision to moderate the staffing growth assumptions and encourage the Authority to continue applying efficiency targets throughout the Fourth Control Period. Any increase in headcount should be supported by clear operational requirements linked to actual commissioning of new facilities rather than forecast growth alone.

The Third Control Period true-up identified manpower hire expenses that significantly exceeded previously approved levels, with justification largely based on minimum wage escalation, Digi Yatra implementation and capex-monitoring activities. While wage inflation is a legitimate cost driver, we do not consider it sufficient to justify the overall increase observed. Not all outsourced personnel are paid at or near statutory minimum wage levels, and prior tariff determinations should already have incorporated expected growth arising from terminal expansion and increasing traffic volumes.

For the Fourth Control Period, IATA recommends that:

Staffing projections be linked to actual commissioning dates and utilization levels of new facilities.

Productivity improvements resulting from digitalization and automation be explicitly reflected in manpower forecasts.

Airport-specific benchmarking be undertaken against comparable Indian airports.

Any costs associated with temporary project-related activities be excluded from the ongoing O&M base.

4.7.2 Capex Monitoring Personnel:

Airlines note that GHIAL previously employed 16 personnel for general capex monitoring at an annual cost of approximately INR 5.4 crore, in addition to the Project Management Consultant (PMC). The rationale for maintaining such resources remains unclear. We request AERA to confirm:

Whether these personnel remain temporary resources linked to specific projects

Whether any overlap exists with PMC responsibilities

Whether these costs have been embedded within future O&M forecasts

Project-related monitoring activities should not become a permanent burden on airport users once the underlying projects are completed.

4.7.3 Repairs & Maintenance (R&M):

Airlines recognise the need for adequate maintenance of airport infrastructure to ensure safe and efficient operations. However, as major assets are newly commissioned or recently expanded, airlines expect maintenance programmes to reflect asset life-cycle efficiencies. AERA should continue scrutinizing whether projected growth in R&M expenditure is proportionate to asset additions and ensure that costs arising from inefficient asset management or procurement practices are not passed through to users.

4.7.4 Professional and Consultancy Expenses

Airlines support AERA's cautious review of consultancy costs. Consultancy expenses should be recoverable only where they are directly associated with airport operations and provide demonstrable value to airport users. External advisory services that are strategic, shareholder-related, corporate, transactional or otherwise discretionary should not be included in the aeronautical cost base. The burden of proof should remain with GHIAL to demonstrate the necessity and benefit of each major consultancy engagement.

4.7.5 Corporate Cost Allocation:

Airlines continue to have concerns regarding corporate overhead allocations from the wider GMR group. Only costs directly attributable to the operation of Hyderabad Airport should be recoverable through airport charges. Corporate allocations should be supported by transparent methodologies, detailed supporting schedules and evidence that airport users receive a direct benefit from the services provided. Unsupported allocations should be excluded from the aeronautical cost base.

4.7.6 Digitalization Costs:

Airlines support investments that improve operational efficiency, passenger facilitation and airport resilience. However, digitalization initiatives should not be treated as an automatic justification for higher airport charges. Projects should be assessed individually, with a clear demonstration of operational benefits, measurable productivity improvements and avoidance of duplicate systems. Airlines support AERA's methodology of allocating only a portion of digitalization costs to aeronautical services and encourage continued scrutiny of these expenditures through future true-ups.

4.7.7 Bank Charges, Working Capital Costs and Financing-Related Expenses:

Airlines support AERA's continued scrutiny of these items as these expenses should only be recoverable where they are unavoidable, prudently incurred and directly linked to airport operations. Users should not bear financing inefficiencies or costs arising from management decisions that are within the airport operator's control.

4.7.8 Utility Costs:

Given the substantial investments in modern airport infrastructure and energy-efficient technologies, airlines expect the airport to demonstrate ongoing efforts to improve energy and water efficiency. AERA should require GHIAL to demonstrate:

Consumption trends per passenger

Efficiency improvements achieved

Recovery of utility costs from commercial users and concessionaires

Benefits arising from sustainability initiatives

Utility expenditure growth should be justified by actual operational requirements rather than passenger growth alone.

4.7.9 Concession Fee:

Airlines support AERA's proposal to continue calculating concession fees on the basis of revised aeronautical revenues and applying appropriate cost allocation principles. Given the material impact of concession fees on airport charges, AERA should continue ensuring that the calculation methodology is transparent, consistent and aligned with the regulatory framework.

4.7.10 Cargo, Ground Handling and Fuel Farm (CGF):

IATA supports AERA's approach of treating CGF services consistently with the definitions contained in the AERA Act and ensuring symmetry between cost and revenue treatment. Where costs are recognized as aeronautical, the corresponding revenues must also be included in the aeronautical revenue base to ensure airport users receive the full offsetting benefit.

4.7.11 Strategic, Management and Technical Service Fees:

Airlines strongly support AERA's rejection of attempts to recover shareholder-related strategic, management or technical service fees through airport charges. Such costs are fundamentally different from airport operating expenditure and should be borne by shareholders. Airport users should not fund shareholder returns through management fee arrangements.

IATA supports AERA's efforts to moderate O&M growth and believes further scrutiny remains warranted in relation to manpower costs, outsourced services, corporate allocations, consultancy expenses and project-related staffing. The airport should be required to demonstrate tangible efficiency improvements from its digitalization and expansion programmes, with resulting savings shared with airport users rather than allowing costs to rise in parallel with capacity expansion. Airlines therefore encourage AERA to maintain a rigorous prudence review and allow only efficient, justified and transparently supported expenditures into the aeronautical cost base."

10.3.5 Lufthansa Group's comment with regards to Aeronautical O&M Expenses for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Digitisation Expenditure Must Be Transparent, Justified and Outcome- Oriented

We support the investment in digital technologies that improve airport operations and passenger experience. However, the proposed digitization expenditure of ₹260 crore represents a significant new cost element with no historical baseline. As noted by the Authority, GHIAL's initial submission lacked sufficient granularity to enable a meaningful regulatory assessment.

While the indicative use cases outlined by GHIAL are progressive, the proposed expenditure should be supported by a detailed cost-benefit analysis demonstrating how each initiative will deliver measurable improvements in passenger processing, baggage handling, operational efficiency, turnaround performance and service quality. Benchmarking against other airports, by itself, should not be the sole basis for permitting cost recovery through aeronautical tariffs.

The Authority is respectfully requested to permit recovery of digitization expenditure only to the extent that the Airport Operator demonstrates the necessity, reasonableness and measurable operational benefits of each proposed initiative, supported by detailed project-wise justification and appropriate regulatory scrutiny.

This approach aligns with AERA's own observation that the proposed expenditure requires greater detail before it can be appropriately assessed. It also reinforces the regulatory principle that airport users should bear only efficient and demonstrably beneficial costs."

Operational Expenditure Should Continue to be Subject to Efficiency Review

We support the Authority's proposal to true-up Operation and Maintenance (O&M) expenditure based on actuals, subject to reasonableness and efficiency. We respectfully request the Authority to continue benchmarking operating costs against comparable airports and disallow expenditure that is avoidable, inefficient or does not contribute directly to airport operations and service delivery like penal interest, inefficient refinancing costs and avoidable finance expenses.

10.4 GHIAL's response to Stakeholder's comments regarding Aeronautical O&M Expenses for the Fourth Control Period

10.4.1 GHIAL's response to AOC HYD's comment on Aeronautical O&M Expenses for the Fourth Control Period is as follows:

"The proposed digitization spend of ₹260 Cr is aimed at enhancing passenger facilitation, operational efficiency, safety, service quality, resilience, and regulatory compliance, and is not solely a commercial initiative. AERA has evaluated the proposal considering necessity, usefulness, and revenue-generating capacity, and has allocated only 64.67% (₹168.14 Cr) of the total cost to aeronautical services against ₹ 260 Cr proposed by GHIAL. "

10.4.2 GHIAL's response to IATA's comment on Aeronautical O&M Expenses for the Fourth Control Period is as follows:

"4.7.1 Staff Costs:

Linkage to Facility Commissioning and Utilization: GHIAL confirms that manpower projections for CP-4 have been developed based on a detailed bottom-up assessment of operational requirements associated with existing and planned facilities, expected utilization levels, asset maintenance requirements, and service standards. The projections are therefore linked to operational needs arising from infrastructure deployment rather than traffic growth alone.

Productivity Benefits from Digitalization: GHIAL has actively implemented initiatives such as Digi Yatra, self-service technologies, process automation, and digital monitoring tools to enhance productivity and improve operational efficiency. The benefits of these initiatives have been factored into the proposed manpower requirements. However, several critical functions relating to safety, security, engineering, maintenance, regulatory compliance, and airport operations continue to require adequate manpower and cannot be fully automated.

Benchmarking Against Comparable Airports: GHIAL continuously reviews industry practices and organizational structures to ensure operational efficiency, we have among the lowest employee cost among the private airport operators. While each airport has unique operational, infrastructure, traffic mix, and service-level requirements, GHIAL remains committed to ensuring that its manpower deployment and associated costs are reasonable and commensurate with its operational needs.

Treatment of Project-Related Activities: GHIAL agrees that temporary project-specific costs should not form part of the ongoing O&M base. However, resources associated with sustaining and replacement capex programmes support recurring asset management, maintenance oversight, and infrastructure reliability requirements of an airport that has been operational for over 18 years. These activities are ongoing in nature and are essential for safe, secure, and efficient airport operations.

Accordingly, GHIAL submits that the proposed manpower costs appropriately reflect operational requirements, productivity initiatives, asset management needs, and service commitments

4.7.2 Capex Monitoring Personnel:

GHIAL respectfully submits that the personnel engaged for Capex Monitoring are not temporary resources associated with a few specific projects, but form part of the airport's ongoing asset management and capital governance framework. These resources support the planning, monitoring, coordination, execution oversight and closure of sustaining, replacement, safety, compliance and asset reliability-related capital projects that are undertaken continuously across the airport.

AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

With an airport infrastructure that has been operational for approximately 18 years, GHIAL is required to undertake recurring asset replacement, lifecycle renewals, technology upgrades and compliance-driven investments to ensure operational reliability, safety, service quality and regulatory compliance. Accordingly, dedicated internal oversight is required on a continuing basis.

GHIAL further submits that there is no overlap between the responsibilities of the internal Capex Monitoring team and the Project Management Consultant (PMC). While the PMC provides project-specific technical and project management support, the internal team is responsible for airport-wide capital governance, stakeholder coordination, budgeting, approvals, contract administration, operational integration, progress monitoring and ensuring alignment with business and regulatory requirements. The two functions are complementary in nature and serve distinct purposes.

Further, the associated manpower costs relate to recurring activities necessary for the management of sustaining and replacement capital programmes and are therefore appropriately considered as part of the airport's ongoing operational support structure. These costs are, in any event, subject to AERA's prudence review, ensuring that only necessary and efficient costs are considered for recovery through tariffs.

Accordingly, GHIAL submits that the Capex Monitoring resources support ongoing and recurring asset management requirements, do not duplicate PMC functions, and are necessary to ensure the safe, reliable and efficient operation of airport infrastructure throughout the control period.

GHIAL submits below points:

Repairs & Maintenance:

The proposed R&M expenditure is driven by both the ageing asset base and the expanded airport infrastructure that requires ongoing maintenance and upkeep.

Hyderabad Airport's original terminal and several core assets have been operational for approximately 18 years, necessitating increased preventive maintenance and repair works.

The growth in R&M costs is also attributable to the maintenance of newly added terminal, airside, utility, and operational assets.

GHIAL follows preventive and predictive maintenance practices to enhance asset reliability, optimize lifecycle costs, and avoid expensive breakdowns or replacements.

R&M forecasts are based on asset condition assessments, OEM recommendations, statutory requirements, and operational needs, rather than arbitrary cost escalation.

All proposed expenditure remains subject to AERA's prudence review, ensuring that only efficient and justified costs are considered for recovery through tariffs.

Accordingly, the proposed R&M expenditure for CP4 is prudent, necessary, and essential for maintaining safe, reliable, and efficient airport operations.

Professional & consultancy expenses:

Professional and consultancy expenses are incurred only where specialized expertise is required and cannot be efficiently provided through internal resources.

These costs primarily relate to airport operations, regulatory compliance, engineering, safety, security, environmental requirements, legal matters, IT systems, asset management, and operational improvement initiatives.

Given the highly regulated nature of the aviation sector, engagement of specialized consultants is often necessary to meet statutory, technical, and regulatory obligations.

GHIAL follows established procurement and governance processes to ensure consultancy engagements are justified, cost-effective, and deliver operational value.

All consultancy expenses proposed for CP4 are subject to AERA's prudence scrutiny, ensuring that only reasonable, efficient, and airport-related costs are considered for tariff determination.

Accordingly, the proposed consultancy expenses are necessary for ensuring safe, compliant, efficient, and sustainable airport operations and ultimately benefit airport users.

Corporate Cost Allocation:

Corporate cost allocations relate to specialized support services such as finance, legal, taxation, internal audit, risk management, IT, cybersecurity, HR, procurement, and regulatory affairs that are necessary for the efficient operation of Hyderabad Airport. The same has been assessed and approved by AERA in previous years during CP-1,2 and 3 tariff orders. The corporate structure followed by the group helps in reducing redundancy and building expertise in operating an airport.

Accordingly, the proposed corporate cost allocations are reasonable, transparent, and necessary for supporting efficient airport operations, regulatory compliance, and service delivery for the benefit of airport users.

Digitization Cost: Bank charges

The proposed digitization spend of ₹260 Cr is aimed at enhancing passenger facilitation, operational efficiency, safety, service quality, resilience, and regulatory compliance, and is not solely a commercial initiative. AERA has evaluated the proposal considering necessity, usefulness, and revenue-generating capacity, and has allocated only 64.67% (₹168.14 Cr) of the total cost to aeronautical services against ₹ 260 Cr proposed by GHIAL.

Bank Charges

These charges are incurred for essential operational activities such as revenue collection, payment processing, bank guarantees, and cash management services required for airport operations.

All such costs remain subject to AERA's prudence review, ensuring that only reasonable, justified, and efficient costs are considered for recovery.

Accordingly, the proposed bank charges and financing-related expenses are prudent, unavoidable, and necessary for the efficient operation of Hyderabad Airport.

Utilities:

GHIAL continuously implements energy and water efficiency initiatives, including LED lighting, smart building systems, water conservation measures, and renewable energy adoption.

Utility costs are driven not only by passenger growth but also by expanded airport infrastructure, enhanced service levels, operational requirements, and revisions in utility tariffs.

Utility expenditure projections are based on detailed operational requirements, asset utilization, infrastructure expansion, historical consumption trends, and expected tariff increases.

Utility charges are recovered from concessionaires, commercial operators, and other users wherever contractually applicable, with corresponding revenues duly accounted for.

Sustainability initiatives deliver long-term benefits through improved resource efficiency, reduced environmental impact, enhanced operational resilience, and optimized lifecycle costs.

All utility cost projections remain subject to AERA's prudence review to ensure that only reasonable and efficient costs are considered for tariff determination.

Accordingly, the proposed utility expenditure is prudent, justified, and reflective of the actual operational requirements of an expanding airport, rather than being driven solely by passenger growth.

Cargo Ground Handling & Fuel Farm – Please refer response as stated above for previous queries for CGF.

Strategic, Management & Technical Fee – Please refer response as stated above for previous queries for Management fees."

10.4.3 GHIAL's response to Lufthansa Group's comment on Aeronautical O&M Expenses for the Fourth Control Period is as follows:

"The proposed digitization spend of ₹260 Cr is aimed at enhancing passenger facilitation, operational efficiency, safety, service quality, resilience, and regulatory compliance, and is not solely a commercial initiative. AERA has evaluated the proposal considering necessity, usefulness, and revenue-generating capacity, and has allocated only 64.67% (₹168.14 Cr) of the total cost to aeronautical services against ₹ 260 Cr proposed by GHIAL."

10.5 Authority's analysis on Stakeholder's comments regarding Aeronautical O&M Expenses for the Fourth Control Period

10.5.1 The Authority has carefully examined, on merits, the comments of all Stakeholders and the counter-response of the Airport Operator, as presented above, and the same has been dealt with in detail below:

Manpower Expenses

10.5.2 The Authority observes that Rajiv Gandhi International Airport, Hyderabad ("RGIA"), having commenced operations in 2008, has now accumulated over 18 years of operational experience and possesses well-established operational systems, processes, and manpower deployment frameworks. The Authority is of the considered view that, in the case of an airport at this stage of operational maturity, the Airport Operator ought to have, in the ordinary course, implemented adequate measures to ensure operational efficiency, particularly in respect of manpower deployment, allocation, and productivity. A mature airport operator is reasonably expected to optimize and establish efficient work allocation methodologies, and implement systems to minimize redundancies in staffing. This principle of operational maturity is consistent with the Authority's approach in past tariff determinations for established airports and represents the application of prudence principles as mandated under Section 13 of the AERA Act, 2008.

10.5.3 The Authority further observes that GHIAL has, in the Multi-Year Tariff Proposal, projected substantial investments in technology and digitalization initiatives during the Fourth Control Period, inter alia, on account of automation, digital workflows, and process re-engineering. The Authority is of the considered view that the progressive implementation of the said technology investments ought to yield commensurate efficiency gains in manpower deployment, and consequently, GHIAL ought to be in a position to moderate the growth trajectory of its manpower costs over the Fourth Control Period. It is a well-established principle in operational management that when an airport operator invests significantly in process automation, digital systems, and process re-engineering, such investments invariably result in improved labor productivity, reduced manual interventions, and enhanced workforce efficiency and reduce/optimizes the cost component.

Allowing an escalation in Salaries and Wages materially above the prevailing rate of inflation, in the face of said technology-driven efficiency potential, would result in airport users bearing a cost that is neither reflective of the optimization expected from a mature airport nor consistent with the principle of economic efficiency as embodied in the AERA Act, 2008.

10.5.4 The Authority has conducted a detailed analysis of historical salary and wage trends for RGIA over the Third Control Period and notes that year-on-year growth rates have varied significantly and the growth trajectory does not support the application of a sustained real growth rate of 8% per annum above inflation. The actual escalation experience is more modest and closely aligned with prevailing inflation rates.

10.5.5 The Authority acknowledges GHIAL's reference to the Third Control Period true-up, wherein approved Aeronautical Manpower Hire expenses increased to Rs. 313.73 crore against the Rs. 185.10 crore approved in the Tariff Order, representing a material variance of approximately 68.6%. The Authority recognizes that the increase was driven by legitimate factors including contractual wage escalations, terminal expansion, increased terminal capacity and passenger throughput, and Digi Yatra implementation. However, the Authority takes the view that regulatory consistency requires that if material variances were permitted in the Third Control Period true-up due to acknowledged cost drivers, those same drivers should now be anticipated and reflected with appropriate moderation in the Fourth Control Period projection. The Authority cannot accept an identical escalation trajectory in the Fourth Control Period without demonstrable operational necessity, as doing so would embed inefficiency in future tariff bases and inconsistent with the principle of protecting airport users from bearing unjustified cost escalations.

10.5.6 The Authority observed that the existing terminal capacity expansion from approximately 34 MPPA to 40 MPPA (and subsequently to higher capacities through the Northern Precinct development) will necessitate additional manpower for terminal operations, airside functions, landside services, security, customer facilitation and support functions. The Authority has therefore determined that an adjusted manpower growth factor of 18.01% in FY 2029-30 and 18.01% in FY 2030-31 appropriately reflects the incremental manpower requirements. This moderation accounts for the progressive ramp-up of facility operations rather than immediate full-scale deployment, the efficiency gains anticipated from technology and automation investments during the Control Period, and graduated commissioning timelines for various terminal facilities rather than simultaneous commissioning.

10.5.7 Accordingly, having examined all aspects of manpower expenditure for the Fourth Control Period in the light of operational maturity, technology investments, and airport user protection, the Authority retains its proposal as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026 regarding: (i) escalation of Salaries and Wages at 6% per annum on a rationalized FY 2025-26 base figure, marginally higher than the inflation; and (ii) application of an adjusted manpower growth factor of 18.01% in FY 2029-30 and FY 2030-31, on account of the augmentation in operational requirements consequent upon the commissioning of the Northern Precinct Terminal.

Security Expenses

10.5.8 The Authority has examined the comments of GHIAL for increase in security expenses due to Government of Telangana Order revising minimum wages for unskilled workers from Rs. 12,778 per month to Rs. 15,000 per month, representing an increase of approximately 17%.

10.5.9 The Authority is of the view that, consistent with the regulatory principles applied to other manpower-related expenses, including salaries and wages and manpower hire charges, the escalation of security expenses should be moderated at an efficiency-oriented rate that reflects both the prevailing inflation rate and the anticipated productivity gains from technology investments and process improvements. The

Authority has noted that GHIAL is undertaking substantial investments in technology and digitalization initiatives during the Fourth Control Period, including automation and digital workflows. While the Authority acknowledges that security operations inherently require adequate human personnel and cannot be fully automated, such technology investments may nonetheless yield efficiency gains through improved resource allocation, enhanced monitoring capabilities, and optimized deployment of security personnel.

10.5.10 The Authority further notes that the principle of regulatory consistency requires that the treatment of security expenses should align with the methodology applied to other manpower-driven expenses. In the context of manpower expenditure and manpower hire charges, the Authority has applied a moderated escalation rate of 6% per annum, being marginally above the prevailing rate of inflation, to preserve the efficiency imperative while allowing reasonable real-term escalation. The Authority considers that the same approach should apply to security expenses, which are fundamentally manpower-driven in nature and subject to similar pressures regarding wage inflation and productivity expectations. To apply a materially higher escalation rate to security expenses without corresponding justification would be inconsistent with the framework applied to other manpower-driven costs and would potentially pass efficiency gaps to airport users.

10.5.11 The Authority acknowledges GHIAL's submission regarding the statutory wage revision and the supporting documentation provided. However, the Authority notes that GHIAL has not provided a detailed breakdown quantifying: (i) the precise categories of security personnel affected by the wage revision notified in G.O. Ms. No. 6; (ii) the actual percentage of GHIAL's security personnel portfolio subject to the minimum wage floor; (iii) the quantum of cost impact attributable specifically to this wage revision versus other factors; or (iv) evidence demonstrating that the revised minimum wage would apply uniformly across all security personnel hired and deployed by GHIAL at the airport. The Authority is of the view that without such detailed analysis, it would be inappropriate to apply a blanket adjustment to the entire security expense base.

10.5.12 Accordingly, the Authority retains its proposal regarding the escalation of Security expenses at 6% per annum with an adjusted terminal area expansion factor of 18.01% in FY 2029-30 and FY 2030-31, consistent with the approach adopted in Consultation Paper No. 02/2026-27 dated 19.06.2026. Security Expenses may be trued up after considering the effect of statutory wage revision and other applicable factors.

R&M Expense

10.5.13 The Authority notes GHIAL's reference to regulatory benchmarks from other airports, including the 1.65% of closing gross block allowance for Noida International Airport and the 6% of opening Net Block allowance for Ahmedabad International Airport. The Authority notes that these benchmarks reflect specific circumstances of those airports, including their asset base composition, age profile, operational maturity, technology deployment and maintenance requirements at the respective stages of their development. The Authority is of the view that while such benchmarks provide useful reference points, each airport's R&M requirements must be assessed with reference to its specific operational characteristics, asset profile, and demonstrated maintenance needs. The Authority has noted that GHIAL's R&M cost per passenger and per terminal area remains lower than comparable airports, suggesting that the Authority's proposed approach, while moderated, continues to be reasonable and protective of airport user interests.

10.5.14 The Authority is of the considered view that the provision of an incremental allowance towards R&M expenses for newly commissioned assets is reasonable, having regard to the maintenance requirements of such assets during the initial years of operation. The Authority notes that newly commissioned assets generally require relatively lower levels of maintenance during the initial period as compared to assets that have been in service for a longer period.

10.5.15 The Authority has, accordingly, re-examined the R&M requirement applicable to new asset additions over the asset lifecycle. It is observed that the maintenance requirements of assets generally increase with age due to normal wear and tear and the consequent need for repairs, replacement and upkeep. Accordingly, a graded approach to R&M expenses is considered appropriate to reflect the increasing maintenance requirements as the assets age.

10.5.16 In view of the above, the Authority has decided to provide R&M expenses on new asset additions at 0.5%, 0.6%, 0.7%, 0.85% and 1.0% during the 1st, 2nd, 3rd, 4th and 5th years, respectively. The graded allowance is intended to provide for the progressively increasing maintenance requirements of the assets over their initial years of operation and to ensure that adequate R&M provision is available commensurate with the ageing of the assets.

10.5.17 Accordingly, the Authority considers the above graded R&M allowance to be reasonable and appropriate for the purpose of determination of the allowable R&M expenditure. The Authority, therefore decides the R&M expense of Rs. 796.20 Crores for the Fourth Control Period as against the R&M expense of Rs. 778.14 Crores as considered at the Consultation Stage. The year-on-year R&M expenses approved for the Fourth Control period is given in the table below:

Table 332: R&M expense decided by the Authority for the Fourth Control Period

(Rs In crores)

FY ending March '31	FY27	FY28	FY29	FY30	FY31	Total
Total R&M	122.04	128.60	134.74	195.13	215.68	796.20

Manpower Hire Expense

10.5.18 The Authority has examined the comments of GHIAL for increase in manpower hire charges due to Government of Telangana Order revising minimum wages for unskilled workers from Rs. 12,778 per month to Rs. 15,000 per month, representing an increase of approximately 17% and other factors.

10.5.19 The Authority notes that the 68.6% variance between approved and actual Manpower Hire expenses in the Third Control Period is material and warrants regulatory scrutiny. The Authority has examined the underlying drivers of this variance as part of the Third Control Period true-up determination. The Authority recognizes that legitimate factors including contractual wage escalations, terminal expansion requiring additional personnel, Digi Yatra implementation, and increased operational complexity contributed to the variance.

10.5.20 However, the Authority is of the considered view that regulatory consistency requires appropriate moderation in the Fourth Control Period. Having already approved a significant escalation in the Third Control Period true-up to reflect these drivers, the Authority must examine whether the same escalation trajectory should be mechanically extended into the Fourth Control Period. The Authority is concerned that embedding the entire third control period escalation pattern into the fourth control period without demonstrated operational necessity or efficiency review would result in compounding effects that progressively increase the per-passenger cost burden.

10.5.21 The Authority further observes that RGIA is a mature airport that has been operational for over 18 years. GHIAL has in its Multi-Year Tariff Proposal projected substantial investments in technology and digitalization initiatives during the Fourth Control Period, including automation, digital workflows, and process re-engineering. The Authority is of the considered view that progressive implementation of such technology investments ought to yield commensurate efficiency gains in manpower deployment. These efficiency gains should moderate the growth trajectory of manpower hire costs rather than being offset by blanket escalation assumptions. Allowing significant real growth in manpower hire charges concurrent with

planned technology-driven efficiency improvements would be inconsistent with the regulatory principle of economic efficiency and would require airport users to bear costs that should be offset by the anticipated productivity benefits.

10.5.22 The Authority acknowledges that statutory minimum wage revisions are a legitimate cost driver that airports cannot control. However, such revisions typically impact specific categories of workers at or near the minimum wage threshold and do not justify blanket escalation across the entire manpower hire portfolio. The Authority observes that GHIAL has not provided detailed breakdown quantifying: (i) the precise categories of outsourced manpower affected by the G.O. Ms. No. 6 wage revision; (ii) the percentage of GHIAL's outsourced manpower portfolio subject to the minimum wage floor; (iii) the specific cost impact of the wage revision as distinguished from other factors; or (iv) evidence that the revised minimum wage applies uniformly across all outsourced personnel categories deployed by GHIAL. Without such granular analysis, the Authority cannot justify applying a blanket escalation adjustment to the entire manpower hire expense base. The Authority notes that if the statutory wage revision applies to specific categories, the cost impact would be captured in the base year and reflected through the escalation methodology rather than requiring additional uplift assumptions.

10.5.23 Accordingly, the Authority retains its proposal regarding Manpower Hire Charges for the Fourth Control Period as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026, comprising: (i) escalation of the FY 2025-26 rationalized base at 6% per annum, marginally higher than the inflation rate; and (ii) application of an adjusted terminal area expansion factor of 18.01% in FY 2029-30 and FY 2030-31 upon commissioning of the Northern Precinct Terminal. Manpower hire charges will be trued up after considering the effect of statutory wage revision and other applicable factors.

Housekeeping Costs

10.5.24 The Authority has examined the comments of GHIAL for increase in housekeeping expenses due to Government of Telangana Order revising minimum wages for unskilled workers from Rs. 12,778 per month to Rs. 15,000 per month, representing an increase of approximately 17%.

10.5.25 The Authority is of the view that housekeeping costs, being labor-intensive and driven by operational area and service standards, should be projected on the basis of objectively measurable parameters rather than blanket escalation assumptions.

10.5.26 The Authority acknowledges that statutory minimum wage revisions are legitimate cost drivers that airports cannot control. However, similar to the approach applied to other manpower-driven expenses, such revisions typically impact workers at or near the minimum wage threshold and do not justify blanket escalation across the entire housekeeping cost base. The Authority notes that GHIAL has not provided detailed breakdown quantifying: (i) the percentage of housekeeping personnel subject to the G.O. Ms. No. 6 wage revision; (ii) the specific cost impact of the wage revision; or (iii) evidence that all housekeeping categories are uniformly affected. Without such analysis, the Authority cannot justify applying a blanket escalation or applying a minimum 10% real growth assumption.

10.5.27 Accordingly, the Authority retains its proposal regarding Housekeeping Expenses for the Fourth Control Period as set out in Consultation Paper No. 02/2026-27 dated 19.06.2026, comprising: (i) exclusion of the one-time Rs. 9 crore deep cleaning expenditure from the FY 2025-26 base year; (ii) escalation of the rationalized FY 2025-26 base at inflation rates specified for the Fourth Control Period; and (iii) application of a moderated terminal area expansion factor of 18.01% in FY 2029-30 and FY 2030-31. Housekeeping expenses will be trued up after considering the effect of statutory wage revision and other applicable factors.

Professional & Consultancy Charges

10.5.28 The Authority notes that concession agreements executed by the Government of India for recent airports have excluded legal expenses from operating expenses considered as pass-through for tariff determination purposes. The Authority observes that such exclusions reflect a regulatory principle that airport users should not bear the cost of legal proceedings and disputes, particularly where such proceedings arise from contractual matters, regulatory proceedings, or disputes that may be characterized as ordinary business risks of airport operations. The Authority further notes that GHIAL, as an established and sophisticated airport operator with substantial resources and expertise, should manage legal and compliance risks as part of its operational and business management, rather than automatically passing such costs through to airport users.

10.5.29 The Authority acknowledges that legal expenses may be "necessary" for GHIAL to protect its interests and operate the airport. However, the Authority observes that regulatory cost recovery frameworks distinguish between costs that are "necessary" for an operator's survival and profitability versus costs that should be "recovered from users" through tariffs. Many costs incurred by airport operators including legal expenses, certain consultancy costs, marketing expenses, and corporate overhead may be necessary for the operator's business management without necessarily qualifying for direct recovery from airport users. The regulatory framework requires that costs recovered from users be directly attributable to the provision of aeronautical services and should not include general business management costs.

10.5.30 The Authority, while acknowledging GHIAL's assertion that legal expenses arise from AERA regulatory matters, tax proceedings, contractual obligations, and routine litigation, observes that such matters, while important to GHIAL's interests, do not necessarily constitute costs directly attributable to the provision of aeronautical services to passengers and airlines.

10.5.31 The Authority reiterates the fundamental principle that airport users should bear only those costs that are directly necessary for providing aeronautical services. Under this principle, costs incurred by airport operators for managing their own commercial interests, contractual disputes, tax matters, and shareholder protection should not be automatically recovered from users. The Authority observes that allowing such cost recovery would effectively transfer ordinary business management costs to airport users, contrary to the principle of cost-reflective tariffs that recover only service delivery costs.

10.5.32 The Authority acknowledges that the TDSAT has held in the MIAL case that legal expenses constitute admissible O&M expenditure. However, the Authority observes that: (i) TDSAT judgments, while authoritative, are specific to the facts and circumstances of particular airports and may not establish universal principles applicable to all airports; (ii) the MIAL decision does not establish that all legal expenses incurred by airport operators must be recovered from users. Accordingly, the Authority decides not to consider legal expenses as part of Operating Expenses for the Fourth Control Period.

CSR Expense

10.5.33 The Authority has examined GHIAL's submission (Refer Para 8.3.2) regarding CSR expenditure. 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.

10.5.34 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. Accordingly, the Authority decides not to consider CSR expenditure as part of Operating Expenses for the Fourth Control Period.

Other Admin Expense

10.5.35 The Authority observes that administrative expenses should be proportionate to airport operational requirements and should reflect efficiency improvements from technological investments and process optimization. As GHIAL implements digitalization initiatives and process re-engineering during the Fourth Control Period, such investments should yield efficiency gains that moderate administrative cost escalation. The Authority is of the view that administrative expenses should not escalate automatically in line with passenger growth or terminal expansion; rather, they should reflect genuine operational requirements while demonstrating the benefits of efficiency improvements.

10.5.36 The Authority maintains its approach to Other Administrative Expenses for the Fourth Control Period, whereby the normalized base year (FY26) of Other Administrative Expenses shall be escalated annually by inflation rates with adjustments for identified efficiency improvements from digitalization initiatives.

Strategic and Management and Technical Services fees

10.5.37 The Authority has set out in detail, in the Consultation Paper, the rationale for not considering such expenses as part of the allowable Operating Expenses. The Authority notes that the said rationale is consistent with the approach adopted while discussing Strategic, Management and Technical Service Fees during the true-up of the Third Control Period. Accordingly, having regard to the reasons already recorded in paras 5.6.306 to 5.6.308 and the consistent approach adopted by the Authority, the Authority is not inclined to allow Strategic, Management and Technical Service Fees as part of the Operating Expenses for the Fourth Control Period.

Digitisation Cost

10.5.38 The Authority acknowledges AOC HYD's support for technology investments and has examined counter comments of GHIAL and recognizes that digitisation is essential for modern airport operations. Digital initiatives can deliver significant benefits including operational efficiency improvements, enhanced passenger experience, improved security, and optimized resource utilization. The Authority supports technology investments that generate clear operational benefits and recognizes that many digital initiatives provide both aeronautical and non-aeronautical benefits. Accordingly, digitisation expenditures are legitimate components of airport capital programmes where they demonstrate clear business cases and measurable benefits.

10.5.39 The Authority agrees with AOC HYD that digitisation expenditures of the magnitude proposed (Rs. 260 crore over CP-4) should be supported by clear business cases demonstrating necessity, measurable efficiency improvements, and demonstrable benefits and has evaluated the associated cost considering necessity, usefulness, and revenue-generating capacity, and has allocated 64.67% (Rs. 168.14 Cr) of the total cost to aeronautical services against Rs. 260 Cr proposed by GHIAL.

10.5.40 The Authority applies a conservative cost allocation methodology whereby: (i) projects with primary aeronautical benefits are allocated entirely to the aeronautical base; (ii) projects with primary commercial benefits are allocated to the non-aeronautical base; (iii) dual-benefit projects are allocated proportionally based on the ratio determined using MCDA approach as detailed out in the Consultation Paper.

10.5.41 The Authority affirms to implementing enhanced scrutiny for digitisation expenditure and a robust true-up mechanism for digitisation expenditures whereby GHIAL shall track and report quantified benefits realized from each approved project. Accordingly, the Authority has decided to retain its decision taken at the Consultation Stage.

Treatment of CGF

10.5.42 The Authority acknowledges AOC HYD's request for greater transparency regarding the net tariff impact of CGF classification. The proposed treatment of Cargo, Ground Handling, and Fuel Farm activities as aeronautical services represents a regulatory determination distinguishing these revenue streams from traditional non-aeronautical commercial activities. This classification has material implications for aeronautical tariff determination.

10.5.43 The Authority clarifies that while the cost associated with CGF (Rs 111.32 crores as per table 135 of the Consultation Paper) (Table 144 of Tariff Order) were included under O&M, the corresponding revenue from CGF services amounting to Rs. 890.56 crores (Table 143 of Consultation Paper) (Table 155 of Tariff Order) were directly included in Aeronautical revenue instead of Rs. 267.17 crores (30% of Rs. 890.56 crores) being adjusted in ARR demonstrating significant benefit to the users.

Staff Costs and Manpower Efficiency:

10.5.44 The Authority has examined IATA's comment and counter comments of GHIAL. The Authority agrees with IATA that while staffing cost increases may be justified to support airport traffic growth and facility expansion, such increases should be moderated through reflected productivity gains from digitalization, automation, and process improvements. The Authority notes that the Third Control Period true-up identified manpower hire expenses significantly exceeding previously approved levels, with justification largely based on minimum wage escalation and Digi Yatra implementation.

10.5.45 The Authority has applied moderation to GHIAL's proposed staffing growth assumptions for the Fourth Control Period and affirms to continued application of efficiency targets. The Authority endorses IATA's recommendations that: (i) staffing projections be linked to actual commissioning dates and utilization levels of new facilities; (ii) productivity improvements from digitalization and automation be explicitly reflected in manpower forecasts; (iii) airport-specific benchmarking be undertaken against comparable Indian airports; and (iv) costs associated with temporary project-related activities be excluded from ongoing O&M base.

10.5.46 The Authority is therefore inclined to address such issues on merits at the time of true-up of the Fourth Control Period and expects GHIAL to improve efficiency in the optimization of its overall costs.

Capex Monitoring Personnel and Project-Related Staffing:

10.5.47 The Authority notes IATA's specific concern regarding the 16 personnel previously employed for general capex monitoring at approximately Rs. 5.4 crore annually, in addition to Project Management Consultant (PMC) resources. The Authority clarifies that the personnel engaged for Capex Monitoring are not temporary resources associated with a few specific projects, but form part of the airport's ongoing asset management and capital governance framework. These resources support the planning, monitoring, coordination, execution oversight and closure of sustaining, replacement, safety, compliance and asset reliability-related capital projects that are undertaken continuously across the airport.

Repairs and Maintenance Expenditure:

10.5.48 The Authority acknowledges IATA's recognition that adequate maintenance of airport infrastructure is necessary for safe and efficient operations. However, the Authority agrees that as major assets are newly commissioned or recently expanded, maintenance programmes should reflect asset life-cycle efficiencies. The Authority affirms to continued scrutiny of whether projected growth in R&M expenditure is proportionate to asset additions and will ensure that costs arising from inefficient asset management or procurement practices are not passed through to users.

Professional and Consultancy Expenses:

10.5.49 The Authority agrees with IATA that consultancy expenses should be recoverable only where they are directly associated with airport operations and provide demonstrable value to airport users. External advisory services that are strategic, shareholder-related, corporate, transactional, or otherwise discretionary should not be included in the aeronautical cost base. The Authority affirms that the burden of proof remains with GHIAL to demonstrate the necessity and benefit of each major consultancy engagement. The Authority has applied rigorous scrutiny to GHIAL's consultancy expense proposals and will continue to disallow or moderate expenditures lacking clear operational justification and demonstrable user benefit.

Corporate Cost Allocation from GMR Group:

10.5.50 The Authority acknowledges IATA's concerns regarding corporate overhead allocations from the wider GMR group. The Authority agrees that only costs directly attributable to the operation of Rajiv Gandhi International Airport should be recoverable through airport charges. Corporate allocations must be supported by transparent methodologies, detailed supporting schedules, and evidence that airport users receive a direct benefit from services provided. Unsupported allocations should be excluded from the aeronautical cost base. The Authority has examined GHIAL's corporate cost allocations and has applied appropriate scrutiny to ensure that only justified, directly-attributable costs are incorporated within the aeronautical tariff base.

Digitalization Costs and Efficiency Outcomes:

10.5.51 The Authority agrees with IATA that digitalization investments should improve operational efficiency, passenger facilitation, and airport resilience, but should not be treated as an automatic justification for higher airport charges. The Authority notes that projects should be assessed individually with clear demonstration of operational benefits and measurable productivity improvements. The Authority agrees with IATA that digitalization initiatives should not duplicate existing systems and that only a portion of digitalization costs should be allocated to aeronautical services. The Authority has decided to only allow part of the Digitization expenses, as elaborated at Consultation stage. The Authority affirms to continued scrutiny of digitalization expenditures through future true-ups, with particular attention to whether actual efficiency gains materialize and are reflected in reduced O&M costs or moderated cost escalation.

Bank Charges, Working Capital, and Financing-Related Expenses:

10.5.52 The Authority agrees with IATA that bank charges, working capital costs, and financing-related expenses should only be recoverable where they are unavoidable, prudently incurred, and directly linked to airport operations. Users should not bear financing inefficiencies or costs arising from management decisions within the airport operator's control. The Authority has applied rigorous scrutiny to such costs and has disallowed or moderated expenses arising from inefficient financial management decisions. The Authority will continue this scrutiny in the Fourth Control Period and will disallow penal interest, inefficient refinancing costs, and other avoidable finance expenses.

Utility Costs and Energy Efficiency:

10.5.53 The Authority acknowledges IATA's observation that substantial investments in modern airport infrastructure and energy-efficient technologies should be accompanied by ongoing efforts to improve energy and water efficiency. The Authority agrees that GHIAL should demonstrate: (i) consumption trends per passenger; (ii) efficiency improvements achieved; (iii) recovery of utility costs from commercial users and concessionaires; and (iv) benefits arising from sustainability initiatives. The Authority will require

GHIAL to provide detailed utility cost analysis demonstrating that expenditure growth is justified by actual operational requirements rather than passenger growth alone.

Concession Fees:

10.5.54 The Authority notes IATA's submission that concession fees should be calculated on the basis of revised aeronautical revenues with appropriate cost allocation principles. The Authority has now recalculated concession fee based on projected revenue. The Authority further notes that concession fees have material impact on airport charges and affirms to ensuring that the calculation methodology is transparent, consistent, and aligned with the regulatory framework. Accordingly, the concession fee decided by the Authority for the Fourth Control Period is presented in the table below:

Table 333: Concession fee decided by the Authority for the Fourth Control Period

(Rs In Crores)

Revenue Head	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
UDF	1,153.65	1,376.10	1,703.23	1,981.19	2,187.93	**8,402.10**
Landing	474.46	595.50	793.69	1002.33	1191.82	**4,057.80**
Parking	20.42	24.43	28.97	33.13	37.32	**144.27**
CUTE	3.28	3.67	4.17	4.46	4.76	**20.33**
Cargo	69.07	75.15	81.45	88.30	95.83	**409.80**
Ground Handling, BME & ICT	69.52	75.73	82.90	88.07	93.55	**409.77**
Fuel Farm	89.96	97.99	107.27	113.96	121.05	**530.23**
Others (ATC Rentals, Fuel Station Rentals, MRO, Township Rentals)	4.12	4.32	4.55	4.68	4.83	**22.52**
Total Revenue (A)	**1,884.47**	**2,252.89**	**2,806.24**	**3,316.12**	**3,737.09**	**13,996.81**
Concession Fee (4% * A)	**75.38**	**90.12**	**112.25**	**132.64**	**149.48**	**559.87**

Cargo, Ground Handling, and Fuel Farm (CGF) Treatment:

10.5.55 The Authority agrees with IATA that CGF services should be treated consistently as per AERA Act and that symmetry should be maintained between cost and revenue treatment. Where costs are recognized as aeronautical, corresponding revenues must also be included in the aeronautical revenue base to ensure airport users receive the full offsetting benefit. The Authority has consistently applied this principle in the tariff determination of GHIAL.

Strategic, Management, and Technical Service Fees:

10.5.56 The Authority strongly agrees with IATA that shareholder-related strategic, management, or technical service fees should not be recoverable through airport charges. Such costs are fundamentally different from airport operating expenditure and should be borne by shareholders. The Authority has rejected GHIAL's proposals to recover such fees and emphasizes that airport users should not fund shareholder returns through management fee arrangements.

10.5.57 The Authority affirms to continued application of efficiency targets throughout the Fourth Control Period and to undertaking comprehensive true-up analysis at the conclusion of the period to assess whether actual efficiency improvements have materialized and whether O&M costs have been appropriately managed. Where actual efficiency gains exceed projections, such gains should benefit airport users through tariff moderation rather than cost increases proceeding in parallel with capacity expansion.

10.5.58 The Authority has examined Lufthansa Group's comment and counter comments of GHIAL on Digitisation Expenditure. The Authority agrees with Lufthansa that benchmarking against other airports, by itself, should not be the sole basis for permitting cost recovery through aeronautical tariffs. While comparative

analysis with other airports provides useful context and identifies industry practices, such benchmarking does not substitute for detailed project-specific justification demonstrating operational necessity and benefit. The Authority recognizes that airports operate in different contexts, with varying infrastructure maturity, traffic profiles, service standards, and digitisation readiness. Accordingly, a digitisation programme appropriate for one airport may not be appropriately sized for another. Cost recovery for digitisation expenditure must be grounded in airport-specific operational requirements and demonstrated benefits rather than simply replicating peer airport expenditure levels.

10.5.59 In response to Lufthansa's submission and consistent with the Authority's assessment, the Authority shall undertake enhanced scrutiny of proposals relating to digitisation expenditure at the time of true-up of the Fourth Control Period, including verification of the necessity, prudence, actual utilisation, and reasonableness of the expenditure incurred.

10.5.60 Thus, based on the changes mentioned in the above section, the final revised Aeronautical O&M Expenses decided by the Authority for the Fourth Control Period is shown in the table below:

Table 334: Aeronautical O&M Expenses decided by the Authority for the Fourth Control Period

(Rs. In crores)

Particulars	FY27	FY28	FY29	FY30	FY31	Total
Staff Cost	156.83	166.24	176.22	220.43	275.74	995.45
Rates & Taxes (incl. Property Tax)	7.67	7.93	8.20	10.01	12.22	46.04
Bank Charges	11.31	14.37	13.10	13.10	13.10	64.99
Security Cost	17.51	18.56	19.68	24.61	30.79	111.15
Repairs and Maintenance	122.10	128.66	134.80	195.43	216.03	797.02
Stores & Spares	13.68	14.15	14.63	17.85	21.78	82.10
Insurance Cost	9.13	10.04	11.04	12.15	13.36	55.72
Land Lease Rent to GoT	16.72	17.55	18.43	19.35	20.32	92.37
Manpower Outsourcing (Technical Service) Expenses	92.91	98.48	104.39	130.58	163.35	589.71
Housekeeping Cost	44.71	46.23	47.80	58.33	71.17	268.24
CGF (Fuel Farm Cost)	27.15	30.43	34.19	36.32	38.58	166.66
Operating Expenses	2.97	3.07	3.17	3.28	3.39	15.87
Collection Charges	6.79	7.63	8.65	9.30	9.99	42.36
General Admin Cost						
• Advertisement & Business Promotion	8.61	8.90	9.20	9.52	9.84	46.07
• Professional & Consultancy Charges	33.59	34.74	35.92	37.14	38.40	179.79
• Corporate Cost allocation	77.08	81.71	86.61	91.81	97.32	434.52
• Communication Costs	2.06	2.13	2.20	2.27	2.35	11.00
• Printing and Stationery	0.67	0.69	0.71	0.74	0.76	3.56
• Recruitment Charges	4.73	4.89	5.06	6.17	7.53	28.37
• Travelling and Conveyance	24.87	25.71	26.59	27.49	28.43	133.09
• Directors Sitting Fees	0.20	0.21	0.22	0.23	0.23	1.09
• Payment to Auditors	1.18	1.22	1.26	1.31	1.35	6.32
• Other Admin Expenses	3.11	3.21	3.32	3.43	3.55	16.62
Utility Expense	49.82	51.51	53.27	65.00	79.31	298.91
Concession Fee	75.38	90.12	112.25	132.64	149.48	559.87
Digitisation Cost	33.63	33.63	33.63	33.63	33.63	168.14
Total	**844.41**	**902.02**	**964.54**	**1,162.11**	**1,342.00**	**5215.08**

10.5.61 Therefore, based on the above, the Authority decides to consider the Aeronautical O&M of Rs. 5215.08 Crores for the Fourth Control Period as against the Aeronautical O&M Expenses of Rs. 5156.40 Crores proposed at the Consultation Stage. The reasons for this variation are:

- Inflation Rate of 4.10% for FY27 and 3.40% for FY28 to rest of the years in the Control Period. (Refer **Table 262)**
- Revision in R&M expense allowing progressive rate for asset addition.
- Revision in the Concession Fees in line with changes to the projected Aeronautical Revenue.

10.6 Authority's decisions regarding Aeronautical O&M Expenses for the Fourth Control Period

Based on the material before it and its examination, the Authority decides the following with respect to Aeronautical Operation and Maintenance (O&M) Expenses for the Fourth Control Period:

10.6.1 To consider Aeronautical O&M Expenses for the Fourth Control Period as per **Table 334.**

10.6.2 To True-up Aeronautical O&M Expenses for the Fourth Control Period based on actuals at the time of tariff determination for the Fifth Control Period, subject to reasonableness and efficiency.

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11. NON-AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

11.1 GHIAL's submissions regarding Non-Aeronautical Revenue for the Fourth Control Period

11.1.1 GHIAL forecasted the Non-Aeronautical Revenues for the Fourth Control Period based on the following key growth drivers:

- ATM growth rate
- Total passenger traffic growth rate
- International passenger traffic growth rate
- Cargo volume growth rate
- Contractual (Rentals, Common Area Maintenance etc.) and
- CPI Increase
- Fully Operated 34 MMPA Terminal throughout from FY 2026 to FY 2031
- Northern Precinct Terminal to be operated from 01.10.2029

11.1.2 The key drivers for different non-aeronautical revenue streams as submitted by GHIAL is given in the below table:

Table 335: Growth Drivers for Non-Aero Revenue projections submitted by GHIAL as per MYTP

ATM Growth linked revenue streams	Passenger Growth linked revenue streams	International Passenger Growth linked revenue streams	Cargo throughput growth linked revenue streams	Others
➢ Fuel Farm revenues ➢ Revenue share from ground handling	➢ Revenue share from In-flight kitchen ➢ Retail & F&B revenues ➢ Plaza Lounge ➢ Car Parking	➢ Revenue share from Duty Free ➢ Public Admission Fee ➢ Forex	➢ Revenue Share from Cargo	➢ Rental Income ➢ Revenue from Advertisement ➢ Other Miscellaneous income

11.1.3 Further, GHIAL in its submission acknowledged that the revenues from Cargo, Ground Handling & Fuel Farm had been treated as non-aeronautical in nature. Also, the Profit Before Tax (PBT) of non-aeronautical revenues has been considered for cross subsidization purpose by GHIAL.

11.1.4 Projections of the different non-aeronautical revenues streams as per GHIAL's submission are summarized below:

Table 336: Basis of projection for NAR as adopted by GHIAL for the Fourth Control Period

S No	Revenue Stream	Growth Driver	Basis of Projection
1	**Fuel Farm**	ATM Growth	GHIAL considered fuel farm revenues as non-aeronautical in nature and charges fuel infrastructure charge of Rs 1500/KL as per the GHIAL 3rd Control Period order.
2	**Ground Handling**	ATM Growth	The revenue that accrues to GHIAL from Ground Handling – Registered Parties is directly proportional to the ATMs handled. Hence, GHIAL considered the revenue growth linked to the overall growth of ATMs.

NON-AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

S No	Revenue Stream	Growth Driver	Basis of Projection
3	**ICT**	PAX Growth	GHIAL expects to continue the existing charge of USD 1.25 per UDF billable passenger for the 4th Control Period. GHIAL receives revenue share of 3% on the ICT charges which was projected to increase through passenger growth.
4	**In-Flight Kitchen**	PAX Growth	GHIAL considered overall passenger growth for projecting the In-flight Kitchen revenues along with a yearly inflationary increase (CPI at 4.2%). For flight kitchen rentals, GHIAL considered rental growth of 5% on yearly basis.
5	**Food & Beverages, Retail and Lounge income**	PAX Growth	GHIAL in its MYTP submission stated that the performance of F&B, Retail and Lounge concessionaries are directly linked to the passenger growth. Hence, GHIAL considered the passenger growth rates for projecting the revenue share from the concessionaries for the 4th Control Period
6	**Car Parking & Radio Taxi**	PAX Growth	GHIAL projected revenues from Car Park and Radio Taxi based on passenger traffic growth rate during the 4th Control Period.
7	**Duty Free**	International Passenger Growth	Duty Free operations have been concessioned out for setting up, developing, operating, maintaining, and managing the duty-free outlet at RGI Airport. GHIAL submitted that Duty Free performance is linked to international passenger growth and accordingly projected Duty Free revenue using the international passenger growth rate. For Duty Free rentals, GHIAL applied a yearly contractual rental growth of 5%.
8	**Public Admission Fee**	International Passenger Growth	GHIAL considered the projected Public Admission Fee revenue of FY 2026 as the base year, with subsequent years projected on the basis of international passenger growth.
9	**Forex**	International Passenger Growth	GHIAL submitted that, due to the increasing adoption of credit cards and the proposed extension of UPI to foreign nationals, no growth is anticipated in Forex revenues. Accordingly, GHIAL projected Forex revenue to remain constant at FY 2025 levels throughout the Fourth Control Period.
10	**Cargo**	Cargo Throughput	GHIAL granted a concession to GMR Air Cargo and Aerospace Engineering Limited (GACAEL). A second cargo operator has also been onboarded, with operations expected to commence during FY 2026 at a revenue share of 26%. GHIAL assumed the cargo volume to be shared between the two operators in the ratio of 80:20, resulting in a blended revenue share of 19.6%, which had been applied to projected cargo volumes. Further, rental income from the Cargo Terminals had been projected with a contractual increase of 5% per annum during the Fourth Control Period
11	**Rental Income**	Others	GHIAL reached its saturation in land & space across the terminal. Thus, GHIAL considered only contractual increase of 5% for every year. Further increase in rental area in FY 30 & FY 31 is considered on account of Northern Precinct Expansion. The increase had been considered as below:

S No	Revenue Stream	Growth Driver	Basis of Projection
			For FY2030, increase in rentals was calculated for 3 months of the entire year. The factor used was 50% of the proportion of increase in Northern precinct terminal area to the total expanded terminal area. For FY2031, increase in rentals was calculated for the entire year. The factor used was 67% (i.e., 2/3rd) of the proportion of increase in Northern precinct terminal area to the total expanded terminal area.
12	**Advertisement**	Others	GHIAL concessioned out advertising rights at RGI Airport to Laqshya Hyderabad Airport Media Pvt Ltd (LHAMPL). LHAMPL provides advertising space within the terminal as well as in the broader airport area. GHIAL noted that the conventional brick-and-mortar advertisement business is increasingly facing competition from digital advertisement, with corporate spending shifting towards digital platforms. Further, in the light of the broader economic slowdown and cost rationalization measures by businesses, advertisement and promotion budgets have come under pressure. Considering these factors, GHIAL projected advertisement revenues for the Fourth Control Period based solely on the overall passenger growth rate.
13	**Other Miscellaneous Income**	Others	Miscellaneous Income includes revenues from Airport Entry Passes (AEP), IT, permits, airline security, filming and paid porters. As these are ancillary revenues and are not contractual in nature, the revenue under this head was proposed to remain constant at FY2025 levels for the 4th Control Period.

11.1.5 Based on the above approach, GHIAL projected the Non-Aeronautical Revenue for the Fourth Control Period as per the table below:

Table 337: Non-Aeronautical Revenue submitted by GHIAL for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Passenger Linked Revenue						
Flight Kitchen- Concession Fee	23.32	26.54	30.61	34.18	38.37	153.03
Flight Kitchen - rentals	1.73	1.82	1.91	2.01	2.11	9.59
Cark Park (inc. Radio Taxi)	104.80	114.46	126.67	135.76	146.27	627.96
Retail	101.34	110.68	122.48	131.27	141.43	607.20
Food & Beverages	90.85	99.23	109.81	117.69	126.80	544.39
Advertisement License Fee	102.88	112.36	124.34	133.26	143.58	616.42
Lounge Income	78.59	85.83	94.99	101.80	109.68	470.90
Sub-Total (A)	**503.52**	**550.91**	**610.82**	**655.98**	**708.25**	**3029.48**
International Passenger Revenue:						
Duty Free Concession Fee	159.10	181.82	207.08	233.59	260.11	1041.70
Duty Free Rentals	2.38	2.50	2.62	2.75	2.89	13.14
Public Admission Fee	2.40	2.74	3.12	3.52	3.92	15.71
Sub-Total (B)	**163.87**	**187.06**	**212.82**	**239.87**	**266.92**	**1070.55**
Contract Linked Revenue						
Forex	13.12	13.12	13.12	13.12	13.12	65.60
Miscellaneous income	17.30	17.30	17.30	17.30	17.30	86.49
Land & Space						
Rentals from additional space post-expansion	0.00	0.00	0.00	6.28	35.19	41.47

NON-AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Others	73.80	77.49	81.36	85.43	89.70	407.79
Sub-Total (C)	**104.22**	**107.91**	**111.78**	**122.13**	**155.31**	**601.35**
Cargo Revenue						
Concession Fee	55.81	61.22	66.83	72.95	79.71	336.53
Cargo Rental income	13.26	13.93	14.62	15.35	16.12	73.28
Sub-Total (D)	**69.07**	**75.15**	**81.45**	**88.31**	**95.83**	**409.82**
Ground Handling Revenue						
Ground Handling	65.08	70.89	77.60	82.44	87.57	383.57
BME Revenue (FEGP / GPU & PCA)	4.44	4.84	5.30	5.63	5.98	26.20
ICT Revenues	4.64	5.06	5.60	6.00	6.47	27.77
Sub-Total (E)	**74.16**	**80.79**	**88.50**	**94.07**	**100.02**	**437.54**
Fuel Farm						
Fuel Farm Revenue	89.96	97.99	107.27	113.96	121.05	530.24
Sub-Total (F)	**89.96**	**97.99**	**107.27**	**113.96**	**121.05**	**530.24**
Total (A to F)	**1004.80**	**1099.81**	**1212.66**	**1314.32**	**1447.38**	**6078.97**

11.2 Authority's examination regarding Non-Aeronautical Revenue for the Fourth Control Period at the Consultation Stage

11.2.1 The Authority analyzed the trend of the Non-Aeronautical Revenues over the past two Control Periods as per AERA principles which is given below:

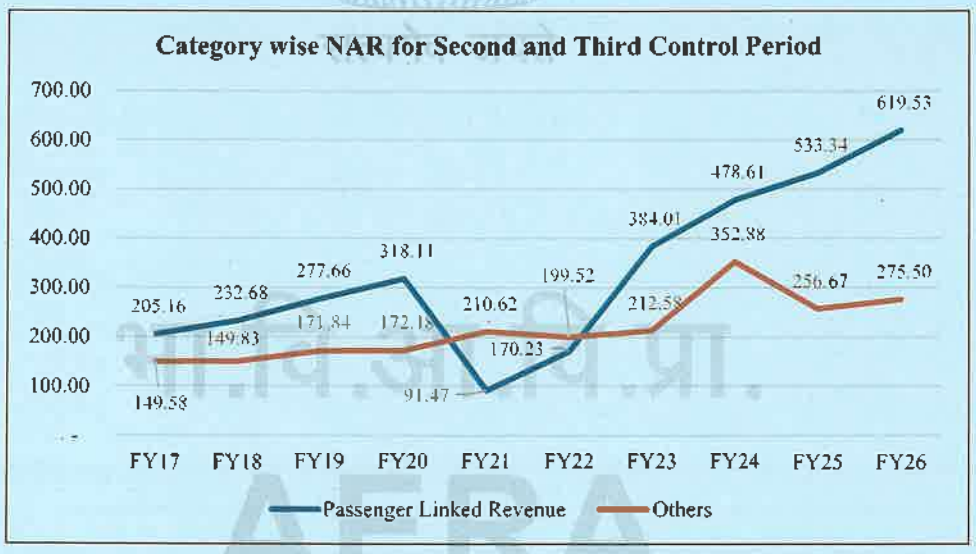


Figure 10: Category wise NAR for Second and Third Control Period

11.2.2 The Authority also compared the actual revenues vis-a-vis revenues projected by GHIAL at the time of tariff determination for the past two Control Periods based on AERA principles which is given below:

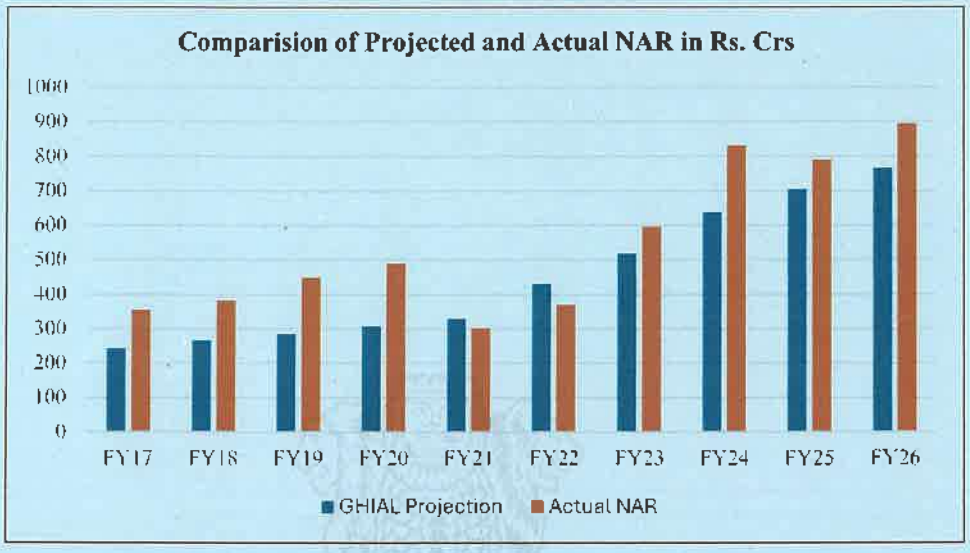


Figure 11: Comparison of Projected and Actual Non-Aeronautical Revenue

11.2.3 The Authority examined the trend of the actual Non-Aeronautical Revenues (NAR) generated by GHIAL vis-à-vis the corresponding projections submitted by GHIAL in the Multi-Year Tariff Proposal (MYTP), over the period FY 2016-17 to FY 2025-26, viz., encompassing both the Second Control Period and the Third Control Period. The comparative position was depicted in the chart hereinabove.

11.2.4 The Authority noted that the actual NAR had consistently surpassed the corresponding projections submitted by GHIAL in the MYTP across nearly all years of the said period, save for FY 2020-21 and FY 2021-22, where the actuals were broadly in line with, or marginally below the projections, the said deviation being squarely attributable to the disruption caused by the COVID-19 pandemic and the consequent moderation in passenger throughput and concessionaire activity.

11.2.5 This was then compared to the revenue trends projected by GHIAL (considering revenue heads as per AERA) for the Fourth Control Period, as detailed below:

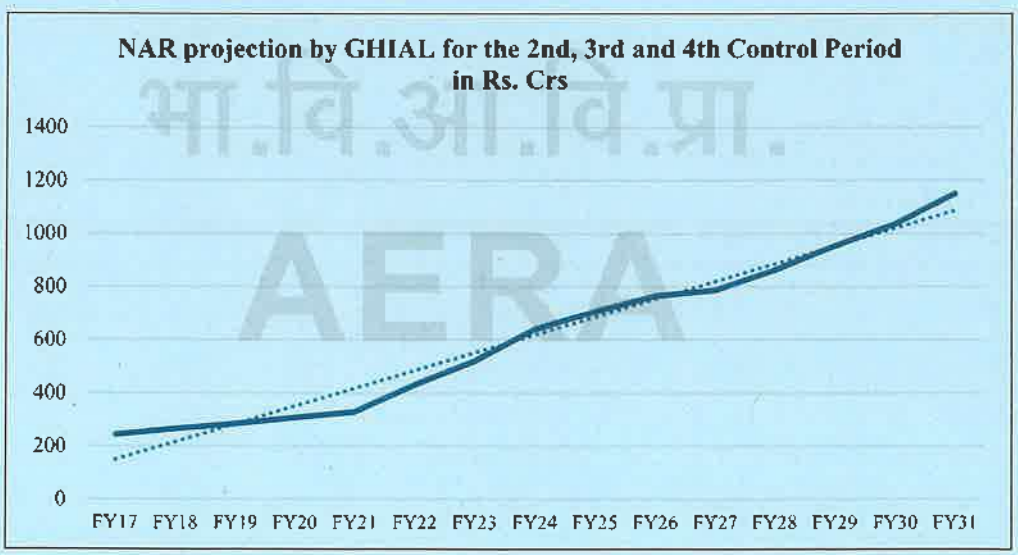


Figure 12: Category wise Non-Aeronautical Revenue for the Second, Third and Fourth Control Period

11.2.6 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 338: CAGR for the Second and the Third Control Periods based on actuals and for the Fourth Control Period based on NAR as proposed by GHIAL

Particulars	CAGR for 2nd CP	CAGR for 3rd CP	CAGR for 4th CP (under consideration)
Passenger Linked Revenue	15.47% (FY17- FY20)	17.28% (FY23-FY26)	9.78%
Other Non-Aeronautical Revenue	4.80% (FY17-FY20)	9.03% (FY23-FY26)	10.87%

11.2.7 The Authority noted that the high CAGR for the Third Control Period (FY 23-FY26) was on account of the delayed revenue recovery post-Covid.

11.2.8 The Authority noted from the above table that the growth trends in Non-Aeronautical Revenue across the Second Control Period, Third Control Period and the Fourth Control Period projections do not exhibit a uniform or consistent CAGR pattern. While Passenger Linked Revenue had shown relatively higher growth during the Second and Third Control Periods, the CAGR proposed for the Fourth Control Period is comparatively lower. Conversely, Other Non-Aeronautical Revenue reflected a lower CAGR during the Second Control Period, an increase during the Third Control Period, and a further increase in the Fourth Control Period projections.

11.2.9 In view of the varying growth trends across different components of Non-Aeronautical Revenue, the Authority considered it appropriate to undertake a more granular, head-wise examination of the Non-Aeronautical Revenue proposed by GHIAL for the Fourth Control Period, taking into account the nature of each revenue stream, its linkage with passenger traffic or other operating parameters, historical performance, contractual arrangements, and other relevant business drivers.

11.2.10 The Authority after examination of GHIAL's submission of inflation rate for projecting Non-Aeronautical Revenue under certain heads for the Fourth Control Period proposed to consider inflation rate (WPI) (as per Table 261) for the Fourth Control Period as per the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 99" published by the RBI.

11.2.11 A summary of the head-wise proposals of the Authority in comparison with the basis of projection as adopted by GHIAL is provided below:

Table 339: Basis of projection for the Non-Aeronautical Revenue as submitted by GHIAL for the Fourth Control Period and as considered by the Authority for the Fourth Control Period

S No	Revenue Stream	Basis of Projection adopted by GHIAL	Basis of projection proposed by the Authority
1	**In-Flight Kitchen**	GHIAL considered overall passenger growth for projecting the In-flight Kitchen revenues along with a yearly inflationary increase (CPI at 4.2%). For flight kitchen rentals, GHIAL considered rental growth of 5% on yearly basis.	GHIAL's projection of In-Flight Kitchen revenue based on passenger growth rate was reasonable and accordingly proposed to consider GHIAL's submission along with a yearly inflation increase for projecting the

			revenue of In-Flight kitchen for the Fourth Control Period. For flight kitchen rentals, Authority proposed to consider rental growth of 5% on yearly basis.
2	**Food & Beverages, Retail and Lounge income**	GHIAL in its MYTP submission stated that the performance of F&B, Retail and Lounge concessionaries are directly linked to the passenger growth. Hence, GHIAL considered the passenger growth rates for projecting the revenue share from the concessionaries for the 4th Control Period	The Authority proposed to consider inflation and total passenger growth rate as the revenue drivers for projecting the said revenues.
3	**Car Parking & Radio Taxi**	GHIAL projected revenues from Car Park and Radio Taxi based on passenger traffic growth rate during the 4th Control Period.	Authority proposed to accept GHIAL submission to link the revenues to total passenger traffic growth rate. The authority also proposed a yearly increase based on inflation for projections for FY27-31.
4	**Duty Free**	Duty Free operations have been concessioned out for setting up, developing, operating, maintaining, and managing the duty-free outlet at RGI Airport. GHIAL submitted that Duty Free performance is linked to international passenger growth and accordingly projected Duty-Free revenue using the international passenger growth rate. For Duty Free rentals, GHIAL applied a yearly contractual rental growth of 5%.	The Authority proposed linking the revenues to international passenger traffic growth rate. The Authority also proposed a yearly increase based on inflation for projections of Duty-Free revenue for the Fourth Control Period.
5	**Public Admission Fee**	GHIAL considered the projected Public Admission Fee revenue of FY 2026 as the base year, with subsequent years projected on the basis of international passenger growth.	The Authority proposed to link the revenues to international passenger traffic growth rate along with the inflation rate for the projections of Public Admission Fee for the Fourth Control Period.
6	**Forex**	GHIAL submitted that, due to the increasing adoption of credit cards and the proposed extension of UPI to foreign nationals, no growth is anticipated in Forex revenues. Accordingly, GHIAL projected Forex revenue to remain constant at FY 2025 levels throughout the Fourth Control Period.	The Authority appreciated the use of digitization and plastic money. Further, the Authority proposed to consider the inflation rates and international pax growth rates as the drivers for the projection of revenues from forex services for FY27-31.
7	**Rental Income**	GHIAL submitted that it had reached its saturation in land & space across the terminal. Thus, GHIAL considered only contractual increase of 5% for every year. Further increase in rental area in FY 30 & FY 31 is considered on account of Northern Precinct Expansion. The increase has been considered as below:	The Authority examined GHIAL's submission pertaining to rental revenues and proposed to accept GHIAL's submission on the same. However, in line with the order no 12/2021-22 and the justifications provided therein, the Authority proposed to treat the incidental income from the New Office Building, Township (in the ratio of critical vs non-critical

		For FY2030, increase in rentals was calculated for 3 months of the entire year. The factor used was 50% of the proportion of increase in Northern precinct terminal area to the total expanded terminal area. For FY2031, increase in rentals was calculated for the entire year. The factor used was 67% (i.e., 2/3rd) of the proportion of increase in Northern precinct terminal area to the total expanded terminal area.	staff ratio) and Site Office Building as part of non-aeronautical revenues.
8	**Advertisement**	GHIAL has concessioned out advertising rights at RGI Airport to Laqshya Hyderabad Airport Media Pvt Ltd (LHAMPL). LHAMPL provides advertising space within the terminal as well as in the broader airport area. GHIAL noted that the conventional brick-and-mortar advertisement business was increasingly facing competition from digital advertisement, with corporate spending shifting towards digital platforms. Further, in the light of the broader economic slowdown and cost rationalization measures by businesses, advertisement and promotion budgets had come under pressure. Considering these factors, GHIAL projected advertisement revenues for the Fourth Control Period based solely on the overall passenger growth rate.	The Authority proposed to consider inflation rates and total passenger growth rate as revenue driver for the purpose of forecasting the said revenues.
9	**Other Miscellaneous Income**	Miscellaneous Income includes revenues from Airport Entry Passes (AEP), IT, permits, airline security, filming and paid porters. As these are ancillary revenues and are not contractual in nature, the revenue under this head was proposed to remain constant at FY2025 levels for the 4th Control Period.	The Authority proposed to use the inflation rate as annual escalation rates as the growth driver for all the years.

11.2.12 The Authority further noted that no income has been projected under the head "Other Income (interest and dividend income)" and examined the same.

Other Income[2]

11.2.13 The Authority noted that Other Income primarily comprises of Interest Income on Bank deposits and Dividend income.

Interest Income

[2] *(incl. interest income, dividend income, profit on sale of investments, provisions no longer written back, other non-operating income etc.)*

11.2.14 The Authority examined the position in relation to the Cash and Bank Balance available with GHIAL for the purpose of determining whether any Excess Cash was available with GHIAL, the income from which would otherwise have been required to be considered as a deduction from the Aggregate Revenue Requirement for the Fourth Control Period. In this regard, the Authority observed that:

a. the Cash and Bank Balance available with GHIAL as on 31 March 2026, as per the unaudited financial statements of GHIAL, stood at Rs. 114.05 Crore; and

b. GHIAL, in its MYTP submission, proposed Capital Expenditure aggregating to Rs. 15,377.62 Crore (inclusive of Interest During Construction (IDC)) for the Fourth Control Period.

11.2.15 The Authority was of the considered view that, given the substantial capital expenditure proposed to be undertaken by GHIAL during the Fourth Control Period for which the Cash and Bank Balance available would be required to be deployed (whether towards direct funding of capital expenditure or towards bridging working capital requirements during the construction phase) there would be no Excess Cash available with GHIAL during the Fourth Control Period that could be deployed to generate investment income. Accordingly, the Authority, proposed to True-up the actual revenue accrued on account of interest income at the time of tariff determination for the Fifth Control Period.

Dividend Income

11.2.16 The Authority noted that GHIAL accounted for dividend income of Rs. 14.57 Crores in its books of accounts for FY 2025-26. Consistent with the approach adopted by the Authority during tariff determination for the Third Control Period, the Authority proposed to consider the actual dividend income for FY 2025-26 as the base for projecting dividend income for the Fourth Control Period. The Authority further proposed that the dividend income was considered for the Fourth Control Period.

Revenue from CGF, ICT

11.2.17 The Authority noted that GHIAL treated revenue from Cargo, Ground Handling, Fuel Farm and ICT services as Non-Aeronautical Revenue. The Authority examined the matter and is of the view that revenues from Cargo, Ground Handling and Fuel-related services are 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, are integral to airport operations and facilitate the provision of aeronautical services. Therefore, in line with provisions of 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.

Real Estate Income

11.2.18 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 issues raised by the Authority in the Civil Appeal against the judgements of the Hon'ble TDSAT, the Authority was of the view that presently it needed 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. Accordingly, the Authority proposes to treat revenue from real estate development as non-aeronautical in nature.

11.2.19 Based on the above, the Authority proposed to consider the Non-Aeronautical Revenue for the Fourth Control Period as per the table below:

Table 340: Non-Aeronautical Revenue proposed to be considered by the Authority for the Fourth Control at the Consultation stage

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Passenger Linked Revenue						
In-Flight Kitchen	25.3	29.23	34.14	37.86	42.05	**168.58**
Car Parking & Radio Taxi	106.43	123.81	145.57	161.96	180.41	**718.18**
Retail	101.01	117.51	138.15	153.72	171.22	**681.61**
Food & Beverage	101.84	118.47	139.29	154.98	172.63	**687.21**
Advertisement & Promotions	121.9	141.8	166.72	185.5	206.62	**822.54**
Lounge	91.59	106.54	125.26	139.38	155.25	**618.02**
Sub-Total (A)	**548.07**	**637.36**	**749.13**	**833.4**	**928.18**	**3696.14**
International Passenger Revenue:						
Duty Free	182.05	215.04	253.21	297	340.35	**1,287.65**
Public Admission Fee	1.58	1.87	2.21	2.59	2.97	**11.22**
Forex	13.09	15.5	18.29	21.49	24.65	**93.02**
Sub-Total (B)	**196.72**	**232.41**	**273.71**	**321.08**	**367.97**	**1391.89**
Contract Linked Revenue						
Rental Income (C)	**95.15**	**99.91**	**104.91**	**118.19**	**160.69**	**578.86**
Others						
Real Estate Revenue	32.96	34.61	36.34	38.15	40.06	**182.12**
Miscellaneous Income	20.59	21.34	22.10	22.9	23.72	**110.66**
Vehicle Fuel - Landside	0.44	0.47	0.49	0.51	0.54	**2.46**
Other Income	14.57	14.57	14.57	14.57	14.57	**72.85**
Sub-Total (D)	68.56	70.99	73.5	76.13	78.89	**368.09**
Total (A+B+C+D)	**908.51**	**1,040.67**	**1,201.24**	**1,348.81**	**1,535.74**	**6,034.97**

11.3 Stakeholders' comments regarding Non-Aeronautical Revenue for the Fourth Control Period

11.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from GHIAL, Adani Airport Holdings Limited, APAO, BIAL and IATA in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding Non-Aeronautical Revenue for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding Non-Aeronautical Revenue for the Fourth Control Period

11.3.2 GHIAL's comment with regards to Non-Aeronautical Revenue for the Fourth Control Period for RGIA, Hyderabad is as follows:

*"**Authority's Proposal for Other Income:***

11.2.12 The Authority further notes that no income has been projected under the head "Other Income (interest and dividend income)" and has examined the same.

11.2.16 The Authority notes that GHIAL has accounted for dividend income of Rs. 14.57 Crores in its books of accounts for FY 2025-26. Consistent with the approach adopted by the Authority during tariff determination for the Third Control Period, the Authority proposes to consider the actual dividend income for FY 2025-26 as the base for projecting dividend income for the Fourth Control Period. The Authority further proposes that the dividend income considered for the Fourth Control Period.

GHIAL's Response:

The GHIAL, in the previous three control period orders (1st, 2nd & 3rd) has never projected the other income for the future control periods, since it is contingent and completely depends on the cashflow availability of the GHIAL

Kindly refer the response provided under the section "Other Income" in third control period.

Thus, the projection of the other income considering the actual dividend income for FY 2025-26 as the base doesn't validate and does not reflect the underlying business realities. Accordingly, GHIAL requests the Authority not to project dividend income for the Fourth Control Period."

*"**Authority's Proposal for Revenue from CGF and ICT:***

11.2.17 The Authority notes that GHIAL has treated revenue from Cargo, Ground Handling, Fuel Farm and ICT services as Non-Aeronautical Revenue. The Authority has examined the matter and is of the view that revenues from Cargo, Ground Handling and Fuel-related services are 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, are integral to airport operations and facilitate the provision of aeronautical services. Therefore, in line with provisions of AERA Act and the consistent regulatory treatment adopted by the Authority from the First Control Period onwards, the Authority has considered revenues from Cargo, Ground Handling, Fuel Farm and ICT services as Aeronautical Revenue and has excluded the same from the computation of Non-Aeronautical Revenue.

GHIAL's Response:

The Hon'ble TDSAT, in its judgment dated 14 February 2024 in the matter pertaining to GMR Hyderabad International Airport Limited (GHIAL), held that income from CGF in case of GHIAL are non-regulated activities and the revenue received by the Airport Operator, Appellant from the service providers of CGF are Non-Aeronautical charges. The relevant extract of the judgment is reproduced below for ready reference:

For GHIAL dated 14 February 2024

"315. This aspect of the matter has not been properly appreciated by AERA while passing the impugned order for the Third Control Period and hence, so far as Issue No. II, we hereby quash and set aside the decision of AERA, and we hold that the decision of AERA to treat Cargo, Ground Handling and Fuel Services as aeronautical services and the revenue generated therefrom as aeronautical revenue is incorrect, improper & unjustified. We hereby hold that the activities of CGF in case of HIAL are non-regulated activities and the revenue received by the Airport Operator – Appellant from the service providers of CGF are non-aeronautical charges."

GHIAL submit that income from CGF and ICT, as per aforesaid judgment of the Hon'ble TDSAT, constitutes non-aeronautical revenue. Accordingly, GHIAL requests the Authority to consider revenue from CGF and ICT as a non-aeronautical revenue."

*"**Authority's Proposal for Real Estate Income:***

11.2.18 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 Consultation Paper, with regard to the issues raised by the Authority in the Civil Appeal against the judgements of the Hon'ble TDSAT, 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. And accordingly proposes treat revenue from real estate development as Non-Aeronautical in nature.

GHIAL's Response:

The Hon'ble TDSAT, in its judgment dated 14 February 2024 in the matter pertaining to GMR Hyderabad International Airport Limited (GHIAL), held that income from Real Estate Development (RED) constitutes NonAirport Activity revenue. The Hon'ble TDSAT further held that such revenue can neither be treated as Aeronautical nor as Non-Aeronautical revenue and that AERA does not have the power or jurisdiction to regulate such revenue. The relevant extract of the judgment is reproduced below for ready reference:

For GHIAL dated 14 February 2024

"342. In view of the aforesaid facts and reasons, provisions of land lease agreement to be read with provisions of AERA Act, 2008, the decision of AERA to consider income of appellant from Real Estate Development under its regulatory purview is incorrect, improper and not justified. We, hereby, hold that income from Real Estate Development (RED) is from Non-Airport Activities and it cannot be treated as Aeronautical, nor it can be treated as Non-Aeronautical but they are simply 'Non-Airport Activity' revenue. AERA has no power or jurisdiction over such revenue."

GHIAL submits that income from Real Estate Development, as per the Concession Agreement and the aforesaid judgment of the Hon'ble TDSAT, constitutes Non-Airport Activity revenue. Accordingly, GHIAL requests the Authority to consider revenue from Real Estate Development outside its regulatory purview."

*"**Projections for CPIV period***

Without prejudice to the above contention, GHIAL respectfully submits that the Authority's projected income from CPD appears to have been derived using FY 2026 actual income of ₹31.39 Crores as the base and applying a year-on-year growth rate of 5% for the subsequent tariff years.

In this regard, GHIAL would like to clarify that the FY 2026 income includes a one-time income arising from a finance lease transaction amounting to approx. Rs. 18 Crores, which is exceptional in nature and not expected to recur during the remaining years of the Control Period. Accordingly, the FY 2026 actual income does not represent the underlying recurring income stream from CPD activities and should not be used as the basis for projecting future revenues. Using this one-time income as the base results in an overstatement of CPD income projections for FY 2027 to FY 2031."

*"**Authority's Proposal for Minimum Threshold for True-up of NAR:***

11.3.2 To True-up NAR for the current control period, at the time of determination of tariff for the next control period, subject to the minimum threshold as proposed by the Authority in Table 315.

GHIAL's Response:

GHIAL respectfully submits that the proposed minimum threshold for true-up of Non-Aeronautical Revenue is being introduced for the first time. Non-aeronautical revenues are inherently subject to several 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.

Further, The Hon'ble TDSAT, in its judgement dated 11th September 2025 in the matter pertaining to the First Control Period of GMR Goa International Airport Limited and 29th May 2025 in the matter pertaining to the Fourth Control Period of Mumbai International Airport Ltd., held that the true-up exercise for the subsequent Control Period should be undertaken based on the actual non-aeronautical revenue, irrespective of whether such revenue exceeds the minimum threshold fixed by AERA for non-aeronautical revenue. The decision of Hon'ble TDSAT is produced below for reference:

For GGIA dated 11th September 2025

".....looking to the provisions of the AERA Act, 2008 to be read with AERA Tariff Guidelines, 2011 to be read with Concession Agreement (Annexure A-3), we hereby quash and set aside decision of AERA for determination of Rs.509.47 Crores for minimum threshold for non-aeronautical revenue for First Control Period.

We also quash and set aside the decision of AERA to undertake true-up based on actual in Second Control Period only if the revenue exceeds the minimum threshold.

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."

For MIAL dated 29th May 2026

".....We therefore quash and set aside the methodology adopted by AERA in the impugned order as the same is contrary to law. 285. Accordingly, while AERA may adopt the Appellant's projected figure of Rs..11,382.29 Crores as the provisional non-aeronautical revenue for the Fourth Control Period, the true-up in the Fifth Control Period shall be carried out on the basis of actual gross non aeronautical revenue generated from Revenue Share Assets, which are verified from audited accounts, irrespective of whether such actual revenue is higher or lower than the provisional estimate. To that extent, the impugned condition imposed by AERA is contrary to law and is set aside."

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."

Other stakeholders' comments regarding Non-Aeronautical Revenue for the Fourth Control Period

11.3.3 Adani Airport Holdings Limited's (AAHL) comment with regards to Non-Aeronautical Revenue for the Fourth Control Period for RGIA, Hyderabad is as follows:

"To remove minimum threshold for Non-Aeronautical Revenues (NAR):

(Ref: Para 11.3.2 "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 315.")

The proposal to stipulate a minimum threshold for Non-Aeronautical Revenues needs to be reconsidered.

NAR is not comparable to a contracted or assured revenue source. It is dependent on several uncontrollable factors such as passenger spending patterns, retail appetite, airline requirements, brand participation,

market cycles, footfall mix and overall commercial sentiment. These factors may materially vary over control periods.

Further, there is no commercial rationale for an Airport Operator to understate or underperform on NAR. The Airport Operator has a direct incentive to maximise such revenue, since the balance amount after mandatory cross-subsidisation of aeronautical tariffs and revenue share to the Concessioning Authority is retained by it. Therefore, any shortfall in NAR is more likely to reflect market realities rather than lack of effort.

Fixing a minimum threshold would effectively shift risk entirely to the Airport Operator. This could lead to an unfair situation where the Airport Operator is denied legitimate recovery merely because actual commercial revenues fall below a normative number, even though such underperformance may be beyond its reasonable control.

A true-up/down mechanism must operate symmetrically. Limiting this only to upside deviations defeats the very purpose, which is to align regulatory assumptions with actual outcomes and correct both over-estimation and under-estimation.

Such an approach also does not flow from the hybrid-till framework. Hybrid till requires sharing of actual non-aeronautical revenues for tariff determination; it does not require the Airport Operator to ensure a minimum non-aeronautical contribution.

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."

11.3.4 APAO's comment with regards to Non-Aeronautical Revenue for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Minimum Threshold Non-Aeronautical Revenues for True-up

AERA has proposed a minimum threshold of Non-Aeronautical Revenues of Rs 6,034.97 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.

It is surprising to note that while aeronautical revenues are subject to True-up based on actual traffic, the PAX traffic driven non-aeronautical revenue streams like Duty Free, Retail, Food and Beverages are not eligible for True-up for traffic. It would be totally unfair and unrealistic for Airport operators to take traffic risk and therefore the current proposal in the Consultation Paper is doing the exact opposite.

We submit that the Authority should not propose something that is ultra vires to the AERA Act and should therefore allow True-up of Non aeronautical revenues based on actuals in the next control period."

11.3.5 BIAL's comment with regards to Non-Aeronautical Revenue for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Minimum Threshold Non-Aeronautical Revenues for True-up

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, is 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.

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. On the contrary, as per Section 13(1)(a)(v) of the AERA Act, 2008, AERA must consider the revenues "received" instead of any minimum threshold revenues.

BIAL submits that while AERA may use projections at the tariff-setting 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 true-up will be available only if actuals exceed a notional benchmark."

11.3.6 IATA's comment with regards to Non-Aeronautical Revenue for the Fourth Control Period for RGIA, Hyderabad is as follows:

"IATA supports AERA's prudent review of non-aeronautical revenues and encourages the Authority to continue applying a conservative approach to cost allowances while adopting realistic and commercially robust forecasts for non-aeronautical income. Airlines believe that all commercial opportunities available to GHIAL should be fully exploited before additional costs are transferred to airport users. Any uncertainty regarding commercial revenue forecasts, related-party transactions or concession performance should be resolved in a manner that protects passengers and airlines from unnecessary tariff increases."

11.3.7 Lufthansa Group's additional comment with regards to Authority's proposal for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Maximisation of Non-Aeronautical Revenue

Non-aeronautical revenue remains an important mechanism for mitigating the tariff burden on airlines and passengers. We request the Authority to ensure that all eligible commercial revenues are appropriately recognised and reflected in the tariff determination so that airport users receive the full benefit of such revenues through lower aeronautical charges."

11.4 GHIAL's response to Stakeholders' comments regarding Non-Aeronautical Revenue for the Fourth Control Period

11.4.1 GHIAL's response to AAHL, APAO, BIAL's comment on Non-Aeronautical Revenue for the Fourth Control Period is as follows:

"GHIAL agrees with comments and would like to refer to the submission dated 20th July 2026 for the relevant issues."

11.4.2 GHIAL's response to IATA's comment on Non-Aeronautical Revenue for the Fourth Control Period is as follows:

"GHIAL fully agrees that maximizing non-aeronautical revenues is critical to maintaining affordable aeronautical charges under the hybrid till framework. Accordingly, the non-aeronautical revenue projections for CP-4 have been developed using a detailed bottom-up assessment of individual revenue streams, considering passenger growth, concession agreements, contractual escalations, commercial asset utilization, and prevailing market conditions.

GHIAL remains strongly incentivized to maximize commercial revenues, as higher non-aeronautical income directly reduces the ARR recoverable through airport charges. The submitted projections already reflect significant growth in retail, duty-free, advertising and commercial concessions, opportunities arising from increased traffic and airport development.

Further, the regulatory true-up mechanism provides an appropriate safeguard to account for any deviations between projected and actual revenues, ensuring that airport users remain protected while allowing the airport to pursue sustainable commercial growth. Accordingly, GHIAL submits that the proposed non-aeronautical revenue forecasts are prudent, realistic, and aligned with the objective of minimizing tariff impacts on airlines and passengers."

11.4.3 GHIAL's response to Lufthansa group's comment with regards to Non-Aeronautical Revenue for the Fourth Control Period is as follows

- *Non-Aero Revenue: The non aero revenue has been considered as per the guidelines and the respective concession of GHIAL in the current Consultation Paper.*

11.5 Authority's analysis on Stakeholders' comments regarding Non-Aeronautical Revenue for the Fourth Control Period

Other Income

11.5.1 The Authority notes GHIAL's submission regarding the treatment of "Other Income" comprising interest income, dividend income, and treasury income for the Fourth Control Period.

11.5.2 Contrary to GHIAL's submission that "Other Income" has not been projected in the previous three control periods, the Authority notes the following:

Second Control Period (Order No. 34/2019-20): The Authority, in Table 34 of Tariff Order No. 34/2019-20 for GHIAL, specifically projected Interest and Dividend Income from Duty Free Subsidiary as part of the Non-Aeronautical Revenue assessment for the Second Control Period. This established practice recognizes that such income, when derived from airport-related commercial subsidiaries, is appropriately considered as revenue offsetting the ARR.

Interest & Dividend from Duty Free Subsidiary (o)	2.64	2.64	2.64	2.64	2.64	13.19

Third Control Period (Order No. 12/2021-22): Similarly, the Authority, in Table 34 of Tariff Order No. 12/2021-22 for GHIAL, continued to project Interest and Dividend Income from Duty Free Subsidiary for the Third Control Period, maintaining consistency with the Second Control Period approach.

Incidental Income						
Interest & Dividend from Duty Free Subsidiary (m)	110.63	110.63	110.63	110.63	110.63	553.15

11.5.3 These precedents directly contradict GHIAL's claim that dividend income has not been projected in previous control periods. In fact, the Authority has consistently projected such income when derived from airport-related operational subsidiaries.

11.5.4 The Authority notes that in its recently issued tariff orders, the Authority has maintained this approach:

Jewar Airport (Noida International Airport Limited): The Authority, in the tariff order for Jewar Airport (Noida International Airport Limited), has projected Interest Income as part of the revenue assessment for tariff determination purposes.

R	Other Income incl. Interest Income	183.39	180.01	-3.38	Year 1 revenue pro-rated for the operational period based on COD of 15th June 2026

These recent determinations establish that the Authority's current practice, across multiple airport operators and recent tariff cycles, is to include interest and dividend income in the revenue base for tariff determination, particularly where such income is derived from airport operations or airport-related entities.

11.5.5 Accordingly, the Authority retains its proposal to consider the projected dividend income, based on the actual dividend income of Rs. 14.57 crore received during FY 2025–26, as a revenue offset for the Fourth Control Period. This approach is consistent with GHIAL's regulatory treatment in the past and with the Authority's prevailing practice across airports.

Treatment of CGF revenue

11.5.6 The Authority has carefully considered GHIAL's submission regarding the classification of Cargo, Ground Handling and Fuel Farm ("CGF") services and Information and Communication Technology ("ICT") services as Non-Aeronautical Revenue.

11.5.7 The Authority notes GHIAL's submission that CGF services should be treated as Non-Aeronautical Revenue in line with the decision of the Hon'ble TDSAT in its judgment dated 14th February 2024, and that CGF services are not regulated services under the Concession Agreement and GHIAL is free to determine charges for such services.

11.5.8 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. 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.

11.5.9 In view of the Authority's analysis provided in paragraphs 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 the Consultation Paper, 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 Hon'ble Supreme Court. While the Authority acknowledges GHIAL's reliance on the TDSAT decision relating to GHIAL, it remains of the 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; having reconsidered the matter, 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.

11.5.10 Accordingly, the Authority does not find merit in GHIAL's request for reclassification. The Authority therefore proposes to retain its approach adopted at the Consultation Stage and continue to treat revenue from Cargo, Ground Handling and Fuel Farm and ICT services as Aeronautical Revenue for tariff determination purposes of the Fourth Control Period.

Real Estate Income

11.5.11 The Authority has carefully considered GHIAL's submission regarding the treatment of Real Estate Income and the request for exclusion of such income from Non-Aeronautical Revenue.

11.5.12 The Authority notes GHIAL's submission that income from Real Estate Development constitutes income from non-airport activities and should not be treated as aeronautical or non-aeronautical revenue. The Authority further notes GHIAL'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.

11.5.13 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.

11.5.14 The Authority further notes that the treatment of Real Estate Revenue as Non-Aeronautical Revenue is consistent with the approach adopted in Decision No. 8.6.4 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.

11.5.15 In view of the foregoing, the Authority does not find merit in GHIAL's request for exclusion of Real Estate Income from Non-Aeronautical Revenue. The Authority therefore proposes 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.

11.5.16 The Authority has carefully considered GHIAL's submission regarding the treatment of income from CPD (Commercial Property Development) (Real Estate Income) and the request to exclude the one-time finance lease transaction from the base year figures.

11.5.17 The Authority notes GHIAL's submission that the FY 2026 actual income of Rs. 31.39 Crores includes a one-time income of approximately Rs. 18 Crores from a finance lease transaction that is not expected to recur during the Fourth Control Period. GHIAL contends that using this exceptional one-time item as the base for projections overstates the recurring CPD revenue stream and results in inflated revenue projections for the Control Period.

11.5.18 However, the Authority is of the considered view that CPD revenue projections should reflect the demonstrated revenue-generation capacity of the airport operator with respect to corporate facility development activities. The Authority observes that while the finance lease transaction represents a one-time inflow, the underlying CPD business comprising rental income from corporate facilities, development rights, and related commercial arrangements represents a legitimate and recurring revenue source for the airport operator.

11.5.19 The Authority further notes that including the FY 2026 actual performance, encompassing both recurring and one-time items, provides a comprehensive baseline that reflects the airport operator's actual financial position during the most recent completed financial year. The Authority observes that applying a growth rate to this comprehensive base provides a transparent and systematic methodology for revenue projection that is grounded in demonstrated performance.

11.5.20 The inclusion of actual realized performance provides a realistic basis for forward-looking projections. Excluding specific items based on characterization as "one-time" could result in understating the CPD revenue potential and would not necessarily reflect the actual financial profile of the airport operator's corporate facility development activities.

11.5.21 Accordingly, the Authority reiterates its decision to retain the approach and projections adopted at the Consultation Stage for the Fourth Control Period. These projections appropriately reflect the demonstrated revenue-generating capacity of CPD (Real Estate Income) based on the actual performance during FY 2026, including all relevant revenue components thereof.

11.5.22 The Authority notes the submission made by the International Air Transport Association (IATA) and the counter response of AO regarding the assessment of Non-Aeronautical Revenue (NAR) for GHIAL and the importance of ensuring that NAR forecasts reflect realistic commercial outcomes and protect airport users from unnecessary tariff increases.

11.5.23 The Authority acknowledges IATA's observation that non-aeronautical revenues play an important role in moderating aeronautical tariffs under the Hybrid Till framework and that GHIAL has developing non-aeronautical revenue streams through various commercial activities.

11.5.24 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 analysis of historical performance, traffic projections, commercial potential, and stage of airport development. The Authority has exercised appropriate prudence in evaluating the projections and, where considered necessary, has made suitable adjustments to ensure that the NAR considered reflects realistic commercial estimates.

11.5.25 The Authority notes that IATA's emphasis on ensuring that all commercial opportunities are exploited aligns with the regulatory principle that non-aeronautical revenues should be optimized to benefit airport users through tariff moderation. The Authority shares IATA's view that uncertainties regarding commercial revenue forecasts should be addressed through conservative and prudent estimation, rather than overly optimistic projections that may not materialize.

11.5.26 The Authority notes the submission made by the International Air Transport Association (IATA) and the counter response of AO on related-party transactions and concession performance. The Authority further acknowledges IATA's submission that related-party transactions and concession performance should be resolved in a manner that protects passengers and airlines from unnecessary tariff escalation. The Authority's regulatory approach includes scrutiny of related-party arrangements to ensure they reflect arm's-length pricing and do not result in above-market cost recovery that would be passed through to airport users.

11.5.27 Regarding the proposed minimum threshold for NAR true-up, the Authority notes that this threshold-based approach was designed to balance regulatory certainty with appropriate protection of user interests. The threshold provides a baseline level of NAR that the Airport Operator is expected to achieve, allowing extraordinary upside gains beyond projections to be appropriately shared through the tariff framework.

11.5.28 The Authority is satisfied that the NAR assessment undertaken in the Consultation Paper reflects the principles endorsed by IATA - namely, prudent review, conservative cost allowances, and realistic commercially robust revenue forecasts - while maintaining balance between airport operator financial sustainability and user protection.

11.5.29 The Authority agrees with and endorses the fundamental principle underlying Lufthansa's submission. Under the Hybrid Till framework applicable to major Indian airports, non-aeronautical revenues serve as an important cross-subsidy mechanism for moderating aeronautical tariffs, thereby protecting airlines and passengers from bearing the full cost of airport operations and infrastructure development.

Matter related to Minimum Threshold for NAR

11.5.30 The Authority notes the submissions made by GMR Hyderabad International Airport Limited (GHIAL), BIAL, AAHL, and APAO regarding the proposed treatment of Non-Aeronautical Revenue (NAR) and the application of a minimum threshold for the purpose of true-up.

11.5.31 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.

11.5.32 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.

11.5.33 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.

11.5.34 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.

11.5.35 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.

11.5.36 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.

11.5.37 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.

11.5.38 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.

11.5.39 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.

11.5.40 The Authority decides that the minimum threshold mechanism for NAR shall continue to be applied during the Fourth Control Period.

11.5.41 Therefore, based on the above, the Authority decides to consider the Non-Aeronautical Revenue of Rs. 5,982.89 Crores as per table below for the Fourth Control Period as against the Non-Aeronautical Revenue of Rs. 6034.97 Crores proposed at the Consultation Stage. This variation is on the account of revision in Inflation Rate to 4.10% for FY27 and to 3.40% for FY28 and for the balance Tariff years of the Fourth Control Period. (Refer Table 262)

Table 341: Non-Aeronautical Revenue decided by the Authority for the Fourth Control Period

(Rs. In crores)

FY ending March	FY27	FY28	FY29	FY30	FY31	Total
Passenger Linked Revenue						
In-Flight Kitchen	25.16	29.02	33.83	37.45	41.51	**166.98**
Car Parking & Radio Taxi	105.82	122.86	144.17	160.11	177.99	**710.95**
Retail	100.43	116.61	136.83	151.95	168.93	**674.75**
Food & Beverage	101.26	117.57	137.96	153.20	170.32	**680.30**
Advertisement & Promotions	121.20	140.72	165.12	183.37	203.86	**814.27**
Lounge	91.06	105.73	124.07	137.78	153.17	**611.80**
Sub-Total (A)	**544.94**	**632.50**	**741.98**	**823.86**	**915.77**	**3,659.06**
International Passenger Revenue:						
Duty Free	181.03	213.43	250.83	293.64	335.86	**1,274.78**
Public Admission Fee	1.57	1.86	2.19	2.56	2.93	**11.11**
Forex	13.02	15.38	18.11	21.24	24.32	**92.08**
Sub-Total (B)	**195.61**	**230.66**	**271.13**	**317.44**	**363.12**	**1,377.96**
Contract Linked Revenue						
Rental Income (C)	**95.15**	**99.91**	**104.91**	**118.19**	**160.69**	**578.86**
Others						
Real Estate Revenue	32.96	34.61	36.34	38.15	40.06	**182.12**
Miscellaneous Income	20.48	21.17	21.89	22.64	23.41	**109.58**
Vehicle Fuel - Landside	0.44	0.47	0.49	0.51	0.54	**2.46**
Other Income	14.57	14.57	14.57	14.57	14.57	**72.85**
Sub-Total (D)	68.45	70.82	73.29	75.87	78.58	**367.01**
Total (A+B+C+D)	**904.16**	**1,033.89**	**1,191.31**	**1,335.37**	**1,518.16**	**5,982.89**

11.6 Authority's decisions regarding Non-Aeronautical Revenue for the Fourth Control Period

Based on the material before it and its examination, the Authority decides the following with respect to Non-Aeronautical Revenue for the Fourth Control Period:

11.6.1 To consider Non-Aeronautical Revenues for RGIA as per **Table 341**.

11.6.2 To True-up NAR for the current control period, at the time of determination of tariff for the next control period, subject to the minimum threshold as per **Table 341.**

12. AERONAUTICAL TAXES FOR THE FOURTH CONTROL PERIOD

12.1 GHIAL's submission regarding Aeronautical Taxes for the Fourth Control Period

12.1.1 GHIAL in the MYTP computed the building block 'T' towards taxes pertaining to regulated charges for the Fourth Control Period. GHIAL computed the same based on Aeronautical Revenue, 30% of non-aeronautical revenue, Operation and Maintenance Expenditure, Concession Fee, Aeronautical Depreciation and Aeronautical Interest expenses.

12.1.2 GHIAL submitted that the Aeronautical Interest expenses has been computed as approved RAB multiplied by approved / eligible debt gearing and approved cost of debt. GHIAL further considered accumulated losses while computing the earning on which normal tax is calculated.

12.1.3 The Aeronautical Taxes submitted by GHIAL for the Fourth Control Period are shown in the table below:

Table 342: Aeronautical Taxes submitted by GHIAL for the Fourth Control Period as per MYTP

(Rs. In crores)

Particulars	Ref	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Aeronautical Revenue	(A)	4,402	5,033	5,814	6,495	7,257	28,999
30% of non-aeronautical revenue	(B)	302	330	364	395	435	1,826
Sub-total (C) = (A) + (B)	(C)	4,704	5,363	6,179	6,890	7,691	30,827
Expenditure / Allowances:							
Operation and Maintenance Expenditure	(D)	1,032	1,263	1,498	1,948	2,331	8,072
Concession Fee	(E)	176	201	233	260	290	1,160
Aeronautical Depreciation	(F)	480	503	509	861	1,202	3,555
Aeronautical Interest expenses^	(G)	304	302	290	558	811	2,265
Sub-total (H) = (D + E + F + G)	(H)	1,992	2,269	2,529	3,627	4,634	15,051
Earnings pertaining to the Regulated Charges (I) = (C) – (H)	(I)	2,711	3,094	3,650	3,263	3,058	15,776
Accumulated Losses:							
Opening Accumulated Losses	(J)	696	-	-	-	-	
Current year losses	(K)	-	-	-	-	-	-
Current year set-off	(L)	(696)	-	-	-	-	(696)
Closing Accumulated Losses (M) = (J + K – L)	(M)	-	-	-	-	-	
Earning on which normal tax is calculated [Max (I-J), 0]	(N)	2,016	3,094	3,650	3,263	3,058	15,081
Normal Tax Rate	(O)	34.94%	34.94%	34.94%	34.94%	34.94%	
Taxes pertaining to Regulated Charges (P) = (N) × (O)	(P)	704	1,081	1,275	1,140	1,069	5,269

^Interest cost is calculated as follows: Approved RAB × Approved / Eligible Debt Gearing × Approved cost of debt.

12.2 Authority's examination regarding Aeronautical Taxes for the Fourth Control Period at the Consultation Stage

12.2.1 The Authority observed that GHIAL has considered 30% NAR in the estimation of aeronautical profit before tax (PBT), the fact that a part of NAR is used for cross-subsidization as per the hybrid till mechanism does not change nature of such revenue to aeronautical. Further, the cross subsidization as per the hybrid till mechanism was done to reduce tariff pressure on passenger and incentivize GHIAL to make effective investments in non-aeronautical income generating sources.

12.2.2 The Authority noted that GHIAL had considered opening accumulated losses of Rs. -394.03 Crores in FY 2026-27 and has set off the same against the earnings pertaining to regulated charges in FY 2026-27, while computing the earning on which normal tax is calculated.

12.2.3 GHIAL computed the interest expenses considering that 48% of the average RAB is financed through debt. However, it was observed that, in actuality, 70% of the average RAB has been financed through debt. Accordingly, the interest expenses were reworked by considering debt financing at 70% of the average RAB.

12.2.4 The Authority had relied upon the judgement of Hon'ble Supreme Court dated 11.07.2022 and worked out corporate tax based on regulatory accounts/regulatory building block. The Authority noted that Aeronautical Taxes are to be computed only on earnings pertaining to regulated charges after adjustment of accumulated losses. In case accumulated losses are available, the same are to be set off against the earnings pertaining to regulated charges before computing the tax liability.

12.2.5 Based on the above, the Aeronautical Taxes for the Fourth Control Period proposed to be considered by the Authority are shown in the table below:

Table 343: Aeronautical Taxes proposed to be considered by the Authority for the Fourth Control Period at the Consultation Stage

(Rs. In crores)

Particulars	Ref	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Aeronautical Revenue	(A)	1622.31	2050.42	2619.20	3166.31	3831.85	**13290.08**
Expenditure / Allowances:							
Operation and Maintenance Expenditure	(B)	766.53	809.13	848.90	1024.94	1175.30	**4624.80**
Concession Fee	(C)	64.89	82.02	104.77	126.65	153.27	**531.60**
Aeronautical Depreciation	(D)	441.60	472.43	486.12	807.72	1125.90	**3333.76**
Aeronautical Interest expenses	(E)	411.51	438.81	427.33	766.62	1085.13	**3129.40**
Sub-total (F) = (B + C + D + E)	(F)	1684.53	1802.38	1867.12	2725.92	3539.60	**11619.56**
Earnings pertaining to the Regulated Charges (G) = (A) – (F)	(G)	-62.23	248.03	752.08	440.38	292.25	**1670.52**
Accumulated Losses:							
Opening Accumulated Losses	(H)	392.21	454.44	206.41	0.00	0.00	**1053.06**
Current year losses	(I)	62.23	0.00	0.00	0.00	0.00	**62.23**
Current year set-off	(J)	0.00	248.03	206.41	0.00	0.00	**454.44**
Closing Accumulated Losses (K) = (H + I – J)	(K)	454.44	206.41	0.00	0.00	0.00	**660.85**
Earning on which normal tax is calculated [Max (G-K), 0]	(L)	0.00	0.00	545.67	440.38	292.25	**1278.31**
Normal Tax Rate	(M)	34.94%	34.94%	34.94%	34.94%	34.94%	
Taxes pertaining to Regulated Charges (N) = (L) × (M)	(N)	**0.00**	**0.00**	**190.68**	**153.89**	**102.13**	**446.69**

12.2.6 In view of the above, the Authority proposed to consider Aeronautical Taxes of Rs. 446.69 Crores for the Fourth Control Period against GHIAL's submission of Rs. 5,269 Crores.

12.3 Stakeholders' comments regarding Aeronautical Taxes for the Fourth Control Period

12.3.1 During the Stakeholder Consultation Process, the Authority has received no comments/views in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding Aeronautical Taxes for the Fourth Control Period.

12.4 GHIAL's comments regarding Aeronautical Taxes for the Fourth Control Period

12.4.1 There are no comments received from GHIAL with regards to the Aeronautical Taxes for the Fourth

Control Period.

12.5 Other Stakeholder's comments of Aeronautical Taxes for the Fourth Control Period

12.5.1 There are no comments from other Stakeholders with regards to the Aeronautical Taxes for the Fourth Control Period for RGIA, Hyderabad.

12.6 Authority's analysis on Stakeholders' comments regarding Aeronautical Taxes for the Fourth Control Period

12.6.1 The Authority is of the view that tax entitlement should reflect the tax liability attributable to the aeronautical business and should be based on a reasonable financing structure attributable to the Regulatory Asset Base (RAB) as illustrated at Para **5.9.16** to Para **5.9.27**. Accordingly, consistent with the approach adopted in the true-up of the Third Control Period, the Authority considers it appropriate to compute interest expense with reference to a debt component corresponding to 70% of the RAB. This approach ensures that the tax allowance reflects a reasonable and efficient financing cost and does not result in an unintended tax-related pass-through to airport users.

12.6.2 Based on the Authority's analysis above, the revised aeronautical taxes for the Fourth Control Period as follows:

Table 344: Aeronautical Taxes decided by the Authority for the Fourth Control Period

(Rs. In crores)

Particulars	Ref	FY 27	FY 28	FY 29	FY 30	FY 31	Total
Aeronautical Revenue	(A)	1,884.47	2,252.89	2,806.24	3,316.12	3,737.09	**13,996.81**
Expenditure / Allowances:							
Operation and Maintenance Expenditure	(B)	769.03	811.90	852.29	1,029.46	1,192.52	**4655.20**
Concession Fee	(C)	75.38	90.12	112.25	132.64	149.48	**559.87**
Aeronautical Depreciation	(D)	457.15	487.95	501.63	821.96	1,138.87	**3,407.55**
Aeronautical Interest expenses	(E)	416.96	443.47	430.97	767.73	1,083.78	**3,142.90**
Sub-total (F) = (B + C + D + E)	(F)	1,718.51	1,833.43	1,897.14	2,751.80	3,564.65	**11,765.53**
Earnings pertaining to the Regulated Charges (G) = (A) – (F)	(G)	165.96	419.46	909.10	564.32	172.44	**2,231.28**
Accumulated Losses:							
Opening Accumulated Losses	(H)	601.48	435.51	16.05	0.00	0.00	
Current year losses	(I)	0.00	0.00	0.00	0.00	0.00	**0.00**
Current year set-off	(J)	165.96	419.46	16.05	0.00	0.00	**601.48**
Closing Accumulated Losses (K) = (H + I – J)	(K)	435.51	16.05	0.00	0.00	0.00	
Earning on which normal tax is calculated [Max (G-J), 0]	(L)	0.00	0.00	893.04	564.32	172.44	**1629.80**
Normal Tax Rate	(M)	34.94%	34.94%	34.94%	34.94%	34.94%	
Taxes pertaining to Regulated Charges (N) = (L) × (M)	(N)	**0.00**	**0.00**	**312.07**	**197.20**	**60.26**	**569.52**

12.6.3 The Authority has computed the head-wise Aeronautical revenue as per the Tariff Card placed at **Annexure I along with Table 360 and Table 361** for calculating the tax for the Fourth Control Period.

Table 345: Aeronautical Revenue Projections for the Fourth Control Period

(Rs. in Crore)

Revenue Head	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
UDF	1,153.65	1,376.10	1,703.23	1,981.19	2,187.93	**8,402.10**
Landing	474.46	595.50	793.69	1002.33	1191.82	**4,057.80**
Parking	20.42	24.43	28.97	33.13	37.32	**144.27**
CUTE	3.28	3.67	4.17	4.46	4.76	**20.33**
Cargo	69.07	75.15	81.45	88.30	95.83	**409.80**
Ground Handling, BME & ICT	69.52	75.73	82.90	88.07	93.55	**409.77**
Fuel Farm	89.96	97.99	107.27	113.96	121.05	**530.23**
Others (ATC Rentals, Fuel Station Rentals, MRO, Township Rentals)	4.12	4.32	4.55	4.68	4.83	**22.52**
Total Revenue	**1,884.47**	**2,252.89**	**2,806.24**	**3,316.12**	**3,737.09**	**13,996.81**

12.7 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:

12.7.1 To consider Aeronautical Taxes for the Fourth Control Period as per **Table 344.**

12.7.2 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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13. QUALITY OF SERVICE FOR THE FOURTH CONTROL PERIOD

13.1 GHIAL's submission regarding Quality of Service for the Fourth Control Period

13.1.1 The Authority noted that GHIAL had not made any submission in the MYTP regarding Quality of Service.

13.2 Authority's examination regarding Quality of Service for the Fourth Control Period at the Consultation Stage

13.2.1 Based on the clarifications sought by the Authority regarding Quality of Service, GHIAL submitted Airports Council International (ACI)-Airport Service Quality (ASQ) performance report from 2022 to 2025

13.2.2 The Authority noted that:

i. 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."*

ii. As per section 13(1)(a)(ii), the Authority is required to determine the tariff for Aeronautical services taking into consideration "the service provided, its quality and other relevant factors."

13.2.3 Further the Authority noted that Section 9 of the Concession Agreement for RGI Airport, Hyderabad lays down the performance standards to be followed in respect of the airport. The criteria used to measure the Airport's performance were the IATA Global Airport Monitor service standards set out in Schedule 9, Part 2 or such criteria as may be mutually agreed upon from time to time.

13.2.4 Concession Agreement of GHIAL 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 standards 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 HIAL shall participate in IATA surveys and shall ensure that a survey 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 as lower than IATA rating of three and a half (3.5) (in the current IATA scale of 1 to 5) for the service standards under HIAL's direct control, HIAL will produce an action plan in order to improve the Airport's performance which must be implemented within one (1) year...."

13.2.5 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:

a. Arrival at the airport (Ease of getting to the Airport, Signage to access terminal and parking facilities)

b. Check-in (Ease of finding check-in area, waiting time at check-in, courtesy and helpfulness of staff)

c. Security screening (Ease of going through security screening, waiting time at the security screening and courtesy and helpfulness of security screening staff)

d. Border/passport control (Waiting time at Border/passport control and courtesy and helpfulness of staff)

e. Shopping/dining (Restaurants/bars and value for money, shops and value for money, courtesy and helpfulness of staff)

f. Gate areas (Comfort of waiting and availability of seats at gate areas)

g. 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)

h. 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.

13.2.6 The Authority through its independent consultant reviewed the ACI ASQ performance reports of GHIAL for the past three calendar years (i.e. CY 2022 till CY 2025) and noted that GHIAL has achieved Overall Experience and Overall Satisfaction score of 5.00 during the abovementioned period and has met all the parameters mentioned in the report.

13.2.7 The Authority noted the CY-wise ACI ASQ Overall Experience and Overall Satisfaction Scores from CY 2022 till CY 2025 for RGIA as follows:

Table 346: ACI ASQ Score for RGI Airport

Calendar Year	Category	ASQ: Overall Experience	ASQ: Overall Satisfaction	Ranking
Q1 2022	15-25 MPPA	4.95	5	
Q2 2022	15-25 MPPA	4.9	5	
Q3 2022	15-25 MPPA	4.9	5	
Q4 2022	15-25 MPPA	4.97	5	
Avg. YTD for 2022(Q1 to Q4)	15-25 MPPA	4.93	5	1
Q1 2023	15-25 MPPA	4.97	5	
Q2 2023	15-25 MPPA	4.97	5	
Q3 2023	15-25 MPPA	4.97	5	
Q4 2023	15-25 MPPA	4.96	5	

Calendar Year	Category	ASQ: Overall Experience	ASQ: Overall Satisfaction	Ranking
Avg. YTD for 2023(Q1 to Q4)	15-25 MPPA	4.97	5	1
Q1 2024	15-25 MPPA	4.95	5	
Q2 2024	15-25 MPPA	4.96	5	
Q3 2024	15-25 MPPA	4.97	5	
Q4 2024	15-25 MPPA	4.99	5	
Avg. YTD for 2024(Q1 to Q4)	15-25 MPPA	4.97	5	1
Q1 2025	24-40 MPPA	5	5	
Q2 2025	24-40 MPPA	5	5	
Q3 2025	24-40 MPPA	5	5	
Q4 2025	24-40 MPPA	5	5	
Avg. YTD for 2025(Q1 to Q4)	24-40 MPPA	5	5	1

13.2.8 GHIAL had achieved ACI ASQ rating of 5.00 since CY 2022 as per Table 346 above.

13.2.9 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 RGI Airport, as GHIAL had been able to consistently maintain ASQ rating of 5.00 which is better than the minimum benchmark stipulated as per the Concession Agreement.

13.2.10 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 GHIAL as and when the same becomes effective and applicable to major airports.

13.3 Stakeholders' comments regarding Quality of Service for the Fourth Control Period

13.3.1 During the Stakeholder Consultation Process, the Authority has received comments/views from IATA, Lufthansa Group in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 with respect to Quality of Service for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding Quality of Services for the Fourth Control Period

13.3.2 No comments were received from GHIAL with regards to Quality of Service for the Fourth Control Period.

Other Stakeholders' comments regarding Quality of Service for the Fourth Control Period

13.3.3 IATA's comment with regards to Quality of Service for the Fourth Control Period for RGIA, Hyderabad is as follows:

"IATA supports continued development of HYD where it improves safety, passenger facilitation, operational efficiency and resilience. However, infrastructure investment should be accompanied by clear service-outcome commitments.

We have received following feedback from our member airlines operating at HIAL:

Inadequate manning of Immigration counters which has resulted in long waiting hours

Longer holding of aircraft before landing due to constrained arrival hall capacity

Limited benefits reported by airlines from the Airport Predictive Operations Centre (APOC), a state-of-the-art "nerve center" developed by HIAL to integrate airside, landside, and terminal operations.

AERA may consider requiring GHIAL to demonstrate how the proposed projects will maintain or improve level-of-service outcomes across key passenger and operational processes, including check-in, security, immigration, baggage delivery, stand availability, gate seating, bussing operations and terminal processing.

IATA further requests that major construction and transition works be assessed for their impact on ongoing operations. Where capacity is temporarily constrained, where airline relocations are required, or where dependent infrastructure affects usability of completed assets, mitigation measures should be clearly identified. Users should not fund infrastructure disruption without transparent service-level protections and transition plans."

13.3.4 Lufthansa Group's comment with regards to Quality of Service for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Stronger Link Between Tariffs and Service Quality

While we note the Authority's proposal not to make any adjustment to the Aggregate Revenue Requirement on account of Quality of Service during the Fourth Control Period, we respectfully submit that airport charges should increasingly reflect the quality of services delivered. Where service standards fall below prescribed levels, appropriate regulatory disincentives should be considered to ensure greater accountability and value for airport users."

13.4 GHIAL's response to Stakeholders' comments regarding Quality of Service for the Fourth Control Period

13.4.1 GHIAL's response to IATA's comment on Quality of Service for the Fourth Control Period is as follows:

"GHIAL appreciates IATA supports for continued development of Hyderabad Airport. Below are our responses for the feedback:

1. Inadequate Manpower at Immigration Counters

- *Immigration staffing is managed by the Bureau of Immigration (BOI); GHIAL provides infrastructure and operational support.*
- *GHIAL regularly engages with BOI and shares passenger forecasts and peak-hour demand data to support manpower planning.*
- *Efforts are focused on aligning counter deployment with passenger traffic to reduce waiting times and improve processing efficiency.*

2. Holding of Aircraft Due to Arrival Hall Capacity

- *Arrival hall capacity does not normally cause aircraft holding at Hyderabad Airport; aircraft movements are managed by ATC.*
- *Temporary congestion may occur when flights operate outside approved slot timings, leading to bunching of arrivals.*
- *In such cases, coordinated arrival flow management measures may be applied to regulate passenger inflow and maintain smooth terminal operations.*
- *These situations are infrequent and primarily result from irregular flight arrivals rather than terminal capacity constraints.*
- *GHIAL continuously monitors flight schedules, slot adherence, and terminal performance through APOC to mitigate such occurrences.*

3. Benefits of APOC (Airport Predictive Operations Centre)

- *APOC provides real-time visibility of passenger flows, queue lengths, wait times, and staffing across key airport touchpoints.*
- *Automated alerts and live operational monitoring enable proactive decision-making and rapid stakeholder coordination.*
- *Predictive passenger forecasts help airlines, CISF, immigration, and ground handlers optimize manpower and resources.*
- *APOC improves baggage hall management, stand/gate planning, congestion monitoring, and overall operational efficiency.*
- *It has transformed airport operations from a reactive model to a predictive and collaborative framework, enhancing service quality and operational resilience.*

GHIAL remains committed to improving passenger service levels and operational efficiency.

Investments and initiatives such as APOC are aimed at enhancing coordination, strengthening operational resilience, supporting future growth, and ensuring seamless passenger experience. "

13.4.2 GHIAL's response to Lufthansa group's comment with regards to Service Quality for the Fourth Control Period is as follows

- *Service Quality: RGI Airport has performed exceptionally well in providing the highest level of passenger satisfaction among similar Airports.*

13.5 Authority's analysis on Stakeholders' comments regarding Quality of Service for the Fourth Control Period

13.5.1 The Authority acknowledges IATA's important observation that infrastructure investment should be accompanied by clear service-outcome commitments and that airport development must be assessed not only for capacity expansion but also for the service quality impact of such development. The Authority recognizes that while infrastructure expansion increases airport capacity, such expansion is valuable to airport users only if accompanied by corresponding improvements in service delivery processes and passenger facilitation across all operational dimensions. Infrastructure investment without corresponding service quality improvement does not benefit airport users and may, in fact, worsen service quality during transition periods.

13.5.2 The Authority takes note of specific service quality concerns raised by IATA member airlines, including: (i) inadequate manning of immigration counters resulting in long waiting hours; (ii) aircraft holding before landing due to constrained arrival hall capacity; and (iii) limited benefits reported from the Airport Predictive Operations Centre (APOC) despite its characterization as a state-of-the-art operations integration facility. These concerns suggest that infrastructure investments may not be translating into anticipated service quality improvements and that certain operational processes require enhanced attention.

13.5.3 The Authority notes that such service quality issues are appropriate subjects for examination through the Service Level Agreement (SLA) framework and for direct discussion between GHIAL and airline operators regarding operational coordination and performance standards. The Authority binds to examining whether current SLA specifications adequately address such concerns and whether enhancements are warranted.

13.5.4 The Authority agrees with IATA that major construction and transition works must be assessed for their impact on ongoing operations and that users should not fund infrastructure disruption without transparent

service-level protections and transition plans. The Authority affirms to enhanced scrutiny of capital projects.

13.5.5 The Authority agrees with IATA that infrastructure development must be accompanied by clear service-outcome commitments and that GHIAL should be required to demonstrate how proposed capital projects will maintain or improve level-of-service outcomes across key passenger and operational processes. The Authority observes that infrastructure projects generating capacity without corresponding service quality improvement represent inefficient capital deployment and do not provide genuine benefit to airport users.

13.5.6 The Authority notes Lufthansa's submission regarding the desirability of linking aeronautical tariffs to service quality outcomes. The principle that airport users should receive value commensurate with charges paid is sound and aligns with regulatory best practices in infrastructure sectors.

13.5.7 The Authority notes that the concession agreement for major airports, including GHIAL, specifies performance standards for various operational metrics (on-time departures, baggage handling, passenger processing times, facilities maintenance, etc.). These represent the Authority's mechanism for ensuring accountability regarding service delivery.

13.5.8 The Authority notes the merit of Lufthansa's proposal and affirms to a progressive approach toward greater integration of service quality considerations in tariff determination.

13.6 Authority's decisions regarding Quality of Service for the Fourth Control Period

Based on the material before it and its examination, the Authority decides the following with respect to Quality of Service for the Fourth Control Period:

13.6.1 To not consider any adjustment in the Aggregate Revenue Requirement on account of Quality of Service for the Fourth Control Period.

13.6.2 GHIAL should ensure that service quality at Rajiv Gandhi International Airport 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 13.2.10, once the same become applicable to major airports.

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14. AGGREGATE REVENUE REQUIREMENT FOR THE FOURTH CONTROL PERIOD

14.1 GHIAL's submission regarding Aggregate Revenue Requirement for the Fourth Control Period

14.1.1 GHIAL had submitted Aggregate Revenue Requirement (ARR) for the Fourth Control Period based on projected Regulatory building blocks. Thereafter, they have submitted actuals for FY 2025-26 but have not correspondingly revised ARR. The summary of Aggregate Revenue Requirement submitted by GHIAL for the Fourth Control Period in MYTP is as follows:

Table 347: Aggregate Revenue Requirement submitted by GHIAL for the Fourth Control Period

(Rs. Crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average RAB	A	6,517	6,476	6,209	11,953	17,366	
FRoR	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C=A*B	818	813	780	1,501	2,181	**6,093**
Aeronautical Depreciation	D	480	503	509	861	1,202	**3,555**
Operating Expenses (including concession fee)	E	1,208	1,464	1,730	2,208	2,621	**9,231**
Aeronautical Taxes	F	704	1,081	1,275	1,140	1,069	**5,270**
Sub-total	G=C+D+E+F	3,211	3,861	4,294	5,710	7,072	**24,148**
Less: 30% of non-aeronautical revenue	H	302	330	364	395	435	**1,826**
Aggregate Revenue Requirement	**I=G-H**	2,909	3,531	3,930	5,316	6,637	**22,323**
(Over) / Under Recovery of previous Control Periods as on 31.03.2027	J	5,528					**5,528**
Net Aggregate Revenue Requirement	**K=I+J**	8,437	3,531	3,930	5,316	6,637	**27,851**
Projected Aero Revenue	L	4,402	5,033	5,814	6,495	7,257	**29,002**
PV Factor as on 01.04.2027 (WACC of 11.99%)	M	0.89	0.79	0.7	0.62	0.55	
Present Value of Net ARR	**N=K*M**	7,496	2,787	2,756	3,312	3,674	**20,025**
Present Value of Net Aggregate Revenue Requirement (ARR)	O	**20,025**					

14.2 Authority's examination regarding Aggregate Revenue Requirement for the Fourth Control Period at the Consultation Stage

14.2.1 The Authority based on its examination across the regulatory building blocks including True-up for the past control periods, has recalculated the Aggregate Revenue Requirement for the Fourth Control Period.

14.2.2 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 issues raised by the Authority in the Civil Appeal against the judgements of the Hon'ble TDSAT, 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.

14.2.3 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 348: Aggregate Revenue Requirement & YPP proposed to be considered by the Authority for the Fourth Control Period

(Rs. In Crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Opening RAB	A	6284.15	6563.51	6423.85	6068.59	16176.51	
Additions to RAB	B	720.96	332.76	130.87	10915.64	157.91	
Depreciation	C	441.60	472.43	486.12	807.72	1125.90	
Closing RAB	D=A+B-C	6563.51	6423.85	6068.59	16176.51	15208.53	
Average RAB {Refer Table 250}	E=(A+D)/2	6423.83	6493.68	6246.22	11122.55	15692.52	
Fair Rate of Return {Refer Table 258}	F	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on average RAB	G=F*E	806.83	815.61	784.53	1,396.99	1,970.98	5,774.94
Depreciation {Refer Table 248}	H	441.60	472.43	486.12	807.72	1,125.90	3,333.76
O&M expenses (Refer Table 331)	I	831.42	891.15	953.66	1,151.59	1,328.58	5,156.40
Tax Expense (Refer Table 343)	J	-	-	190.68	153.89	102.13	446.69
Aggregate Revenue Requirement (ARR)	K=(G+H+I+J)	2,079.85	2,179.18	2,414.99	3,510.19	4,527.58	14,711.79
NAR {Refer Table 340}	L	908.51	1,040.67	1,201.24	1,348.81	1,535.74	6,034.97
Less: 30% NAR	M=L*30%	272.55	312.20	360.37	404.64	460.72	1,810.49
Net ARR	N=K-M	1,807.30	1,866.98	2,054.62	3,105.54	4,066.86	12,901.30
(Over)/Under Recovery of previous CP as on 31.03.2027	O	319.80					319.80
Net ARR after carrying forward	P=O+N	2127.10	1866.98	2054.62	3105.54	4066.86	13,221.10
PV factor @11.99%	Q	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR	R=Q*P	2127.10	1658.65	1621.67	2177.64	2533.51	10,118.57
Sum present value of ARR (₹ in crore)	S	**10,118.57**					
Total traffic in MPPA (Refer Table 169)	T	**218.30**					
Yield per Passenger (YPP) (in ₹)	U=(S/T) *10	**463.52**					

14.2.4 The Authority based on its examination proposed an Aggregate Revenue Requirement of Rs. 13,221.10 Cr (Rs. 10,118.57 Cr. in PV terms) against an Aggregate Revenue Requirement of 27,851 Cr (Rs. 20,025 Cr. in PV terms) as submitted by GHIAL. The major reasons for the variance between GHIAL's submission and Authority's proposals were as below:

- Consideration of Under recovery to be trued up from the Third Control Period of Rs.319.80 Cr against GHIAL's submission of Under recovery of Rs. 5,528.41 Cr for the same period. Difference was mainly due to non consideration of the impact of TDSAT judgement.

- Rationalization of Capital Expenditure and O&M Expenses for the Fourth Control Period by the Authority vis-a-vis the submission made by GHIAL.
- Revision in Non-Aeronautical Revenue for the Fourth Control Period based on realistic growth rates vis a vis the growth rates as considered by GHIAL.

14.3 Incremental ARR Approach on User Pays Principle for identified High-value Capex Projects

14.3.1 It can be seen from the above table that in the financial year 2029-30, the capital addition of Northern Passenger Terminal Building of 20 MPPA and related infrastructure with an aero capex of Rs. 5,328.45 Crore and Northern Precinct airside works comprising of new Runway, Taxiways, Aprons and other airside works with capex of Rs. 4,585.49 Crore shall take place which together would account for almost 79% of the overall capital additions for the Fourth Control Period, that would significantly impact the returns on RAB & Depreciation. These capital assets would be capitalised and be put to use in 2029-30, whereas their impact in the tariff determination process would get applied on the passengers and airlines from the 1st year onwards of the 5 year Control Period. This does not seem to be in consonance with the fundamental principle of Airport Charges that user pays for the 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 asset being put into use. Such an outcome may not be consistent with the broader objectives of efficiency, accountability, and performance-based regulation.

14.3.2 In the 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 were expected to be commissioned during the latter part of the Control Period, particularly during the last two years of the Control Period then it was most appropriate that these capex items be put under the 'user pays principle' and factored in the regulatory framework from the expected date of its capitalisation in the later part of the Control Period so that the burden of these big ticket capital items is not borne from the beginning of the 5 year Control Period by the passengers & airlines and other airport users even when these capital items were yet to capitalised and made available for users.

14.3.3 Accordingly, the Authority proposed to adopt, on a project-specific basis, an **Incremental ARR Approach on User Pays 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 incremental ARR would be given effect through revised aeronautical tariffs as and when each identified project was capitalised and put to operational use.

14.3.4 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 were brought into service.

14.4 Proposed Methodology

14.4.1 At the Consultation Stage the methodology for the incremental ARR Approach on the User Pays 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

14.4.2 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

14.4.3 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 may 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.

14.4.4 The Authority would calculate the ARR and corresponding Yield Per Passenger (YPP) attributable to each identified project based on the approved project cost, financing assumptions, capitalization schedule, and other regulatory parameters applicable for the relevant Control Period.

14.4.5 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.

14.4.6 The Base ARR would 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 are not required to bear tariff increases in anticipation of infrastructure that was yet to be commissioned and made available for operational use.

(c) Determination of Aeronautical Charges Based on Base ARR

14.4.7 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.

14.4.8 The tariffs determined on this basis shall remain applicable unless and until additional ARR associated with identified high-value capital expenditure projects becomes eligible for recovery in accordance with the mechanism specified by the Authority.

14.4.9 This approach sought to establish a tariff structure that reflected only those assets and services that were available, or reasonably expected to be available, to users during the relevant tariff period, thereby promoting tariff stability and fairness.

(d) Intimation of Project Completion and Put-to-Use by Airport Operator

14.4.10 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.

14.4.11 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.

14.4.12 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.

14.4.13 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.

14.4.14 The Authority may 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

14.4.15 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 has been completed, capitalized, and put to operational use.

14.4.16 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 would also specify the resulting revision in aeronautical tariffs and the effective date from which such revised tariffs would become applicable.

14.4.17 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 1st January 2030.

14.4.18 The Authority 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, no re-assessment of project costs, financing assumptions, regulatory building blocks, or other cost parameters would ordinarily be undertaken at this stage.

14.4.19 Any variation between the approved and actual project costs, capitalization values, financing costs, operational expenditure, or other relevant parameters would be examined separately during the True-Up process 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

14.4.20 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; 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.

14.4.21 In the light of the above, in the Consultation Paper for the Rajiv Gandhi International Airport, Hyderabad, the capex items identified for incremental ARR approach on user pays principle were –

(i) Northern Passenger Terminal Building of 20 MPPA and related infrastructure - Rs. 5,328.45 Crore

(ii) Airside works for Northern Precinct comprising of new Runway, Taxiway, Aprons and related works with capex of Rs. 4,585.49 Crore

14.4.22 These capex items had been identified in view of the fact that they involved substantial capital investment (almost 79% of the total Capital additions for the 4th Control Period) and were expected to be commissioned in the 4th year of the 5 year Control Period.

Table 349: Capex proposed to be considered by the Authority under Incremental ARR approach

(Rs in Crores)

Particulars	Total Capex proposed by GHIAL	Aero Capex proposed by GHIAL	Total Capex proposed by Authority	Aero Capex proposed by Authority	Capitalisation Date
Northern Runway & Associated Airside Works	5,027.65	4,948.04	4,608.99	4,585.49	30 Sep 2029
Northern Precinct Development-Landside Works	7,456.35	6,789.73	6,345.16	5,328.45	30 Sep 2029

14.4.23 **Northern Precinct Development- Landside Works – Impact on ARR**

Table 350: Impact on ARR for Northern Precinct Development- Landside Works under Incremental ARR approach

(Rs in Crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	0.00	0.00	0.00	2,587.67	5,022.25	
Fair Rate of Return {Refer **Table 258**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on average RAB	C=A*B	0.00	0.00	0.00	325.01	630.79	955.81
Depreciation	D	0.00	0.00	0.00	153.10	306.21	459.31
O&M expenses	E	0.00	0.00	0.00	0.00	0.00	0.00
Tax Expense	F	0.00	0.00	0.00	0.00	0.00	0.00
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	0.00	0.00	0.00	478.12	937.00	1,415.12
NAR	H	0.00	0.00	0.00	0.00	0.00	0.00
Less: 30% NAR	I=H*30%	0.00	0.00	0.00	0.00	0.00	0.00
Net ARR	J=G-I	0.00	0.00	0.00	478.12	937.00	1,415.12
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-	-	-	-	-	-
Net ARR after carrying forward	L=J+K	0.00	0.00	0.00	478.12	937.00	1,415.12
PV factor @11.99%	M	1.00	0.89	0.79	0.70	0.62	
PV of ARR	N=L*M	0.00	0.00	0.00	335.26	583.72	918.98
Sum present value of ARR (₹ in crore)	O	**918.98**					
Total traffic in MPPA {Refer **Table 169**}	P	**218.30**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**42.10**					

 # for comparison purpose, YPP has been shown based on total passengers. Charges will be determined appropriately considering the balance collection period.

14.4.24 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.

14.4.25 Upon examination of the submissions and 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.

14.4.26 **Northern Runway & Associated Airside Works – Impact on ARR**

Table 351: Impact on ARR for Northern Runway & Associated Airside Works under Incremental ARR approach

(Rs in Crores)

Particulars	Ref.	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	0.00	0.00	0.00	2,226.87	4,321.98	
Fair Rate of Return {Refer **Table 258**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	0.00
Return on average RAB	C=A*B	0.00	0.00	0.00	279.69	542.84	822.54
Depreciation	D	0.00	0.00	0.00	131.76	263.51	395.27
O&M expenses	E	0.00	0.00	0.00	0.00	0.00	0.00
Tax Expense	F	0.00	0.00	0.00	0.00	0.00	0.00
Aggregate Revenue Requirement (ARR)	G=(C+D+E+F)	0.00	0.00	0.00	411.45	806.35	1,217.80
NAR	H	0.00	0.00	0.00	0.00	0.00	0.00
Less: 30% NAR	I=H*30%	0.00	0.00	0.00	0.00	0.00	0.00
Net ARR	J=G-I	0.00	0.00	0.00	411.45	806.35	1,217.80
(Over)/Under Recovery of previous CP as on 31.03.2027	K	-	-	-	-	-	-
Net ARR after carrying forward	L=J+K	0.00	0.00	0.00	411.45	806.35	1,217.80
PV factor @11.99%	M	1.00	0.89	0.79	0.70	0.62	
PV of ARR	N=L*M	0.00	0.00	0.00	288.51	502.33	790.84
Sum present value of ARR (₹ in crore)	O	**790.84**					
Total traffic in MPPA {Refer **Table 169**}	P	**218.30**					
Yield per Passenger (YPP) (in ₹)	Q=(O/P)*10	**36.23**					

 # for comparison purpose, YPP has been shown based on total passengers. Charges will be increased appropriately considering the balance collection period.

14.4.27 Two reporting windows would be established in each Financial Year, namely: (i) April to September, and (ii) October to March. The Airport Operator shall, within thirty (30) days from the closure of each reporting window, submit to AERA details of aforementioned capital project that had been completed and put to use during the relevant reporting window, together with requisite supporting information and documentation.

14.4.28 Upon examination of the submissions and satisfaction regarding the completion and operationalization of the reported projects, AERA would issue an appropriate revised Tariff Order for the 4th Control Period determining the consequential additions in the applicable aeronautical charges based on the cost and balance control period.

14.4.29 In the 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 352: Base Line ARR & YPP for GHIAL for the Fourth Control Period

(Rs in Crores)

Particulars	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base (A)	6,423.83	6,493.68	6,246.22	6,308.01	6,348.29	
WACC (B) {Refer **Table 258**}	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB (C=A*B)	806.83	815.61	784.53	792.29	797.35	3,996.60
Depreciation (D)	441.60	472.43	486.12	522.86	556.18	2,479.19
Operation and Maintenance Expenditure (including concession fee) (E)	831.42	891.15	953.66	1151.59	1328.58	5,156.40
Aeronautical Tax (F)	0.00	0.00	190.68	153.89	102.13	446.69
Gross Aggregate Revenue Requirement (G)=C+D+E+F	2079.85	2179.18	2414.99	2620.62	2784.22	12,078.87
Total Non-Aeronautical Revenue {Refer Table 340}	908.51	1,040.67	1,201.24	1,348.81	1,535.74	6,034.97
Less: 30% of non-aeronautical revenue (H)	272.55	312.20	360.37	404.64	460.72	1,810.49
Aggregate Revenue Requirement (I) = G-H	1807.30	1866.98	2054.62	2215.98	2323.50	10,268.38
(Over)/Under Recovery of previous CP as on 31.03.2027 (J){Refer Table 164}	319.80					319.80
Net Aggregate Revenue Requirement (K)	2,127.10	1,866.98	2,054.62	2,215.98	2,323.50	10,588.18
Discounting Factor (L)	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027 (K*L)	2,127.10	1,658.65	1,621.67	1,553.86	1,447.46	8,408.75
Sum of PV of Net Aggregate Revenue Requirement (M)						8,408.75
Total Passenger Traffic (MPPA) (N) {Refer **Table 169**}						218.30
Yield per Passenger on Total Traffic (Rs.) (M/N)						385.17

14.4.30 The Authority noted that it was 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 GHIAL 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 352** within 7 days.

14.5 Stakeholders' comments regarding Aggregate Revenue Requirement for the Fourth Control Period

14.5.1 During the Stakeholder Consultation Process, the Authority has received comments/views from GHIAL, AAHL, IATA, BIAL, APAO, AOC HYD, IndiGo and Lufthansa Group in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 regarding Aggregate Revenue Requirement for the Fourth Control Period. The Comments of the Stakeholders are presented below:

GHIAL's comments regarding Aggregate Revenue Requirement for the Fourth Control Period

14.5.2 GHIAL's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

*"**Authority's proposal for User Pay Principle:***

14.3 Incremental ARR Approach on User Pay Principle for identified High-Capex Projects

14.3.1 It can be seen from the above table that in the financial year 2029-30, the capital addition of Northern

Passenger Terminal Building of 20 MPPA and related infrastructure with aero capex of Rs. 5,328.45 Crore and Northern Precinct airside works comprising of new Runway, Taxiways, Aprons and other airside related works with capex of Rs. 4,585.49 Crore is taking place together accounting for almost 79% of the overall capital additions for the fourth control period which is significantly impacting the return on RAB & Depreciation. These capital assets are getting capitalised and shall be put to use in 2029-30, whereas their impact is getting applied on the passenger travelling in the 1st year of the Control Period. This is not in consonance with the fundamental principle of Airport Charges that user pays for the facilities and services that are available for use. Further, in this context it is pertinent to mention that: -

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.

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 has actually observed that, in several past instances, major capital expenditure projects projected for commissioning within a Control Period are subsequently delayed, rescheduled, phased differently, or, in certain instances, not executed at all. Such deviations between projected and actual capitalisation can lead to a mismatch between tariff recovery and asset availability. As a result, airport users may bear charges based on investments that have not yet materialised, while the Airport Operator may receive revenue recovery in advance of the corresponding asset being put into use. Such an outcome may not be consistent with the broader objectives of efficiency, accountability, and performance-based regulation.

14.4.30 The Authority notes 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 GHIAL is directed to submit the detailed annual Tariff proposals in line with the Aggregate Revenue Requirement and Yield arrived at by the Authority in Table 324 within 7 days of issuance of this Consultation Paper.

GHIAL's Response:

The following are GHIAL's submissions regarding the proposed methodology for consideration of Incremental ARR and recovery of capital expenditure during the Control Period:

ICAO Principle

We respectfully submit that the Authority's reliance on the "user pays" principle reflects a narrow interpretation of ICAO policies, which does not fully capture the intent of the framework. ICAO defines airport charges as instruments for recovery of infrastructure and service costs, while also emphasising the need to balance the interests of service providers and users.

In the current regulatory mechanism, multi-year tariff framework helps in smoothing the rates across the years without having a major increase or decrease in the rates. This is done on an NPV basis while applying to WACC on the required reimbursements for new investments. This multiyear tariff framework, in a way, provides pre-funding of these investments and reduces burden on passengers by affecting impact over multiple years rather than over a shorter period when the assets are put to use. ICAO as per 1.8 Pre-Funding of Projects under point (d), provides similar safeguards in the form of pre-funding of the projects to provide consistency and reasonableness in the tariff structure.

1.8 Pre-Funding of Projects.....d) application for a limited period of time with users benefiting from lower charges and from smoother transition in changes to charges than would otherwise

have been the case once new facilities or infrastructure are in place; and

"ICAO Doc 9082 establishes that airport charges are intended to enable users to bear their fair share of infrastructure costs (Para 2.1.1), including capital costs and depreciation (Para 2.1.2).

However, the framework does not prescribe that cost recovery must occur only after commissioning of assets. On the contrary, ICAO recognises that pre-funding of large-scale investments may be permitted in specific circumstances, subject to appropriate safeguards, including transparency, consultation and ring-fencing of funds (Para 1.8). Further, ICAO emphasizes the need to maintain a fair balance between the interests of service providers and users. Therefore, interpreting the "user pays" principle as restricting cost recovery solely to post-utilization reflects a narrow and incomplete reading of ICAO guidance".

Projects have multiple capitalisation milestones

It is important to note that, in many of the major capex projects, the assets do not constitute single milestone that can be linked to commissioning on a single date. These projects comprise multiple asset packages and sub-components, including terminal infrastructure, utilities, baggage systems, passenger processing systems, airside infrastructure, aprons, taxiways and associated facilities, each of which may have different completion, capitalization and put-to-use dates.

Accordingly, the actual capitalization profile of such projects is likely to be staggered over a period of time rather than occurring through a single commissioning event. In such circumstances, linking tariff recovery strictly to commissioning milestones may create practical complexities in determining the commencement of recovery and may not accurately reflect the integrated nature of airport infrastructure development.

The existing Multi-Year Tariff Framework appropriately recognizes the integrated and longgestation nature of airport infrastructure projects by determining tariff requirements for the Control Period as a whole, thereby providing a simpler, more predictable and administratively efficient mechanism for recovery of prudently incurred investments.

Deviation from Established AERA Multi-Year Tariff Framework

We respectfully submit that the proposed approach departs from the core Multi-Year Tariff Framework under AERA Guidelines, which envisages determination of ARR for the entire control period. Incremental ARR introduces mid-control period adjustments, which are not aligned with the fundamental design of the MYTP regime.

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";

The AERA Guidelines explicitly provide that tariffs and ARR are determined in advance for the entire control period under the Multi-Year Tariff Framework (refer Clause 2.18), which ensures stability, predictability, and regulatory certainty.

Reference from AERA tariff determination mechanism:

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)

$$Y = \frac{\sum_{t=1}^{5} PV(ARR_t)}{\sum_{t=1}^{5} VE_t}$$

t=1

Where:

ARR_t = Aggregate Revenue Requirement in year t

$PV(ARR_t)$ = Present value of ARR_t discounted using FRoR

VE_t = Estimated passenger volume in year t

FRoR = Fair Rate of Return (discount rate)

From YPP to Year-wise Tariffs

YPP for Year 1

Illustration

Yield per passenger (Y)

		Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Aggregate Revenue Requirement	ARR	6,660	6,488	6,450	6,376	4,845
Estimated Volume	VE	1,000	1,160	1,323	1,521	1,749
Present Value (ARR)	PV (ARR)	6,660	5,593	4,793	4,085	2,676
∑PV(ARR)	23,807					
∑VE	6,743					
Y = ∑ PV(ARR) / ∑ VE	3.53					

Y1 and X

		Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Forecasted Change in WPI	WPI	10%	10%	10%	10%	10%
X	X	2%	2%	2%	2%	2%
Yield per passenger for Tariff Year t	$Y_{t\ (pax)}$	4.13	4.46	4.82	5.21	5.62
Revenue = VE x Y	VE x Y	4,134	5,834	6,579	7,920	9,836
Present Value (VE x Y)	PV (VE x Y)	4,134	4,426	4,741	5,074	5,432
∑PV(VE x Y)	23,807					
∑VE	6,743					
Y = ∑ PV(VE x Y) / ∑ VE	3.53					

- *Y1 and X are calculated considering various factors such that*

$$\sum PV(ARR) / \sum VE = \sum PV(VE \times Y) / \sum VE$$

- *In this illustration, for simplicity, X has been taken as same for all 5 years*
- *Yield per passenger for the second Tariff Year onwards (i.e. Y2 to Y5) is calculated according to Clause 6.4.*

$$Yt = Yt-1 \times (1 + WPI t - Xt)$$

Where:

WPI = Inflation escalation

X = Efficiency factor

Even under clause 5.2 Regulatory Asset Base (RAB), AERA can exclude or include any proposal submitted in MYTP, however deferment for the purpose of rate card computation is not allowed as per the guidelines.

"5.2.1. Scope of the RAB

Any exclusion/ inclusion shall only be considered if it is proposed to be executed in the Control Period for which the Multi Year Tariff Proposal is submitted.

The Authority may also, in its discretion, consider any other relevant factors for exclusion or inclusion of assets."

Tariff Certainty and Predictability on Airline Planning and Network Stability

The current framework ensures a pre-determined tariff trajectory with adjustments through defined true-up mechanisms. The proposed approach introduces multiple tariff revisions and dependence on regulatory approvals during the control period, resulting in uncertainty for airlines and users.

Such tariff volatility:

Disrupts airline pricing and route planning, which are typically medium-term decisions

Impacts airline economics and profitability

May discourage airlines from building stable networks at expanding airports

Even AERA has recognised the importance of a balanced and stable approach. Smoothening tariffs over a 5-year period avoids avoidable volatility and supports orderly traffic and network development.

Financial sustainability and cost of capital implications

Capital investments require funding during the construction phase, whereas Incremental ARR defers revenue recovery until commissioning. This creates a cash flow mismatch and may also have implications on the credit rating of the airport operator and its ability to comply with financing covenants, potentially leading to a higher cost of capital. Ultimately, these increased financing costs are passed on to users, defeating the objective of protecting user interests. Front-loading risk but back-loading recovery increases financing cost for the system and is inefficient from a user perspective.

Departure from Regulatory Consistency and investor confidence

The proposal represents a significant shift from the established AERA tariff framework and introduces regulatory uncertainty. Departure from this approach introduces uncertainty in revenue realization and mismatch between investment timing vs recovery timing.

As per Section 13 (a) (i) of the AERA Act, it is important for AERA to consider capital expenditure and timely investment in improvement of airport facilities. Since the proposed capex rational has been accepted by AERA basis its technical evaluation, delay in providing the respective effect in the building blocks will be against the Act. On the contrary, tariff guidelines under section 5.2.6 (d), provide incentive mechanism for airport operators for timely or ahead of schedule investments.

Such departure from above guiding principles and regulations while determining tariffs can send adverse signals to investors, especially in a sector with large upfront capex commitments. Particularly significant as the airport sector is entering a phase of large-scale expansion and privatization. Regulatory stability is essential to sustain investor participation in long-gestation infrastructure assets.

Impact of User Pay Principle on Per-Passenger Cost Recovery

The Authority's application of the user pay principle results in a departure from the earlier YPP framework, wherein the aggregate revenue requirement was assessed on WACC linked present value basis and equitably spread across the forecast passenger base over the control period. Under the user pay approach, such recovery is undertaken in absolute terms only upon capitalization, without present value equalisation.

In cases where capex is commissioned in later years, the associated WACC-linked return and depreciation are recovered over a limited timeframe and from a relatively smaller passenger base. Accordingly, per-passenger recovery under the user pay approach is significantly higher due to concentration over a shorter period and reduced passenger base, as compared to the earlier YPP framework. Such concentration of cost recovery in the years immediately following commissioning may lead to significant tariff shocks and volatility in aeronautical charges, instead of ensuring a smooth and predictable tariff trajectory over the Control Period

In Current YPP Framework

- *Total Net ARR as per Table 320 of the Fourth Control Period Consultation Paper: ₹13,221.10 crore*
- *Total pax traffic approved by the Authority as per Table 154 of the Control Period Consultation Paper: 21.83 crore passengers*
- *YPP per passenger = ₹13,221.10 crore ÷ 21.83 crore passengers = ₹605 per passenger*

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Traffic as per AERA (In Mn)		35.0	39.3	44.6	47.9	51.5
YPP Without UPP	535	605	605	605	605	605
YOY Growth		*13%*	*0%*	*0%*	*0%*	*0%*

Under the User Pay Principle (UPP)

1. Base ARR Recovery (FY27 to FY29)

- *Total Net ARR as per Table 324 of the Fourth Control Period Consultation Paper: ₹10,588.18 crore*
- *Total passenger traffic approved by the Authority as per Table 154: 21.83 crore passengers*
- *Base YPP per passenger = ₹10,588.18 crore ÷ 21.83 crore passengers = ₹485 per passenger*

2. Impact of Capitalization of Major Expansion Assets

Assume that the Northern Passenger Terminal Building and the Northern Precinct Airside Works are commissioned in September 2029, and the revised tariff becomes effective from January 2030.

- *Net ARR attributable to Northern Precinct Development - Landside Works (Table 322): ₹1,415.12 crore*
- *Net ARR attributable to Northern Runway & Associated Airside Works (Table 323): ₹1,217.80 crore*
- *Total incremental ARR attributable to commissioned capex: ₹2,633 crore*

Passenger Base Available for Recovery

- *FY30 passenger traffic (Jan-30 to Mar-30 only): 4.79 crore ÷ 4 = 1.20 crore passengers*
- *FY31 passenger traffic: 5.15 crore passengers*
- *Total passenger base available for recovery of incremental ARR: 1.20 + 5.15 = 6.35 crore passengers*

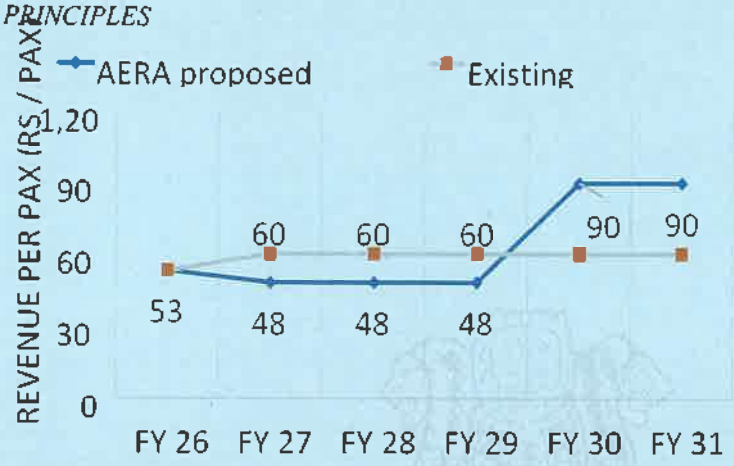
Accordingly:

- *Additional YPP = ₹2,633 crore ÷ 6.35 crore passengers = ₹415 per passenger*

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Traffic as per AERA (In Mn)		35.0	39.3	44.6	47.9	51.5
YPP base line (Rs / pax)	535	485	485	485	485	485
Additional YPP due to approved Capex (Rs / Pax)	-	-	-	-	415	415
Total effective YPP (Rs / Pax)	535	485	485	485	900	900
YOY Growth (%)		(11%)	0%	0%	86%	0%

REVENUE PER PAX TRAJECTORY: AERA

NEW METHODOLOGY VS EXISTING PRINCIPLES



Key Observation

Under the proposed User Pay Principle, effective recovery per passenger increases from ₹485 to ₹900 upon capitalization of the expansion assets, representing an increase of approximately 86% in a single year.

In contrast, under the existing YPP framework, recovery per passenger increases only from ₹535 to ₹605, i.e., approximately 13%, and remains stable thereafter.

This demonstrates that while the User Pay Principle initially results in lower charges, it concentrates recovery of major capex over a substantially smaller passenger base following commissioning, leading to a sharp step-up in charges and a potential tariff shock for airport users.

The existing YPP framework, on the other hand, spreads recovery more evenly across the Control Period and provides a significantly smoother and more predictable tariff trajectory.

Therefore, while the proposed approach may initially appear beneficial due to lower charges in the early years, it ultimately results in an abrupt increase in recovery rates post-capitalization, shifting the burden disproportionately onto future users and creating significant tariff volatility.

Consistency with established regulatory practice and global approach. AERA has consistently followed a 5-year tariff cycle since inception Internationally:

Regulators typically avoid intra-period tariff volatility

Prefer smoothing mechanisms over project-specific step-ups

In fact, on this basis, there should not be any deferment of YPP to future CPs – akin to subsiding current users at the expense of users in next CP. Basically, it is akin to all major expansions being treated as greenfield projects which will increase the project risk.

Redundancy with Existing True-Up Mechanism

The AERA framework already provides mechanisms such as error correction and true-up to address over-recovery, under-recovery and forecast deviations. Incremental ARR duplicates these safeguards without providing additional benefit.

Benefits cannot be clearly attributable to specific users or periods

Airports operate as integrated network assets rather than a collection of standalone facilities, with continuous reconfiguration of terminals, airside infrastructure, and passenger flows to optimise capacity utilisation.

In large metro airports such as Hyderabad, expansion projects typically result in reallocation of airline operations, redistribution of traffic across terminals, and system-wide efficiency gains rather than isolated benefits attributable to specific users or time periods.

Further, a significant proportion of traffic at airports (especially metro ones like Hyderabad) comprises repeat travellers, who utilise the airport ecosystem over time rather than in a single instance.

In this context, determination of tariffs over a control period, with costs appropriately smoothened, is consistent with the principle of equity and reflects the integrated and evolving nature of airport infrastructure.

Lack of International Precedent and Regulatory Benchmarking

We respectfully submit that the proposed Incremental ARR approach does not appear to have any established precedent in international airport regulatory practices. Leading global jurisdictions, including Heathrow (UK) and airports in Mexico, operate under multi-year tariff framework, which generally allow cost recovery aligned with investment timelines (phased recovery), rather than deferring recovery strictly until asset commissioning.

Globally existing airports levy new airport development charges. For example, GMR Group is developing a new green field airport at Crete in Greece in which the Greece Government permitted levy and collection of new airport development fees and presently the existing airport is collecting the new airport development fees and making available to the new developer i.e. GMR Consortium.

In this regard, we request the Authority to kindly provide evidence of implementation of a similar approach in other jurisdictions, if any, along with the regulatory rationale adopted and stakeholder responses, particularly concerns raised by airport operators or users. In absence of such precedent, adoption of this approach may lead to regulatory uncertainty and deviation from globally accepted tariff-setting practices.

Credit Rating Downgrade

Further, deferring the recovery of revenues until the commissioning of assets creates a structural misalignment between the timing of expenditure incurrence and the realization of corresponding revenues. This results in a cash flow mismatch that may necessitate additional funding during the construction period, leading to higher financing and carrying costs. Such an approach could adversely impact the airport operator's credit profile, compliance with lender covenants, and investor confidence, thereby increasing the overall cost of capital. Importantly, these incremental financing costs would ultimately be passed through to airport users over time and may therefore be inconsistent with the underlying objective of protecting users from undue tariff impacts.

Consequently, where a material portion of projected revenues remains contingent in nature, credit rating agencies may calculate key financial metrics—including Net Debt/EBITDA, Debt/EBITDA, Debt Service Coverage Ratio (DSCR), and Interest Coverage Ratio—based on lower levels of recognized revenue and EBITDA than those reflected in the company's business plan. This may result in weaker credit metrics and a less favourable assessment of the issuer's financial position.

Any deterioration in these credit metrics could place downward pressure on the issuer's credit rating and/or rating outlook. A weaker credit profile may, in turn, restrict access to capital markets and increase

borrowing costs through higher interest rates, wider credit spreads, enhanced security requirements, and more restrictive financing covenants.

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.

Interim/Alternative Option:

Without prejudice to the above submissions, if the Authority proceeds with the proposed Incremental ARR approach, GHIAL respectfully submits the following requests:

Tariff Card to be approved for 5 years: GHIAL respectfully submits that the complete tariff card for the Fourth Control Period, including the impact of identified high-capex projects, should be determined and approved upfront as part of the Tariff Order itself. Upon achievement of the specified commissioning milestones and submission of the requisite certification by GHIAL, only the pre-approved tariff rates should become effective from the notified date, without requiring a fresh determination of individual aeronautical charges such as Landing Charges, Parking Charges, UDF and other tariff elements. This would provide greater tariff certainty, predictability and transparency to all stakeholders, particularly airlines, enabling them to clearly assess the likely movement in airport charges over the Control Period and plan their operations, pricing and network decisions accordingly. Further, such an approach would avoid repeated tariff revisions and reduce regulatory and administrative complexity during the Control Period.

Tariff Implementation upon Achievement of 80% Physical Progress: GHIAL respectfully submits that, the incremental tariff for the identified high-capex projects should be permitted to be implemented upon certification of physical progress of at least 80% by an Independent Engineer, rather than deferring the entire recovery until capitalisation and put-to-use. At the stage of 80% certified physical progress, the Airport Operator has substantially incurred the underlying capital cost and the associated financing burden; permitting incremental tariff from that milestone would enable the Operator to meet a part of its capital expenditure requirement from such incremental tariffs.

Staggered Capex Recovery: GHIAL requests the Authority to consider permitting recovery of 50% of the ARR associated with identified high-capex projects prior to capitalization, with the balance being recovered upon capitalization. This would moderate tariff increases in the commissioning years, reduce tariff shock for users and partially offset the financing burden borne by the Airport Operator during the construction phase."

Other Stakeholders' Comments on Aggregate Revenue Requirement for the Fourth Control Period

14.5.3 AAHL's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

"To retain the current regulatory treatment for recovery of capital expenditure:

(Ref: Para 14.3 "Incremental ARR Approach on User Pay Principle for identified High-Capex Projects")

The proposal to defer consideration of incremental ARR in respect of nearly INR 9,900 crore of capital expenditure, on the basis of the "pay as you use" principle, may not be suitable in the context of large-scale airport capacity expansion.

Hyderabad Airport's passenger handling requirement is expected to increase substantially — from the existing capacity of around 34 million passengers to nearly 67 million passengers. Such expansion is therefore a necessary pre-condition for sustaining service levels, operational efficiency and future demand.

For capital projects of this scale and nature, the question of cost recovery cannot be viewed through the narrow lens of one Control Period alone. Large airport expansion works create capacity that will be used over several decades. Therefore, to judge recovery based on immediate utilisation may not reflect the true nature of airport infrastructure. This concern may be more relevant for routine maintenance, refurbishment or replacement works.

Further, the present tariff framework already contains a natural balancing mechanism that recovery should move in line with usage. Tariffs are determined over the Control Period, and recovery increases progressively as assets are added to the Regulatory Asset Base supported by higher traffic throughput. In other words, as more passengers begin using the expanded facilities, a larger part of the cost recovery also takes place.

Moreover, timely delivery of these projects is not merely a compliance obligation for the Airport Operator — it is, in fact, self-enforcing. A Terminal that opens late, or an Apron or a Taxiway that is not ready in time chokes the airport's ability to absorb growth. The immediate consequences are tangible — congestion at peak hours, longer turnaround times, deteriorating passenger experience, forgone aeronautical revenue from movements that could not be accommodated, and lost non-aeronautical income from footfall that never materialised. The incentive to build on time is therefore already embedded in the Airport Operator's own economics and needs no additional regulatory prompting.

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."

14.5.4 APAO's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Introduction of "Incremental ARR approach" in line with "User Pays Principle".

In previous control periods (for RGIA 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 pay 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 and system-wide, not asset-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 capitalisation of individual assets, it may discourage timely capacity creation and undermine the long-term planning required for a fast-growing airport such as

Hyderabad. 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.

Further, large airport expansion programmes are typically executed through multiple packages and assets with different completion and capitalisation timelines. If tariff recovery under the User Pay Principle is linked to individual capitalisation events, airport operators may be compelled to structure capex programmes into multiple phases and seek tariff revisions for each major package upon commissioning. This would result in frequent tariff revision exercises during the Control Period, increase regulatory and administrative complexity, and reduce tariff certainty for airlines and passengers.

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."

14.5.5 BIAL's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Introduction of "Incremental ARR approach" in line with "User Pays Principle".

AERA's guidelines provide for a levelized tariff being charged over the 5 year control period. This framework helps in setting the tariffs in a way that there is a staggered, levelized increase without any significant spikes which may cause difficulties to all 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.

The "Incremental ARR" approach will lead to a scenario where there will be sudden spikes in tariffs on account of capitalization of a large capital asset such as a new terminal or runway. Hence, BIAL requests AERA not to apply this approach as the existing approach of levelized tariff through the control period is the most appropriate way because passengers and airlines use the airport as an integrated service.

Notwithstanding the above, if AERA decides to implement the Incremental ARR, BIAL requests that the cash flows of the Airport operator are taken into consideration while framing the incremental ARR for the selected projects."

14.5.6 AOC HYD's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Support for the User Pay Principle

We support the Authority's proposed Incremental ARR approach, whereby costs associated with major capital projects are recovered only once the relevant assets are commissioned and available for operational use. This approach appropriately aligns cost recovery with the delivery of service benefits to airport users and avoids airlines bearing costs for infrastructure that is not yet operational.

However, given the scale of the proposed investments, we encourage the Authority to ensure that only prudent, efficient, and demand-driven investments are recoverable from airport users."

14.5.7 IndiGo's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

"User Pay Principle, Cost Relatedness and Incremental ARR Approach:

IndiGo submits that airport tariffs are required to be determined by AERA on an airport-specific basis, having regard to the provisions of the AERA Act, 2008, applicable AERA guidelines and ICAO principles.

Such determination should consider relevant factors including efficient capital expenditure, traffic projections, cost allocation, user benefit and overall regulatory prudence.

IndiGo notes and appreciates AERA's proposal to adopt an Incremental Aggregate Revenue Requirement (ARR) approach for certain high-value capital projects, namely the Northern Precinct Development - Landside Works and the Northern Runway & Associated Airside Works. This approach ensures that there is no premature recovery of the airport charges from users when the relevant assets are not being put to use and made available to them.

IndiGo further submits that the proposed approach is aligned with the principle of cost relatedness recognized by ICAO under ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082), Chapter I, paragraphs 1.3.1 and 1.3.3, which provide that charges imposed on airport users 'should reflect the cost of facilities and services provided to the users, and no users shall be burdened with costs not properly allocable to them'. Accordingly, airport users should not be required to bear costs relating to assets that are not yet operational or from which they derive no present benefit.

Therefore, AERA's proposal that the ARR impact of identified projects should arise only upon completion and operationalization appropriately balances the interests of all users. Accordingly, the proposed methodology should be retained in the final Tariff Order as it appropriately balances the interests of all stakeholders, safeguards consumer interests, and remains consistent with the applicable AERA Guidelines, 2011 and the principle of cost-relatedness."

14.5.8 IATA's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Incremental ARR, Asset Availability and User-Pay Principles

IATA supports the Authority's proposal to adopt an Incremental ARR approach for identified high-value capital projects at HYD. The Fourth Control Period includes a significant capital programme across terminal, airside, stand, utility and landside infrastructure. While IATA recognises that such investments may be required to support HYD's long-term growth, tariff recovery should remain aligned with the point at which the relevant assets are commissioned, operationally available and capable of providing a tangible aeronautical benefit.

The approach is particularly relevant in HYD given the uncertainty around the effective capacity of the enhanced Southern Terminal and the scale of future capacity proposed through the Northern Development Programme. During the PIF process, stakeholders understood that the enhanced Southern Terminal could accommodate approximately 46–47 MPPA, while the Consultation Paper appears to reflect a lower capacity assumption of around 40 MPPA. If the higher capacity remains achievable, the timing and necessity of additional terminal capacity may require reassessment.

IATA emphasizes that the Incremental ARR approach does not deny recovery of prudent investment. Rather, it aligns the commencement of recovery with asset commissioning, operational availability and user benefit. This protects airlines and passengers from paying prematurely for infrastructure that is not yet in service or not yet required, while preserving the airport operator's ability to recover efficiently incurred investment through established regulatory mechanisms.

• IATA understands the airport operator's 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 capitalization 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 utilize.

• 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.

IATA therefore supports AERA's use of Incremental ARR as an appropriate mechanism to balance airport development, investor certainty and user protection. The final tariff determination should ensure that project-specific ARR is reflected only when the relevant assets are available for use and delivering the capacity or service outcomes for which users are being charged."

"Incremental ARR, Asset Availability and User-Pay Principles

IATA supports the Authority's proposal to adopt an Incremental ARR approach for identified high-value capital projects at HYD. The Fourth Control Period includes a significant capital programme across terminal, airside, stand, utility and landside infrastructure. While IATA recognises that such investments may be required to support HYD's long-term growth, tariff recovery should remain aligned with the point at which the relevant assets are commissioned, operationally available and capable of providing a tangible aeronautical benefit.

The approach is particularly relevant in HYD given the uncertainty around the effective capacity of the enhanced Southern Terminal and the scale of future capacity proposed through the Northern Development Programme. During the PIF process, stakeholders understood that the enhanced Southern Terminal could accommodate approximately 46–47 MPPA, while the Consultation Paper appears to reflect a lower capacity assumption of around 40 MPPA. If the higher capacity remains achievable, the timing and necessity of additional terminal capacity may require reassessment.

IATA emphasizes that the Incremental ARR approach does not deny recovery of prudent investment. Rather, it aligns the commencement of recovery with asset commissioning, operational availability and user benefit. This protects airlines and passengers from paying prematurely for infrastructure that is not yet in service or not yet required, while preserving the airport operator's ability to recover efficiently incurred investment through established regulatory mechanisms.

• IATA understands the airport operator's 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 capitalization 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 utilize.

• 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.

IATA therefore supports AERA's use of Incremental ARR as an appropriate mechanism to balance airport development, investor certainty and user protection. The final tariff determination should ensure that project-specific ARR is reflected only when the relevant assets are available for use and delivering the capacity or service outcomes for which users are being charged."

14.5.9 Lufthansa Group's comment with regards to Aggregate Revenue Requirement for the Fourth Control Period for RGIA, Hyderabad is as follows:

"Capital Expenditure and Proportionate Tariffs

The proposed capital investment programme for the Fourth Control Period is significant and will have a direct bearing on the Aggregate Revenue Requirement (ARR) and the aeronautical charges ultimately payable by airlines and passengers. While we fully recognise the importance of timely infrastructure development to support future growth, it is equally important that the proposed capital expenditure is subjected to rigorous regulatory scrutiny to ensure that only investments which are necessary, efficiently incurred and demonstrably beneficial to airport users are included in the Regulatory Asset Base.

Airport charges constitute a significant component of an airline's operating costs. Any increase in aeronautical tariffs directly affects route economics, commercial viability and, ultimately, passenger affordability. Accordingly, infrastructure investment should be carefully assessed not only from the perspective of future airport capacity but also in terms of its necessity, timing, scope, cost efficiency and the measurable operational benefits that it delivers to airline operators.

LHG submits that capital expenditure should not be regarded as an end in itself. Rather, each proposed investment should satisfy the established regulatory principles of prudence, efficiency and user benefit before the associated costs are permitted to be recovered from airport users through higher tariffs.

Accordingly, the Authority may consider the following principles while evaluating the proposed capital programme:

• Necessity: Capital expenditure should be supported by demonstrated operational requirements and realistic traffic forecasts rather than conservative assumptions or capacity buffers that may not materialise during the Control Period.

• Timing: Investments should be undertaken in accordance with actual demand growth. Premature investment increases financing costs and places an unnecessary tariff burden on current airport users.

• Efficiency: The scope and cost of each project should be benchmarked against comparable airport developments to ensure that airport users bear only efficient and prudent expenditure.

• User Benefit: Capital expenditure should deliver tangible improvements in operational efficiency, passenger processing, aircraft movement, safety or service quality. Infrastructure that does not provide measurable benefits during the Control Period should not result in immediate tariff increases.

• Cost Recovery: Consistent with internationally accepted economic regulatory principles, recovery of capital costs should commence only when the relevant assets are commissioned and available for use by airport users.

LHG respectfully requests the Authority to undertake a detailed assessment of the proposed capital expenditure programme and allow recovery through aeronautical charges only in respect of investments that are demonstrated to be necessary, efficiently incurred, commissioned within the relevant period and capable of delivering measurable operational benefits to airport users."

"Cost Recovery Must Commence Only When Facilities Become Operational

We supports the Authority's proposal under Paragraphs 14.3.1 to 14.3.3 to adopt the Incremental ARR Approach for identified high-capex projects. This approach appropriately reflects the internationally recognised user-pay principle, ensuring that international airlines bear the cost of airport infrastructure only when the relevant facilities are commissioned, operational and available for use. It also promotes regulatory accountability by aligning tariff recovery with the actual availability of infrastructure.

As noted by the Authority in Paragraph 14.3.1 and Table 229, the Northern Runway and Associated Airside Works (aeronautical capital additions of ₹4,585.49 crore) and the Northern Precinct Development – Landside Works, including the Northern Passenger Terminal (aeronautical capital additions of ₹5,328.45 crore), together account for almost 79% of the overall capital additions proposed for the Fourth Control Period and are expected to be capitalised in FY 2029-30.

We agree with the Authority's observation that recovering depreciation and return on these assets before they become operational would not be consistent with the fundamental user-pay principle. International airlines should not be required to bear the cost of infrastructure before it is available for operational use and capable of delivering measurable service benefits.

We also support the Authority's view that linking tariff recovery to the actual commissioning of assets promotes regulatory accountability, encourages timely project execution and ensures a closer alignment between airport charges and the delivery of operational infrastructure. Cost of assets should enter the RAB only after:

- *completion,*
- *capitalization,*
- *commissioning.*

- *demonstration of operational benefit.*

We respectfully request the Authority to retain the proposed Incremental ARR Approach in the Final Tariff Order and apply it to all identified high-capex projects so that recovery of depreciation, return on RAB and other associated costs commences only upon the actual commissioning and operational availability of the relevant assets."

"Tariff Recovery Should Be Based on Achievable Project Delivery Timelines

Given the scale of the proposed expansion programme, project delivery timelines should be independently validated. Tariff recovery should remain linked to the actual commissioning of infrastructure so that airport users are not required to finance assets that are delayed or not yet operational.

Lufthansa Group supports the continued growth of Hyderabad Airport and recognises the importance of timely investment in infrastructure to meet future demand. However, airport users should bear costs only for infrastructure that is efficient, necessary, commissioned and available for use. The timing of cost recovery must remain aligned with actual demand and the availability of facilities, with appropriate safeguards against premature cost recovery, project delays, scope changes and inefficient expenditure.

We respectfully submit that affordability, realistic traffic forecasts, prudent capital expenditure, balanced investment in terminal, airside and cargo infrastructure, and demonstrable operational benefits should remain central to the Authority's determination. We welcome the Authority's adoption of the Incremental ARR approach and requests that the above submissions be duly considered while finalising the Tariff Order for the Fourth Control Period."

14.6 GHIAL's response to Stakeholders' comments regarding Aggregate Revenue Requirement for the Fourth Control Period

14.6.1 GHIAL's response to AAHL, BIAL and APAO's comment on Aggregate Revenue Requirement for the Fourth Control Period is as follows

"GHIAL agrees with comments and would like to refer to the submission dated 20th July 2026 for the relevant issues."

14.6.2 GHIAL's response to AOC HYD's comment on Aggregate Revenue Requirement for the Fourth Control Period is as follows

"GHIAL respectfully notes the comments of the Airline Operators Committee supporting the Authority's proposed Incremental ARR approach, whereby recovery of costs relating to major capital projects is linked to commissioning and availability of the relevant assets for operational use.

While GHIAL appreciates the underlying concern that airport users should pay for infrastructure that delivers service benefits, GHIAL submits that the proposed approach requires careful reconsideration in the context of AERA's multi-year tariff framework, the nature of large airport infrastructure projects, and the need to ensure timely and sustainable investment in airport capacity.

GHIAL's submissions are as follows:

1. Cost recovery need not be restricted only to post-commissioning period

- *GHIAL submits that the "user pay" principle should not be narrowly interpreted to mean that recovery can commence only after the full commissioning of an asset.*
- *Airport infrastructure projects are capital intensive and require substantial funding during the construction period.*

- *If recovery is deferred entirely until commissioning, the airport operator may face a significant cash flow mismatch between project funding and tariff recovery.*
- *Such deferred recovery may increase financing costs, which may ultimately be passed on to users through higher tariffs in later years.*

2. Existing MYTP framework already balances user interest and airport recovery

- *AERA's multi-year tariff framework determines ARR and tariffs upfront for the Control Period based on approved building blocks.*
- *The framework smoothens recovery over the Control Period on an NPV/WACC basis and avoids sudden tariff shocks.*
- *Yield per Passenger methodology spreads approved costs across forecast passenger traffic, ensuring a stable and predictable tariff path.*
- *Therefore, inclusion of approved capex in tariff computation under the existing framework does not amount to unjustified recovery from users.*

3. Large airport projects are implemented and capitalised in phases

- *Major airport projects such as terminal expansion, runways, aprons, taxiways, utilities, baggage systems and airside facilities are not commissioned as one single asset on one single date.*
- *These projects involve multiple components, each with different completion, capitalisation and put-to-use timelines.*
- *Linking recovery strictly to commissioning of each component may create significant practical and administrative complexities.*
- *It may also result in multiple tariff adjustments during the Control Period, reducing tariff certainty for airlines and users.*

4. Incremental ARR approach may create tariff volatility

- *Recovery only after commissioning may reduce the period and passenger base available for cost recovery during the Control Period.*
- *This may lead to higher per-passenger charges in later years, particularly where large assets are capitalised towards the middle or end of the Control Period.*
- *Such back-ended recovery may be more burdensome for users compared to the existing approach, which spreads recovery more evenly.*
- *Stable and predictable tariffs are important for airlines for route planning, pricing, capacity deployment and network decisions.*

5. Prudence and efficiency checks are already part of regulatory review

- *GHIAL agrees that only prudent, efficient and demand-driven capital expenditure should be recoverable from airport users.*
- *However, this objective is already addressed through AERA's regulatory scrutiny of capex, including technical evaluation, prudence checks and stakeholder consultation.*

- *Once capex has been reviewed, found necessary and approved by the Authority, its treatment in tariff building blocks should be consistent with the multi-year framework.*
- *Deferring approved capex only for rate card computation may create inconsistency between capex approval and tariff recovery.*

6. Timely recovery is necessary to support airport capacity creation

- *Airport capacity augmentation is undertaken in anticipation of future demand and not merely after congestion has fully materialised.*
- *Timely investment is essential to ensure service quality, operational resilience and passenger convenience.*
- *Section 13(a)(i) of the AERA Act requires consideration of capital expenditure incurred and timely investment in improvement of airport facilities.*
- *A tariff approach that materially delays recovery may adversely impact financial sustainability, credit metrics and investor confidence in long-gestation airport infrastructure projects.*

7. GHIAL's request

- *In view of the above, GHIAL respectfully submits that:*
- *Approved and prudent capex should continue to be considered within the established MYTP framework.*
- *Cost recovery should be smoothened over the Control Period on an NPV/WACC basis, rather than deferred entirely until asset commissioning.*
- *Any concerns regarding prudence, efficiency and demand justification may be addressed through AERA's existing capex approval and true-up mechanisms.*
- *The tariff framework should avoid creating cash flow mismatches, tariff volatility and regulatory uncertainty.*
- *The existing Yield per Passenger based framework better balances the interests of airport users, airlines and the airport operator by ensuring predictable tariffs and timely recovery of approved investments.*

Accordingly, GHIAL requests the Authority to reconsider the proposed Incremental ARR approach and continue with the established multi-year tariff methodology for recovery of approved capital expenditure."

14.6.3 GHIAL's response to IndiGo's comment on Aggregate Revenue Requirement for the Fourth Control Period is as follows

"GHIAL appreciates the stakeholder's emphasis on regulatory prudence, airport-specific tariff determination and the need to balance user interests with infrastructure development requirements..

Airport infrastructure is developed to meet future demand and ensure uninterrupted service delivery.

Large airport expansion projects are undertaken several years before the corresponding capacity is fully utilized.

Investments in runways, terminals, taxiways, aprons and supporting facilities are made to accommodate future passenger and airline growth, maintain service quality and avoid capacity constraints.

Airlines and passengers benefit from these investments through enhanced capacity, operational resilience, reduced congestion and future growth opportunities, even though project execution and commissioning may occur over multiple years.

GHIAL respectfully submits that while the objective of ensuring cost-relatedness is acknowledged, ICAO policies do not support the conclusion that cost recovery should occur only after assets become operational. ICAO expressly recognizes the role of pre-funding and the need to balance the interests of users and infrastructure providers. The existing AERA Multi-Year Tariff Framework already achieves this balance by allowing prudent investments to be recovered over the Control Period on a present-value basis, thereby ensuring tariff stability, financial sustainability and timely development of airport infrastructure. Accordingly, GHIAL requests the Authority to reconsider the proposed Incremental ARR approach and continue applying the established MYTP framework for approved capital expenditure."

14.6.4 GHIAL's response to IATA's comment on Aggregate Revenue Requirement for the Fourth Control Period is as follows

"Please refer comment on Incremental ARR as stated above.

Also, M/s Jacobs who is engaged as a master planner has given a report on such assessment. It is concluded that the existing terminal which can handle up to 34.6 MPPA can cater up to approx. 37 MPPA only with the stated interventions by GHIAL including spends on towards additional stands, BHS, BMA, improvements in entry gates etc. Further, the report confirmed that even with spreading of the peak across the day the terminal can optimally handle maximum capacity of 40 MPPA. M/s Jacobs have recommended that beyond 40 MPPA the terminal mandatorily requires an expansion to handle proposed traffic growth."

"GHIAL would like to submit that, in order to undertake a thorough analysis of MYTP submitted by GHIAL, AERA had appointed PWC and RITES as their subject matter experts. The consultation paper issued by AERA had been prepared post a detailed analysis by the above consultants along with AERA over the period last 9 months. Hence, GHIAL believes that the AERA has already maintained a robust prudence review of major items in the MYTP proposal. "

14.6.5 GHIAL's response to Lufthansa Group's comment on Aggregate Revenue Requirement for the Fourth Control Period is as follows

"GHIAL appreciates the stakeholder's recognition of the importance of timely infrastructure development and agrees that capital expenditure should be necessary, efficient, prudent and delivered for the benefit of airport users. In this regard, GHIAL submits that the proposed capital investment program has been developed based on traffic growth requirements, operational needs, service level commitments and long-term infrastructure planning necessary to safely and efficiently accommodate future demand at Hyderabad Airport. Further, AUCC was conducted on 11th June 2025 for the capex program.

The proposed investments, including the Northern Passenger Terminal and Northern Runway & Associated Airside Works, have been subjected to detailed technical, operational and financial evaluation. These projects are intended to enhance airport capacity, operational resilience, passenger experience, safety standards and service quality, while ensuring that infrastructure is available ahead of demand to avoid congestion and operational bottlenecks.

Airport infrastructure projects involve long planning and construction cycles and must be developed ahead of demand to ensure uninterrupted operations.

The existing Multi-Year Tariff Framework allows recovery of investments over the Control Period, helping smooth tariffs and avoid sharp increases after asset commissioning.

Accordingly, GHIAL submits that the proposed capex planned is in line with necessity, timing, efficiency & benefits users.

"GHIAL respectfully submits that the interpretation of the "user-pay" principle as requiring recovery of capital costs only upon commissioning of assets does not fully reflect established regulatory principles, international guidance, or the intent of the AERA Multi-Year Tariff Framework.

The existing Multi-Year Tariff Framework is designed to determine tariffs for the entire Control Period on a present value basis, allowing the recovery of prudently incurred capital expenditure through a stable and predictable tariff trajectory. This approach smoothens the tariff impact across a larger passenger base and avoids significant tariff increases when major infrastructure projects are commissioned.

Further, we have elaborated our submission on proposed methodology in previous responses."

"GHIAL appreciates Lufthansa Group's support for the continued growth and timely development of Hyderabad Airport.

However, GHIAL respectfully submits that tariff recovery should not be restricted only to the actual commissioning date of assets, especially for large airport expansion projects.

These projects comprise multiple packages and sub-components (like terminal, Baggage handling system, Aprons etc.,) & such components may have different completion, capitalisation and put-to-use dates, and therefore may not be commissioned as one single asset on one date. Linking tariff recovery strictly to individual commissioning milestones may create practical difficulties and may not properly reflect the integrated nature of airport infrastructure development.

Accordingly, GHIAL respectfully submits that recovery of approved capital expenditure should continue within the established AERA Multi-Year Tariff Framework, with suitable safeguards and true-up mechanisms."

14.7 Authority's analysis on Stakeholders' comments regarding Aggregate Revenue Requirement for the Fourth Control Period

14.7.1 In Consultation Paper No. 02/2026-27 dated 19.06.2026, the Authority proposed adoption of an Incremental Aggregate Revenue Requirement ("Incremental ARR") approach based on the User Pays principle for certain identified high-value capex projects proposed during the Fourth Control Period at Rajiv Gandhi International Airport, Hyderabad ("RGIA"). The proposal was discussed in detail in Paragraphs 14.3, 14.4 and 14.5 of Consultation Paper No. 02/2026-27 dated 19.06.2026. 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.

14.7.2 The proposal garnered extensive comments from airport operators, airlines, airport investors, industry and passenger associations and Government stakeholders. A number of stakeholders supported the underlying principle under Incremental ARR approach highlighting that airport users should bear the tariff impact of infrastructure only when such infrastructure becomes operational and available for use.

The Authority agrees with IATA's submission that future cost recovery should be aligned with actual demand, actual project utilization, and demonstrated operational requirements. This principle has been operationalized through several specific mechanisms in this Tariff Order: (i) the Incremental ARR Approach ensures that capital cost recovery for major projects is linked to actual commissioning rather

than projected timelines; (ii) manpower growth factors have been linked to the phased commissioning of the Northern Precinct expansion rather than approved on a blanket basis. The Authority reaffirms the fundamental regulatory principle, consistent with IATA's submission, that only prudent, efficient, and necessary costs should be recoverable through airport charges. This principle has guided the Authority's approach across every expenditure category examined in this Tariff Order. The Authority has applied appropriate moderation, disallowance, or deferred treatment wherever submissions lacked adequate justification on grounds of necessity, efficiency, or demand-alignment. The Authority affirms to maintaining this rigorous approach through comprehensive true-up assessment during the tariff determination exercise for the next Control Period. The Authority also concurs with each of the five principles i.e. Necessity, Timing, Efficiency, User Benefit and Cost articulated by LHG as appropriate criteria for evaluating the capital expenditure programme and has accordingly ensured that these principles are applied suitably in the overall tariff determination process.

However, several stakeholders also expressed concerns citing issues related to tariff stability, airport infrastructure financing, implementation practicality, consistency with the existing regulatory framework and the integrated nature of airport infrastructure.

14.7.3 The Authority carefully examined all stakeholders' submissions during the Stakeholders' Consultation Meeting dated 06.07.2026 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 14 of Consultation Paper No. 02/2026-27 dated 19.06.2026. 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

14.7.4 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. The Airline Operators Committee, Hyderabad ("AOC HYD"), InterGlobe Aviation Limited ("IndiGo"), International Air Transport Association ("IATA") and Lufthansa Group broadly supported the principle underlying the Authority's proposed Incremental ARR approach, namely, that tariff recovery in respect of major infrastructure should be aligned with the commissioning and operational availability of the relevant assets. These stakeholders submitted, in substance, that airport users should not be required to bear costs associated with infrastructure that has not been commissioned or made available for aeronautical use. Lufthansa Group specifically submitted that airport users should not bear the cost of infrastructure significantly ahead of its utilisation. Conversely, Adani Airport Holdings Limited ("AAHL"), the Association of Private Airport Operators ("APAO"), Bangalore International Airport Limited ("BIAL") and GMR Hyderabad International Airport Limited ("GHIAL") raised concerns regarding the proposed Incremental ARR approach and supported continuation of the established framework for determination of ARR and tariffs over the Control Period. Their submissions broadly emphasised the long-term and capital-intensive nature of airport infrastructure development, the need for regulatory predictability and the implications of deferring recovery in respect of major projects until commissioning. GHIAL specifically submitted that complete deferment of tariff recovery until the commissioning of major capital-intensive projects could adversely affect the economic and financial viability of the Airport Operator, particularly where such projects are financed through external borrowings, and could concentrate the tariff impact into the remaining portion of the Control Period, resulting in a sharp increase in tariffs upon commissioning.

Authority's Analysis

14.7.5 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 GHIAL 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 the Northern Precinct Terminal Building and the Northern Runway and Associated Airside Works 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.

14.7.6 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 the Northern Precinct Terminal Building and the associated airside infrastructure, including the Northern Runway and other facilities directly attributable to such 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 baseline Aggregate Revenue Requirement (ARR), subject to prudence checks and regulatory norms. This ensures that GHIAL continues to receive appropriate and timely recovery of the efficient and prudent costs.

14.7.7 The Authority further notes that the Incremental ARR framework does not alter 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).

14.7.8 The Authority recognises that airport expansion projects are undertaken to support future traffic growth, capacity augmentation and long-term operational requirements. 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

14.7.9 Accordingly, as illustrated above, in respect of identified high-value capex projects, namely the Northern Precinct Terminal Building and the Northern Runway and Associated Airside Works directly required for its operation, 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

14.7.10 GHIAL, BIAL and APAO 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. GHIAL further submitted 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

14.7.11 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.

14.7.12 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 14.3 and 14.4 of Consultation Paper No. 02/2026-27 dated 19.06.2026, 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 the Northern Precinct Terminal Building and the Northern Runway and 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.

14.7.13 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.

14.7.14 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 identified projects coming in the latter half of the Control Period, particularly the 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.

14.7.15 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

14.7.16 Having considered the submissions made by stakeholders and the rationale discussed in Paragraphs 14.3 and 14.4 of Consultation Paper No. 02/2026-27 dated 19.06.2026 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 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 the Incremental ARR approach for identified high-value capex projects.

Issue 3: Whether existing true-up mechanisms adequately address premature recovery of tariff impact

14.7.17 AAHL, APAO, and GHIAL 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. 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 GHIAL submitted that the existing true-up/true-down mechanism adequately protects airport users from premature or excess recovery 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

14.7.18 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.

14.7.19 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 the Northern Precinct Terminal Building and the Northern Runway and airside infrastructure directly related to it right from the 1st year of the 5 year Tariff Cycle while such assets would actually get commissioned and put to use only in the 4th/5th year of the 5 year tariff cycle.

14.7.20 As observed in Paragraphs 14.3 and 14.4 of Consultation Paper No. 02/2026-27 dated 19.06.2026, 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.

14.7.21 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.

14.7.22 The Authority further notes that this concern was specifically discussed during the Stakeholders' Consultation Meeting on 06.07.2026. 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.

14.7.23 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.

14.7.24 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. GHIAL 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.

14.7.25 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

14.7.26 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

14.7.27 GHIAL 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. GHIAL specifically submitted that Clause 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 Clause 5.2.1(c) and (d) do not envisage deferring recovery of approved capex through a mechanism linked to future commissioning milestones, and that once capital expenditure is admitted for regulatory purposes, the Guidelines envisage recovery through the ARR framework applicable to the relevant Control Period. GHIAL further submitted that it was not aware of any established international precedent where a brownfield airport under a multi-year economic regulatory framework recovers return on capital for major expansion projects only upon commissioning through a project-specific incremental ARR mechanism, and that leading regulatory regimes rely on tariff smoothing, RAB-based regulation and pre-funding mechanisms. IATA, conversely, supported the Incremental ARR Approach citing its consistency with international regulatory practice and cost-relatedness principle.

Authority's Analysis

14.7.28 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.

14.7.29 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. In fact, the Incremental ARR approach maintains the conventional multi-year tariff framework for all capex items of GHIAL as given in its MYTP except two identified high-capex items, the Northern Precinct Terminal Building and the Northern Runway and Associated Airside Works, that are planned by GHIAL to be commissioned in the latter half of the 5 year Tariff Cycle, i.e, 2029-30, and only for these identified high-capex items is the tariff impact on users linked to the date of commissioning and commencement of 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.

14.7.30 As discussed in Paragraphs 14.3 and 14.4 of Consultation Paper No. 02/2026-27 dated 19.06.2026, 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 the Northern Precinct Terminal Building for passengers and the Northern Runway and Associated Airside Works for airlines. 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 these two identified high-value capex items, which are clearly visible aeronautical assets and directly experienced by airport users.

14.7.31 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.

14.7.32 On GHIAL's submission regarding the absence of an identical international precedent, the Authority notes GHIAL's submission but reiterates that the underlying "used and useful" principle that assets attract full economic recovery only when capable of delivering service is a recognised feature of several international regulatory regimes, including aspects of the UK RAB framework, as also affirmed by IATA. Thus, the submission of GHIAL regarding an identical global practice doesn't seem to be fully in consonance with the above submission of IATA. Notwithstanding any such precedence, the Authority in exercise of its regulatory functions under the AERA Act can adopt a framework tailored to address a specific and material timing mismatch of cost recovery and completion / commissioning of few high-value capex projects planned for completion in 4th / 5th year of 5-year Tariff cycle that have been identified on the facts of Airport Operator's own capital programme.

14.7.33 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 14.3, 14.4 and 14.5 of Consultation Paper No. 02/2026-27 dated 19.06.2026 and further clarified during the Stakeholders' Consultation Meeting dated 06.07.2026, the framework has been applied selectively to the two identified high-value capex projects 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 the identified projects.

14.7.34 Thus, the Incremental ARR Framework adopts targeted intervention, while linking it to past regulatory experience, cost reflectivity, tariff signals, and incentives for timely delivery.

14.7.35 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 the two 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

14.7.36 Having considered the submissions made by stakeholders and its analysis as illustrated above and the rationale set out in Paragraphs 14.3, 14.4 and 14.5 of Consultation Paper No. 02/2026-27 dated 19.06.2026, the Authority does not agree with the contention that the Incremental ARR approach is inconsistent with the AERA Guidelines, 2011, the Multi-Year Tariff Framework, or international regulatory practice. 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 the identified high-value capex projects, namely the Northern Precinct Terminal Building and the Northern Runway and Associated Airside Works.

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:

14.7.37 GHIAL and BIAL 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. GHIAL specifically submitted that deferred recovery would necessitate multiple tariff revisions during the Control Period, create regulatory uncertainty, and adversely affect investor confidence, given that the two identified projects together account for approximately 79% of the overall capital expenditure proposed for the Fourth Control Period.

Authority's Analysis

14.7.38 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.

14.7.39 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 14.3 and 14.4 of Consultation Paper No. 02/2026-27 dated 19.06.2026, 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.

14.7.40 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 the identified infrastructure. 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.

14.7.41 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.

14.7.42 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 Pays principle and maintaining tariff stability and implementation certainty during the initial application of the framework, and the same has been addressed in the succeeding paragraphs 14.7.56 and 14.7.57.

(ii) Concerns relating to airport infrastructure funding, cash-flow requirements and economic and financially viable operation of the airport

14.7.43 BIAL and GHIAL 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. GHIAL similarly submitted that complete deferment of tariff recovery until commissioning may create cash-flow mismatches and financing challenges with consequential impact on cost of capital and credit ratings, particularly for large capital-intensive expansion projects such as the Northern Precinct Terminal Building and the Northern Runway and Associated Airside Works, while AAHL and BIAL 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

14.7.44 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 are expected to be commissioned only in the latter part of the Fourth Control Period.

14.7.45 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 14.3 and 14.4 of Consultation Paper No. 02/2026-27 dated 19.06.2026, 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.

14.7.46 The Authority has carefully examined stakeholder submissions regarding infrastructure financing, lender requirements, credit metrics and cash-flow predictability. The Authority recognises that GHIAL 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 GHIAL, its lenders and investors while evaluating financing arrangements for capital-intensive infrastructure projects.

14.7.47 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 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.

14.7.48 The Authority further notes that Rajiv Gandhi International Airport, Hyderabad 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.

14.7.49 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 GHIAL as contemplated under Section 13(1)(a) of the AERA Act, 2008 (read together with amendments in 2019 and 2021).

14.7.50 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 GHIAL 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 a 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

14.7.51 While a number of stakeholders supported the underlying principle of aligning tariff recovery with the commissioning and operational availability of infrastructure, GHIAL, AOC HYD, Lufthansa Group, 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. GHIAL submitted that its high-capex projects comprise multiple asset packages and sub-components (terminal building, baggage handling system, runway pavement, aprons, associated taxiways, etc.) with differing completion, capitalisation and put-to-use dates, and that linking tariff recovery strictly to individual commissioning milestones creates practical difficulties and does not reflect the integrated nature of airport infrastructure development. GHIAL further submitted that the operational framework should provide certainty, transparency and advance visibility regarding implementation of revised airport charges, proposing that GHIAL provide advance information on expected capitalisation dates and submit certification upon commissioning of the relevant projects, and 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. Without prejudice to its primary objection, GHIAL proposed three alternative measures: (i) upfront approval of the complete five-year tariff card, with pre-approved rates becoming effective automatically upon certification of specified milestones without fresh determination of individual charges; (ii) permitting incremental tariff implementation upon certification of at least 80% physical progress by an Independent Engineer, rather than deferring recovery until capitalisation and put-to-use; and (iii) a "Staggered Capex Recovery" option, permitting recovery of 50% of the ARR associated with identified high-capex projects prior to capitalisation, with the balance recovered upon capitalisation. 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. Separately, Lufthansa Group submitted that capital cost of an identified high-capex asset should enter the RAB for full tariff recovery only upon satisfaction of a four-stage test — namely, completion of physical construction/development, capitalisation in accordance with applicable accounting standards, commissioning (involving necessary regulatory approvals, safety certifications and operationalisation), and demonstration of operational benefit and that, given the scale of GHIAL's expansion programme, project delivery timelines should be independently validated, with tariff recovery remaining linked to actual commissioning so that airport users are not required to finance assets that are delayed or not yet operational. IATA similarly 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

14.7.52 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 GHIAL, 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.

14.7.53 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.

14.7.54 On the composite-project concern raised by GHIAL, the Authority notes this submission and does not consider it an impediment to implementation of the Incremental ARR framework. The Authority has accordingly identified the Northern Precinct Terminal Building and related infrastructure, and the Northern Runway and Associated Airside Works, as two composite "identified high-capex projects," each with a single scheduled capitalisation date based on GHIAL's own submitted project completion schedule. The Authority shall accept GHIAL's certification of commissioning, completion and operation of each composite asset (i.e., the terminal building together with essential utilities, passenger processing and baggage systems necessary for it to function; or the runway together with essential associated taxiways and aprons necessary for operational use) as the trigger point.

14.7.55 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, GHIAL 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: -

14.7.56 In the light of above, issue wise (Issue 1 to Issue 6) analysis of stakeholder comments from Para 14.7.1 to Para 14.7.55, 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.

14.7.57 **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 their 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 projects 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 Baseline 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 15** of this Tariff Order and also making a mention of the same in the Tariff Rate Card for the above Baseline ARR **(Para 14.7.92 and Table 358)** 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 from Para **14.7.76** to Para **14.7.82** 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 GHIAL in planning and executing capital expenditure and may affect the assessment of the projects by lenders and other financing stakeholders.

Accordingly, the Authority has prescribed a detailed implementation framework from Para **14.7.76** to Para **14.7.82** setting out the manner in which the Incremental ARR approach shall be operationalized. 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

14.7.58 Having considered the submissions made by the stakeholders, the rationale set out in Paragraphs 14.3, 14.4 and 14.5 of Consultation Paper No. 02/2026-27 dated 19.06.2026, 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 the two identified high-value capital expenditure projects warrant a distinct recovery mechanism under the Incremental ARR approach.

14.7.59 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.

14.7.60 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 14.7.57 [(a) to (d)]** and through the Implementation Framework covered from Para **14.7.76** to Para **14.7.82** 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.

14.7.61 Accordingly, the Authority retains the Incremental ARR approach for identified high-value capex projects as per **Para 14.7.64** to **Para 14.7.72** together with the Implementation Framework contained within **Para 14.7.76** to **Para 14.7.82** 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.

14.7.62 The Authority further considers that the Authority's decision as elaborated from Para **14.7.58** onwards 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.

14.7.63 Accordingly, the Authority retains the Incremental ARR approach for identified high-value capex projects as per Para **14.7.57 [(a) to (d)]**, together with the Implementation Framework provided at Para **14.7.76** to Para **14.7.82** 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

14.7.64 During the stakeholder consultation process, the Authority had proposed the application of the Incremental ARR approach to selected projects forming part of the Northern Precinct Development. Some of the stakeholders recognized and appreciated the incremental ARR approach of AERA to avoid upfront tariff burden on the Airport Users.

14.7.65 The Authority has examined the project-specific characteristics of the identified projects, including their nature, implementation status, expected completion and commissioning of the identified high value capital projects, and the extent to which the expenditure would contribute to the provision of aeronautical services during the latter half of the Fourth Control Period.

14.7.66 The projects identified for treatment under the Incremental ARR framework are:

- Northern Precinct Development – Landside Works; and
- Northern Runway and Associated Airside Works.

14.7.67 The Authority notes that the above projects comprise significant airport infrastructure intended to support the future development and operational requirements of the airport. However, the expenditure associated with the projects is expected to be incurred and capitalised over a period of time, and the benefits of the completed assets would accrue progressively upon their commissioning and being put to use.

14.7.68 In view of the scale of the projects, their phased implementation and the timing of the expected capitalisation and availability for use, the Authority considers it appropriate to retain the Incremental ARR approach for the Northern Precinct Development - Landside Works and the Northern Runway and Associated Airside Works. The application of the Incremental ARR approach ensures that the tariff treatment of the projects remains aligned with the User Pays Principle and that airport users do not bear the full tariff impact of the projects before the relevant assets are available for providing aeronautical services.

14.7.69 The Authority has considered 15% of the aeronautical capital expenditure relating to the aforesaid projects for inclusion in the RAB during the Fourth Control Period. The balance expenditure has been retained for consideration under the Incremental ARR framework, subject to the actual capitalisation, commissioning and putting to use of the relevant assets and compliance with the applicable regulatory requirements.

14.7.70 The inclusion of 15% of the aeronautical capital expenditure in the RAB does not constitute approval of the entire project cost or an unconditional entitlement to tariff recovery. The final expenditure eligible for inclusion in the RAB and recovery through tariffs remains subject to verification of actual capitalisation, asset-wise prudence review, reasonableness of costs, applicable aeronautical allocation, commissioning and putting to use of the relevant assets.

Authority's Decision

14.7.71 Having considered the submissions made by the stakeholders and project-specific characteristics of the identified projects, the Authority determines as follows:

- **Northern Precinct Development – Landside Works** shall continue to be considered under the Incremental ARR framework.
- **Northern Runway and Associated Airside Works** shall continue to be considered under the Incremental ARR framework.
- For the Fourth Control Period, 15% of the aeronautical capital expenditure relating to the aforesaid projects has been included in the RAB. The remaining expenditure has been retained for consideration under the Incremental ARR framework, subject to actual capitalisation, commissioning and putting to use of the relevant assets, prudence review, reasonableness of costs, applicable aeronautical allocation and compliance with the regulatory framework.

14.7.72 Accordingly, the Authority retains the Incremental ARR approach for identified projects as modified above.

14.7.73 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

14.7.74 In the Consultation Paper issued for determination of tariffs for the Fourth Control Period in respect of Hyderabad 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 with the User Pays 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.

14.7.75 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 14.7.1 to Para 14.7.55 of this chapter. It is further submitted that in the consultation paper an approach for implementation of Incremental ARR was proposed to facilitate regulatory review and implementation, and to bring predictability to the review process, the Authority proposes to establish two reporting windows during each financial year now has been dispensed with.

14.7.76 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:-

Implementation Framework for Incremental ARR Approach

Asset Commissioning Declaration

14.7.77 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

14.7.78 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 15.4.26 of Chapter 15** 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

14.7.79 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 360** and **Table 361** 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

14.7.80 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

14.7.81 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.

14.7.82 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 the Authority's Analysis and Decisions regarding Issues raised on the Incremental ARR Approach

14.7.83 The Authority's considered position is that the Incremental ARR framework essentially addresses the timing of recovery of costs associated with certain select and identified high-value capex projects like Terminal Building and Airside infrastructure directly related to new Terminal Building which are directly experienced and used by users (passengers and airlines). While GHIAL 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 should be aligned more closely with capitalization, commissioning and operational availability, consistent with the User Pays principle and Section 13(1)(a) of the AERA Act.

14.7.84 All the concerns raised by different Airport Operators and other stakeholders in respect of Incremental ARR like the Northern Passenger Terminal Building and related infrastructure, and the Northern Precinct airside works have been comprehensively analysed and authority's views/ decisions have been illustrated in preceding paras.

14.7.85 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 **14.7.76** to Para **14.7.82** 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

14.7.86 The Authority, after due consideration of stakeholders' submissions, and after a detailed review of the various regulatory building blocks (including changes in O&M expenses, Non-Aeronautical Revenue, Depreciation, Regulatory Asset Base and Aeronautical Taxation), recomputed the Aggregate Revenue Requirement (ARR) for the 4th Control Period for RGIA as presented below:

Table 353: Aggregate Revenue Requirement decided by the Authority for the Fourth Control Period

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base {Refer **Table 255**}	A	6,508.82	6,562.60	6,299.36	11,138.74	15,673.03	
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C = A x B	817.25	824.01	790.95	1398.59	1967.92	5798.73
Depreciation {Refer **Table 254**}	D	457.15	487.95	501.63	821.96	1,138.87	3407.55
Operation and Maintenance Expenditure {Refer **Table 334**}	E	844.41	902.02	964.54	1,162.11	1,342.00	5215.08
Aeronautical Tax	F	0.00	0.00	312.07	197.20	60.26	569.52
Gross Aggregate Revenue Requirement	**G = C + D + E +F**	**2,118.81**	**2,213.97**	**2,569.19**	**3,579.85**	**4,509.05**	**14,990.88**
Total Non-Aeronautical Revenue {Refer **Table 341**}	H	904.16	1,033.89	1,191.31	1,335.37	1,518.16	5,982.89
Less: 30% of non-aeronautical revenue	I = 30% x H	271.25	310.17	357.39	400.61	455.45	1,794.87
Aggregate Revenue Requirement	J = G – I	1847.56	1903.80	2211.80	3,179.24	4,053.60	13,196.01
(Over)/Under Recovery of previous CP as on	K	714.85					714.85

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
31.03.2027 {Refer Table 165}							
Net Aggregate Revenue Requirement	L = J+K	2,562.41	1,903.80	2,211.80	3,179.24	4,053.60	13,910.86
Discounting Factor	M	1	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	N = M x L	2,562.41	1,691.43	1,745.85	2,229.55	2,525.60	10,755
Sum of PV of Net Aggregate Revenue Requirement	O	10,755					
Total Passenger Traffic (Mn) {Refer **Table 169**}	P	218.30					
Yield per Passenger on Total Traffic (Rs.)	Q = (O/P) x 10	492.66					

14.7.87 The Authority based on its examination decided an Aggregate Revenue Requirement of Rs. 13,910.86 Crores (in PV terms – Rs. 10,755.00 Crores) as against an Aggregate Revenue Requirement of Rs. 13,221.10 Crores (in PV terms – 10,118.57 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. 23.79 Crores** due to the change in opening RAB for Fourth Control Period and the revised inflation percentages adopted by the Authority, as detailed in **Table 255**.

ii. Increase in Depreciation by **Rs. 73.79 Crores** the change in opening RAB for Fourth Control Period and the revised inflation percentages adopted by the Authority, as detailed in **Table 254.**

iii. Increase in Aeronautical O&M Expenses by **Rs. 58.68 Crores** due to revisions in operating expenditure considered by the Authority, as detailed in **Table 334.**

iv. Increase in Tax Expense by **Rs. 122.83 Crores** on account of the revised ARR building blocks considered by the Authority, as detailed in **Table 344**.

v. Reduction in 30% of Non-Aeronautical Revenue subsidy by **Rs. 15.62 Crores** due to the revised NAR projections considered by the Authority, as detailed in **Table 341**

vi. Increase in under-recovery carried forward from the previous Control Period by **Rs. 395.05 Crores** based on the Authority's updated determination, as detailed in **Table 165**

14.7.88 For Rajiv Gandhi International Airport, Hyderabad, the capex items decided for incremental ARR approach on User Pays Principle are –

i. Northern Runway & Associated Airside Works total cost of Rs. 4585.75 Crores as illustrated at **Para 7.10.79 (Table 252)**.

ii. Northern Precinct Development- Landside Works total cost of Rs. 5283.21 Crores as illustrated at **Para 7.10.79 (Table 252)**.

These capex items have been identified under the Incremental ARR approach as already explained in detail in **Chapter 14**.

14.7.89 If these abovementioned capex items are excluded from the conventional ARR (**Table 353**) then the Baseline ARR is as follows: -

Table 354: Base Line ARR & YPP decided by the Authority for the 4th Control Period

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	6,508.82	6,562.60	6,299.36	7,064.95	7,766.49	
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C = A x B	817.25	824.01	790.95	887.08	975.17	4,294.47
Depreciation	D	457.15	487.95	501.63	580.92	656.80	2,684.44
Operation and Maintenance Expenditure (including concession fee)	E	844.41	902.02	964.54	1162.11	1342.00	5,215.08
Aeronautical Tax	F	0.00	0.00	312.07	197.20	60.26	569.52
Gross Aggregate Revenue Requirement	G = C + D + E +F	2118.81	2213.97	2569.19	2827.31	3034.22	12,763.50
Total Non-Aeronautical Revenue {Refer Table 340}	H	904.16	1,033.89	1,191.31	1,335.37	1,518.16	5,982.89
Less: 30% of non-aeronautical revenue	I = 30% x H	271.25	310.17	357.39	400.61	455.45	1794.87
Aggregate Revenue Requirement	J = G – I	1847.56	1903.80	2211.80	2426.70	2578.78	10,968.64
(Over)/Under Recovery of previous CP as on 31.03.2027 {Refer **Table 165**}	K	714.85					714.85
Net Aggregate Revenue Requirement	L = J+K	2,562.41	1,903.80	2,211.80	2,426.70	2,578.78	11,683.49
Discounting Factor	M	1	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	N = M x L	2562.41	1691.43	1745.85	1701.80	1606.71	9308.20
Sum of PV of Net Aggregate Revenue Requirement	O	9,308.20					
Total Passenger Traffic (Mn) {Refer **Table 169**}	P	218.30					
Yield per Passenger on Total Traffic (Rs.)	Q = (O/P) x 10	426.39					

Tariff Rate Card associated with the above baseline ARR approach is set out under **Annexure I** of this Tariff Order.

14.7.90 When the capex items are put under Incremental ARR approach i.e.

(i) Northern Runway & Associated Airside Works. – The associated Tariff Card is presented in **Table 360** under Chapter 15.

(ii) Northern Precinct Development- Landside Works - The associated Tariff Card is presented in **Table 361** under Chapter 15.

Table 355: Capex decided to be considered by the Authority on incremental ARR approach

(Rs in Crores)

Particulars	Total Capex proposed by GHIAL	Aero Capex proposed by GHIAL	Total Capex decided by Authority	Aero Capex decided by Authority	Capitalisation Date
Northern Runway & Associated Airside Works	5,027.65	4,948.04	4,606.41	4,585.75	30 Sep 2029
Northern Precinct Development- Landside Works	7,456.35	6,789.73	6,289.26	5,283.21	30 Sep 2029

14.7.91 The individual incremental revenue requirement (in Rs. Crores) for each of these projects is set out in the following tables:

i. Northern Precinct Development- Landside Works – Impact on ARR

Table 356: Impact on ARR for Northern Precinct Development- Landside Works under Incremental ARR approach

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	0.00	0.00	0.00	2,180.85	4,232.66	
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C= A x B	0.00	0.00	0.00	273.83	531.46	805.29
Depreciation	D	0.00	0.00	0.00	129.03	258.07	387.10
Operation and Maintenance Expenditure (including concession fee)	E	0.00	0.00	0.00	0.00	0.00	0.00
Aeronautical Tax	F	0.00	0.00	0.00	0.00	0.00	0.00
Gross Aggregate Revenue Requirement	G = C + D + E +F	0.00	0.00	0.00	402.86	789.52	1,192.39
Less: 30% of non-aeronautical revenue	H	0.00	0.00	0.00	0.00	0.00	0.00
Net Aggregate Revenue Requirement	I = G - H	0.00	0.00	0.00	402.86	789.52	1,192.39
Discounting Factor	J	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	K = I x J	0.00	0.00	0.00	282.49	491.85	774.34
Sum of PV of Net Aggregate Revenue Requirement	L	774.34					
Total Passenger Traffic (Mn) {Refer **Table 169**}	M	218.30					
Yield per Passenger on Total Traffic (Rs.)	N = (L/M) x 10	35.47					

 # for comparison purpose. YPP has been shown based on total passengers. Charges will be determined appropriately considering the balance collection period.

ii. Northern Runway & Associated Airside Works – Impact on ARR

Table 357: Impact on ARR for Northern Runway & Associated Airside Works under Incremental ARR approach

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	0.00	0.00	0.00	1,892.94	3,673.89	
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C= A x B	0.00	0.00	0.00	237.68	461.30	698.98
Depreciation	D	0.00	0.00	0.00	112.00	224.00	336.00
Operation and Maintenance Expenditure (including concession fee)	E	0.00	0.00	0.00	0.00	0.00	0.00
Aeronautical Tax	F	0.00	0.00	0.00	0.00	0.00	0.00
Gross Aggregate Revenue Requirement	G = C + D + E +F	0.00	0.00	0.00	349.68	685.29	1,034.97
Less: 30% of non-aeronautical revenue	H	0.00	0.00	0.00	0.00	0.00	0.00
Net Aggregate Revenue Requirement	I = G - H	0.00	0.00	0.00	349.68	685.29	1,034.97
Discounting Factor	J	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	K = I x J	0.00	0.00	0.00	245.20	426.91	672.11
Sum of PV of Net Aggregate Revenue Requirement	L	672.11					
Total Passenger Traffic (Mn) {Refer **Table 169**}	M	218.30					
Yield per Passenger on Total Traffic (Rs.)	N = (L/M) x 10	30.79					

 # for comparison purpose, YPP has been shown based on total passengers. Charges will be increased appropriately considering the balance collection period.

14.7.92 In the light of above, the Authority decided 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 358: Base Line ARR & YPP decided by the Authority for the Fourth Control Period

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	6,508.82	6,562.60	6,299.36	7,064.95	7,766.49	
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C = A x B	817.25	824.01	790.95	887.08	975.17	4,294.47
Depreciation	D	457.15	487.95	501.63	580.92	656.80	2,684.44
Operation and Maintenance Expenditure (including concession fee)	E	844.41	902.02	964.54	1162.11	1342.00	5,215.08
Aeronautical Tax	F	0.00	0.00	312.07	197.20	60.26	569.52

AGGREGATE REVENUE REQUIREMENT FOR THE FOURTH CONTROL PERIOD

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Gross Aggregate Revenue Requirement	G = C + D + E +F	2118.81	2213.97	2569.19	2827.31	3034.22	12,763.50
Total Non-Aeronautical Revenue {Refer Table 340}	H	904.16	1,033.89	1,191.31	1,335.37	1,518.16	5,982.89
Less: 30% of non-aeronautical revenue	I = 30% x H	271.25	310.17	357.39	400.61	455.45	1794.87
Aggregate Revenue Requirement	J = G – I	1847.56	1903.80	2211.80	2426.70	2578.78	10,968.64
(Over)/Under Recovery of previous CP as on 31.03.2027 {Refer Table 165}	K	714.85					714.85
Net Aggregate Revenue Requirement	L = J+K	2,562.41	1,903.80	2,211.80	2,426.70	2,578.78	11,683.49
Discounting Factor	M	1	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	N = M x L	2562.41	1691.43	1745.85	1701.80	1606.71	9308.20
Sum of PV of Net Aggregate Revenue Requirement	O	9,308.20					
Total Passenger Traffic (Mn) {Refer **Table 169**}	P	218.30					
Yield per Passenger on Total Traffic (Rs.)	Q = (O/P) x 10	426.39					

Incremental tariffs for projects identified under User Pays principles

14.7.93 The incremental tariffs that the Airport Operator shall be authorized to levy upon the commissioning of the respective projects approved under the Incremental ARR approach are detailed in Paragraph 15.5 of Chapter 15 (Aeronautical Revenues) for the Fourth Control Period.

14.8 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:

14.8.1 To consider the Base Line Aggregate Revenue Requirement and YPP for the Fourth Control Period for GHIAL in accordance with **Table 358** above.

14.8.2 To consider Incremental ARR & YPP for the respective User Pays project in accordance with **Table 356** and **Table 357.**

14.8.3 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.

15. AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

15.1 GHIAL's submission regarding Aeronautical Revenue for the Fourth Control Period

15.1.1 Further to issuance of Consultation Paper, GHIAL 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. 08/2026-27 dated June 29, 2026.

15.2 Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

15.2.1 During the Stakeholder Consultation Process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in the Consultation Paper No. 02/2026-27 dated 19th June 2026 with respect to Aeronautical Revenue for the Fourth Control Period. The Comments by the various stakeholders are presented below:

15.2.2 GHIAL's comment with regards to Aeronautical Revenue for the Fourth Control Period for RGIA, Hyderabad is as follows:

"3.7. Request to allow submission of revised ATP basis final ARR

As part of the tariff determination process, in case there is a variation between the ARR on which tariff proposal was submitted dated 25th June 2026 and the final approved ARR by the Authority, we request the Authority to allow us to resubmit the ATP as the change in ARR may require us to rework on the recovery strategy."

15.2.3 Interglobe Aviation Limited (Indigo)'s comment regarding Landing Charges is as follows:

*"**Landing Charges:***

i) For the tariff proposal for the 4th Control Period, we understand that the airport operator has proposed a flat rate for landing charges for aircraft with MTOW of > 100 MT (i.e. Rs 590 per MT for domestic flight and Rs. 635 per MT for international flight). If accepted, this proposal would result in a substantial increase in landing charges for aircraft with an MTOW exceeding 100 MT. For example, the landing charges for A321XLR aircraft (MTOW of 101 MT) will be increased by 34-35% as illustrated below.

	Existing rates	Landing charges	Proposed rates	Landing charges	Increase (%)
Domestic	Rs. 44,000 + Rs. 590 per MT	Rs. 44,590	Rs. 590 per MT	Rs. 59,590	34%
International	Rs 47,000 + Rs. 635 per MT	Rs. 47,635	Rs. 635 per MT	Rs. 64,135	35%

In this regard, we submit that, for aircraft with MTOW of > 100 MT, landing charges should continue to be computed in a progressive manner, consistent with the existing tariff structure and industry practice. Accordingly, the applicable rate upto 100 MT should be charged at ₹440 per MT for domestic flights and ₹470 per MT for international flights, while only the incremental weight beyond 100 MT should be charged at the higher rates of ₹590 per MT for domestic flights and ₹635 per MT for international flights.

Therefore, in our opinion, for sake of clarity as well, the tables for landing charges should be revised as given below.

Landing Charges: Domestic (in Indian rupees)

Particulars	September 01,2026 to March 31, 2027	April 01, 2027 to March 31, 2028	April 01, 2028 to March 31, 2029	April 01, 2029 to March 31, 2030	April 01, 2030 to March 31, 2031
> 100 MT	44,000 + 590 per MT in excess of 100 MT	44,000 + 590 per MT in excess of 100 MT	44,000 + 590 per MT in excess of 100 MT	44,000 + 590 per MT in excess of 100 MT	33,000 + 450 per MT in excess of 100 MT
< = 100 MT	440 per MT	440 per MT	440 per MT	440 per MT	330 per MT

Landing Charges: Domestic (in Indian rupees)

Particulars	September 01,2026 to March 31, 2027	April 01, 2027 to March 31, 2028	April 01, 2028 to March 31, 2029	April 01, 2029 to March 31, 2030	April 01, 2030 to March 31, 2031
> 100 MT	47,000 + 635 per MT in excess of 100 MT	47,000 + 635 per MT in excess of 100 MT	47,000 + 635 per MT in excess of 100 MT	47,000 + 635 per MT in excess of 100 MT	36,000 + 480 per MT in excess of 100 MT
< = 100 MT	470 per MT	470 per MT	470 per MT	470 per MT	360 per MT

ii) With reference to Note (2) under the proposed Landing Charges, it is requested that Landing charges be calculated on the basis of the "nearest" rounded off MT, rather than the "next" rounded off MT – in consistent with the methodology adopted under the tariff order for the Third Control Period."

15.2.4 Interglobe Aviation Limited (Indigo)'s comment regarding Parking Charges is as follows:

*"**Parking Charges:***

i) Remote stands: As per the proposal from the airport operator, parking charges will be increased by 21% (from Rs 14.10 to Rs 17 per MT) for aircraft with MTOW upto 100 MT.

Contact stands: As per the proposal from the airport operator, parking charges for contact stands will be increased as follows:

- *2-4 hrs – increase by 141% (from Rs. 14.1 to Rs. 34 per MT) for aircraft with MTOW upto 100 MT.*
- *4-12 hrs – increase by 21% (from Rs. 28.2 to Rs. 34 per MT) for aircraft with MTOW upto 100 MT.*

As mentioned above, Indian carriers are currently facing substantial cost challenges, and therefore, any increase in airport charges including parking charges would further exacerbate the financial burden on airlines and adversely affect their operating economics. Accordingly, we would request AERA that the existing parking charges be continued for the 4th control period.

ii) With respect to Note (3) under proposed Parking Charges, it is requested that the Note be revised as follows:

"Parking Charges shall be calculated on the basis of the nearest rounded off MT and for calculating chargeable parking 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."

iii) Note (6) under proposed Parking Charges:

The proposed parking charge structure for aircraft parked beyond 12 hours is excessively steep and may result in a disproportionate financial burden on airlines. While the standard parking charge is applicable up to 12 hours after the free parking period, the rate doubles for parking between 12 and 24 hours and increases to four times the standard rate for parking exceeding 24 hours. The introduction of such duration-linked charge multipliers represents a significant departure from the existing parking charge framework under which airlines have planned and operated their schedules for several years.

The proposed provision could have a material impact on airlines' operational flexibility, particularly with respect to aircraft night halts, maintenance positioning, engineering checks, operational disruptions, schedule recovery requirements, and long-term fleet planning. Operational and engineering activities are often planned based on network requirements and airport infrastructure constraints rather than

commercial considerations alone. Consequently, the imposition of steep parking charge escalations may result in a substantial increase in operating costs without providing airlines adequate flexibility to adjust established operational arrangements. Further, airlines have developed their maintenance and parking strategies over an extended period based on the prevailing charging structure. Introduction of such multipliers during the tariff period would create an unforeseen financial burden and may adversely affect operational efficiency.

We would therefore request that standard parking rates be applied irrespective of the parking duration. We would also request AERA that AOG (aircraft on ground) parking charges be applied as per the standard rate instead of increase of two times/four times."

15.2.5 Interglobe Aviation Limited (Indigo)'s comment regarding Collection Charges on UDF is as follows:

*"**Collection charges on UDF:***

With respect to Note (1) under UDF (i.e. collection charges on UDF), the rate of collection of UDF charges has been proposed to be as per the agreement between the airport operator and airline. 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."

"ICT Charge:

i) ICT 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 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 ICT charges, we recommend that ICT charges be applicable on UDF paying passengers only."

15.2.6 Interglobe Aviation Limited (Indigo)'s comment regarding Bridge Mounted Equipment (BME) services is as follows:

*"**Bridge Mounted Equipment (BME) Services:***

i) The proposed BME charges reflect a substantial increase over the currently applicable rates and would result in a significant escalation in operating costs for airlines. Further, the proposed tariff introduces an immediate step-up in FY2027 itself, ranging from 20% to 50% across different categories. Such increases appear excessive, particularly when there is no demonstrated corresponding enhancement in service levels or infrastructure investment specifically attributable to BME operations. Accordingly, it is submitted that the proposed BME tariffs be reviewed and rationalized to ensure a more gradual increase aligned with inflationary trends, cost recovery requirements, and prevailing industry benchmarks.

ii) Ground Power Unit (GPU) and Pre-conditioned Air (PCA) charges should be provided separately, as, in some instances, only one of the two services may be utilized during a turnaround.

iii) Note (3) to BME charges:

The draft proposal states that the rate for the usage at Remote Stands will be 20% higher of the corresponding tariff.

We would request that this provision be removed, as such charges separately for remote stands are not part of the existing contract for BME. The airport should provide a detailed justification for the proposed

additional 20% charge, including any infrastructure upgrades, equipment additions, or operational changes undertaken at the remote stands that warrant such an increase.

iv) Note (4) to BME charges:

The draft tariff proposes that 50% charges on BME tariff shall be applicable for long-halt flights with usage exceeding 3 hours.

This provision adversely impacts airlines ability to quickly service aircraft at lower cost, as may be required in cases where aerobridge stands are occupied by aircraft required to be parked for extended periods to undertake activities such as defect rectification, aircraft recovery and technical inspections and other unforeseen operationally driven long-duration parking requirements. We therefore suggest that this additional charge should be removed altogether as it is in the interests of both airlines and the airport operator to ensure speedy servicing of aircraft and return to service, thereby providing passenger convenience.

v) Note (5) to BME charges:

The draft proposal states that BME charges will be Invoiced to the user at a flat rate for the first One Hour of the usage and then rounded to next 30 (Thirty) minutes thereafter. This approach may result in airlines being billed for usage periods substantially higher than actual utilization, particularly for short-duration bridge occupancy.

To promote transparency and cost-reflective charging principles, it is recommended that BME charges be levied based on actual utilization/slabs rather than fixed hourly blocks and subsequent rounding mechanisms. This was the practice that is being followed till date, i.e. minimum 30 mins slab and round off to 5 mins and we therefore request continuity of the same."

15.2.7 Interglobe Aviation Limited (Indigo)'s comment regarding Lead Time for Revised Tariff Card Implementation is as follows:

*"**Lead time for implementation of revised tariff card:***

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."

15.2.8 IATA's comment regarding Tariff Card and Allocation of Recovery is as follows:

*"**Tariff Card and Allocation of Recovery***

IATA notes that the ATP includes a Variable Tariff Plan (VTP) and Key Partnership Programme (KPP) intended to support route development. While IATA supports route development in principle, incentive mechanisms should be transparent, non-discriminatory, cost-related and should not result in unintended cross-subsidization between participating and non-participating airlines.

In particular, the proposed VTP for new international unserved routes over 4,000 km appears to provide zero UDF in Year 1 and a 50% UDF rate in Years 2 and 3, while landing charges may be nil for three years. This is a material incentive. The Authority should therefore require clarity on how the revenue foregone under such schemes is funded and whether any shortfall is recovered from other users through the ARR/tariff framework.

IATA requests AERA to ensure that any VTP/KPP incentive is funded transparently, does not dilute the limited benefits of the hybrid till framework, and does not result in non-participating airlines bearing higher charges to support commercial route-incentive arrangements entered into by GHIAL."

15.2.9 DACAAI's comment with regards to Domestic Cargo Terminal Tariffs is as follows:

"The Domestic Air Cargo Agents Association of India (DACAAI) strongly opposes any increase in Aeronautical Tariff Revision including domestic cargo terminal tariffs at Hyderabad Airport for the reasons given herein below :

While domestic flight operations have doubled and domestic cargo volumes have increased nearly fourfold since the terminal commenced operations in 2007-08, the infrastructure, manpower, equipment, and operational efficiency supporting domestic cargo have either remained stagnant or deteriorated. Rather than investing proportionately in domestic cargo infrastructure, substantial portions of the domestic cargo processing area have been diverted towards international cold-chain operations, resulting in severe congestion and unacceptable deterioration in service levels. When GMR has taken handover of the Domestic Cargo Terminal from HMACPL in year 2018-19, it was conveyed and promised that since now the cargo facilities will be owned and operated by the airport operator, there will be more investments, more synergy, faster throughput, easier approval for manpower, etc. etc. all in the favour of trade, but nothing of that sort has been seen. In fact all the struggles of the trade till the point when HMACPL was operating were shelved and converted to "acceptable industry standards" on the date of take-over. AERA's tariff determination framework is founded on efficiency, prudence of expenditure, quality of service, and protection of user interests. DACAAI respectfully submits that the present proposal does not satisfy these principles. DACAAI submits that no tariff increase, Aeronautical or cargo can be justified unless measurable improvements in service standards are first achieved

1. Domestic Cargo Growth without Corresponding Infrastructure

Domestic air cargo has witnessed unprecedented growth over the past eighteen years

Particulars	2008	2026	Growth
Daily Domestic Flights	~110	~225	Nearly 100% increase
Annual Domestic Cargo	18,500 MT	72,395 MT	Nearly 300% increase

Despite this growth:

- *Domestic processing space has not increased.*
- *Instead, over 4,000 sq.m. has progressively been converted into international pharma/perishable cold storage.*
- *Domestic operations today are forced to function in significantly reduced space despite handling substantially larger cargo volumes.*

This has created a permanent capacity bottleneck.

2. Existing Infrastructure is Already Operating Beyond Capacity

The present domestic cargo terminal suffers from chronic congestion across every stage of cargo processing.

Major constraints include:

- *Insufficient truck docking area*
- *Congested cargo acceptance zones*
- *Inadequate cargo segregation area*

- *Overcrowded breakdown area*
- *Cargo being delivered outside warehouse premises due to lack of internal floor space*

This clearly demonstrates that existing infrastructure is incapable of handling present traffic efficiently.

Increasing tariffs without addressing these deficiencies would amount to charging users more for deteriorating service.

3. Chronic Operational Deficiencies

(a) Acute Manpower Shortages

The terminal consistently operates with inadequate manpower.

Shortages exist in:

- *Loaders*
- *Warehouse handlers*
- *Dock staff*

As a result:

- *Cargo movement frequently comes to a standstill.*
- *Cargo is routinely rolled over to subsequent departures.*
- *No official performance statistics are maintained for such failures.*

Cargo agents are regularly compelled to deploy their own staff at truck docks to perform activities that are contractually the responsibility of the terminal operator, thereby increasing operational costs for the trade while simultaneously benefiting the terminal operator.

Even during predictable peak seasons, no meaningful augmentation of manpower is undertaken.

(b) Equipment Deficiency

Persistent shortages exist in:

- *Cargo trolleys / euro-pallets*
- *Material handling equipment*
- *X-ray machines*
- *Weight scales*
- *FIDS*

These avoidable shortages create artificial bottlenecks that significantly reduce throughput.

(c) Excessive Cargo Processing Time

Operational performance has deteriorated dramatically.

Outbound Cargo

2008

- *Cargo cutoff: D-2.5 hours*
- *Vehicles reporting 2.5 hours before departure could successfully complete:*
- *unloading*
- *marking*
- *X-ray*
- *airline connection*

Today

- *Cargo must report nearly 5 to 6 hours before departure to be able to connect onto the flight.*
- *Arrival Cargo*

2008

Average delivery after aircraft landing: Within one hour

Today: Average delivery: Approximately three hours

This directly defeats the fundamental objective of domestic air cargo—speed.

4. Significant Increase in Dwell Time

A study conducted by DACAAI indicates that combined inbound and outbound dwell time has increased from approximately:

2008

5–6 hours

to

Present

11–13 hours

This has significantly reduced the competitiveness of domestic air cargo against surface transportation.

DACAAI therefore requests AERA to prescribe mandatory maximum dwell times.

5. Loss of Cargo and Repeat Charges

Cargo misplacement has become a recurring operational issue.

Part packages from a shipment / awb routinely remain untraceable for four to six hours before eventually being located.

The primary reasons include:

- *inadequate segregation space*
- *congested arrival breakdown area*
- *poor warehouse planning*
- *commercial reasons driving this*

When cargo is subsequently located and delivered, fresh TSP charges are generated and minimum charges are applied a second time, resulting in additional financial burden on customers for operational failures entirely attributable to the terminal operator.

6. Complete Failure of Stakeholder Governance

Despite repeated representations by DACAAI, GMR has consistently failed to establish any collaborative operational forum.

No regular coordination meetings are held involving:

- *Airlines*
- *Cargo Agents*
- *GMR Operations*
- *Security Agencies*

Consequently:

- *issues remain unresolved*
- *no structured grievance mechanism exists*
- *operational bottlenecks continue indefinitely*

A monopoly service provider should be held to an even higher standard of stakeholder engagement.

7. Tariff Increase Cannot be Based on Future Promises

Tariff revisions should reflect existing service standards—not future infrastructure plans.

GMR and AERA should first ensure:

- *adequate manpower*
- *adequate equipment*
- *acceptable dwell time*
- *improved cargo retrieval performance*
- *measurable service standards*
- *published SLA with clear penalties in case of repeated failures*

Only after these improvements are demonstrated should tariff enhancement be considered.

8. ***Domestic Tariffs Must Reflect Domestic Investment***

DACAAI submits that:

- *Only capital expenditure directly attributable to Domestic Cargo Terminal operations should be considered while determining domestic tariffs.*
- *Investments made for international cargo should not be loaded onto domestic users.*
- *Multiple handling charge heads require rationalisation.*
- *Minimum charge slabs need to be removed as the terminal is operating beyond peak capacity and there is no justification of minimum charges in any head since thresholds of business volumes are crossed already.*

9. Proposed Quinlan Bird Warehouse Raises Serious Operational Concerns

The proposed warehouse layout unfortunately indicates that practical domestic cargo operations have not been adequately considered despite nearly two decades of operating experience. Even the size of the warehouse is not commensurate to accommodate entire domestic cargo operations of Hyderabad market and as such it is proposed that only either 2 to 3 small airlines or 1 mid-sized airline will be able to shift their base into this warehouse. Multiple sites will create so – called duopoly but without any flexibility to trade.

Arrival Area

- *Single-vehicle ramp operation*
- *Trucks cannot reverse efficiently*
- *One vehicle blocks all following deliveries*
- *Fire hydrant prevents future expansion*

Given that each arriving flight typically serves 20–25 consignees, delivery turnaround is expected to become significantly slower.

Departure Area

The proposed layout provides only:

- *Two loading docks*

- *Four truck positions*

Additionally, the weighing machine has been located midway between unloading and X-ray screening, making weight verification during unloading practically impossible.

Airside Operations

Several design deficiencies are evident:

- *impractical split gate arrangement*
- *inadequate vehicle turning radius*
- *inefficient arrival traffic movement*
- *domestic and international vehicle flows not optimally separated*

These issues are likely to create considerable operational delays immediately upon commissioning and since regulatory approvals are already done, the changes to structure are remote – means if commissioned – the trade has to suffer for another 15 years from this warehouse.

10. Reliefs Sought from AERA

DACAAI respectfully requests AERA to:

1. Reject the proposed tariff increase in its present form.
2. Consider only domestic-specific capital expenditure while determining domestic tariffs.
3. Prescribe measurable Service Level Agreements (SLAs) for domestic cargo operations.
4. Mandate maximum dwell-time standards for inbound and outbound cargo.
5. Direct augmentation of manpower and material handling equipment.
6. Rationalise terminal handling charges and abolish unjustified minimum charge slabs.
7. Direct GMR to establish a structured stakeholder coordination mechanism involving Airlines, Cargo Agents, Security agencies and Terminal Operations.
8. Undertake an independent operational audit of domestic cargo facilities before approving any tariff revision.
9. Put on hold the commissioning of Quinlan Bird warehouse for domestic cargo until the presumed operational challenges are corrected and warehouse demonstrates conducive environment for trade to freely operate and flourish.
11. AERA regulates airports, but the consequences extend far beyond airport operations.

- *Domestic air cargo supports MSMEs.*
- *It carries pharmaceuticals, engineering parts, perishables, e-commerce, and just-in-time manufacturing.*
- *Increased dwell time forces cargo onto road transport.*
- *Reduced air cargo competitiveness ultimately affects economic efficiency and national logistics performance.*

DACAAI supports fair and reasonable tariff determination where investment is matched by measurable improvements in service quality. However, in the absence of corresponding enhancement in domestic infrastructure, operational efficiency, manpower, equipment, and stakeholder engagement, approval of the proposed Aeronautical tariff revision would further place an additional financial burden on users without delivering commensurate value and hamper the trade."

15.2.10 Business Aircraft Operators' Association (BAOA)'s comment regarding reasonableness and affordability of aeronautical charges (following an introductory note) is as follows:

"BAOA appreciates the opportunity provided by the Airports Economic Regulatory Authority (AERA) to submit its comments on the Fourth Control Period (CP-IV) tariff proposal together with the associated Annual Tariff Proposal (ATP) of GMR Hyderabad International Airport.

The following observations are submitted from the perspective of General and Business Aviation (GA/BA), keeping in view the objectives of the AERA Act to ensure a fair balance between the financial sustainability of airport operators and the legitimate interests of airport users. BAOA supports the continued development of airport infrastructure while advocating a transparent, equitable and cost-based tariff framework that promotes the sustainable growth of General and Business Aviation.

1. Reasonable and Affordable Aeronautical Charges

BAOA submits that aeronautical charges determined during the Fourth Control Period should remain reasonable, transparent and cost-reflective. Any increase in charges should be gradual, adequately justified and proportionate to the services provided, thereby maintaining the competitiveness of Hyderabad Airport for General and Business Aviation."

15.2.11 Business Aircraft Operators' Association (BAOA)'s comment regarding segregation of aeronautical and non-aeronautical services is as follows:

*"**2. Segregation of Aeronautical and Non-Aeronautical Services***

Only services qualifying as aeronautical services should be recovered through regulated aeronautical charges. General Aviation Terminal (GAT) facilities and other premium passenger amenities, being non-aeronautical in nature, should remain optional and charged only to those users who elect to avail such services. These charges should not be bundled into mandatory airport charges applicable to all GA operators".

15.2.12 Business Aircraft Operators' Association (BAOA)'s comment regarding parking charges' philosophy is as follows:

*"**3. Rational Parking Charge Philosophy***

BAOA supports efficient utilisation of airport infrastructure; however, parking charges during the Control Period should follow a reasonable slab-based progression rather than steep escalation after specified durations. The charging philosophy should also remain consistent with the State Support Agreement and recognise that General Aviation aircraft may require extended parking for operational, maintenance or regulatory reasons beyond the operator's control."

15.2.13 Business Aircraft Operators' Association (BAOA)'s comment regarding Capex recovery is as follows:

*"**4. Recovery of Capital Expenditure***

BAOA supports the regulatory principle that airport users should bear the cost of airport assets only after such assets have been commissioned, capitalised and made available for operational use. Recovery of costs prior to capitalisation should ordinarily be avoided to ensure transparency, regulatory certainty and inter-generational equity among airport users"

15.2.14 . Business Aircraft Operators' Association (BAOA)'s comment regarding airport funding requirements is as follows:

*"**5. Addressing Airport Funding Requirements***

During the stakeholder consultation, the airport operator expressed concerns regarding cash-flow requirements for major capital works during the construction phase. BAOA respectfully suggests that AERA

may engage with the airport operator to examine appropriate regulatory mechanisms that address genuine financing requirements without requiring airport users to bear the cost of assets before they become operational. Such an approach would uphold the principles of the AERA Act while ensuring timely infrastructure development."

15.2.15 Business Aircraft Operators' Association (BAOA)'s comment regarding growth of general and business aviation is as follows:

*"**6. Encouraging Growth of General and Business Aviation***

The CP-IV tariff framework should continue to recognise the distinct operating profile of General and Business Aviation. A stable, predictable and equitable charging regime will encourage higher utilisation of airport infrastructure, improve connectivity and contribute to the long-term growth of India's aviation ecosystem while ensuring sustainable airport economics."

15.3 GHIAL's response to Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

15.3.1 GHIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding landing charges is as follows:

"As per the submitted rate card, the Airport Operator has proposed a differentiated landing charge structure based on aircraft weight categories, namely aircraft with MTOW below 100 MT and aircraft with MTOW above 100 MT.

The proposed landing charges have been calibrated to achieve the targeted Yield Per Passenger (YPP) while maintaining the User Development Fee (UDF) at levels comparable to those applicable during the final year of Control Period 3 (CP3). This approach seeks to balance revenue requirements with airline affordability and passenger convenience by minimizing any increase in UDF charges while appropriately allocating aeronautical charges across aircraft categories.

The proposed structure is designed to support the airport's regulatory and financial objectives while ensuring a competitive and sustainable charging framework for airline operators."

15.3.2 GHIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding parking charges is as follows:

"As an airport operator, we aim to ensure the efficient and optimal utilization of available aircraft parking stands to accommodate the operational requirements of all airlines.

Extended parking of aircraft on contact or remote stands for prolonged durations limits stand availability and can result in other airlines being denied parking positions due to capacity constraints. Such long-term occupation of valuable airport infrastructure reduces operational flexibility and impacts overall airport efficiency.

Efficient aircraft turnaround and deployment not only enhance airline productivity and asset utilization but also enable better allocation of airport parking resources, ensuring equitable access for all operators and supporting the smooth functioning of airport operations.

We encourage airlines to plan their schedules and parking requirements in a manner that promotes efficient stand utilization and contributes to the overall operational effectiveness of the airport."

15.3.3 GHIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding collection charges on UDF is as follows:

"We reiterate that the collection charges on UDF will be as per the agreement between Airport Operator and Airline."

15.3.4 GHIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding ICT charges is as follows:

"The ICT services are concessioned out to a third party and there is no increase in ICT charges for CP4 period compared to CP3 period."

15.3.5 GHIAL's response to the comment by Interglobe Aviation Limited (Indigo) regarding Bridge Mounted Equipment charges is as follows:

*"(i) **Concern over Revision in the Proposed BME Tariff**:*

The proposed BME tariff has been determined based on the prudent CAPEX, OPEX, and other maintenance cost incurred by GHIAL in providing sustainable BME services. GHIAL initiated significant expansion of its BME infrastructure to enable GPU and PCA services across all contact stands. These investments ensure uninterrupted BME service support throughout the aircraft turnaround period, enabling airlines to substantially reduce APU usage, fuel consumption, and APU related operating/ maintenance costs, and additionally contributes to the aviation sector's sustainability objectives through reduced fuel burn, lower emissions, and minimized noise pollution arising from APU operations.

The proposed tariff reflects the investments and measures undertaken by GHIAL to deliver a reliable, efficient, and environmentally sustainable BME service

*(ii) **Separate Tariffs for GPU and PCA Query:***

This structure is intended to promote comprehensive use of the available facility and to encourage airlines to switch off the aircraft APU during ground operations and to support efficient and sustainable utilization of the BME equipment for improved operational efficiency. The use of GPU alone may provide external electrical power, but the simultaneous availability of PCA is necessary to maintain cabin comfort without operating the APU, particularly under Hyderabad's ambient climatic conditions directly impacting passenger experience. The combined structure therefore supports:

Lower airline fuel consumption and APU maintenance related cost

Reduction in local emissions

Improved cabin comfort during aircraft turnaround and

a simpler and more predictable billing framework

*(iii) **Query over 20% higher cost for Remote-Stand BME Services:***

The proposed remote-stand differential is not intended to be a premium merely because an aircraft is allocated to a remote stand. It recognises that remote-stand service delivery requires a materially different operating model compared with fixed equipment available at a contact stand.

At a contact stand, GPU and PCA infrastructure is installed at or near the aircraft parking position. In contrast, remote-stand service may require:

Deployment and positioning of mobile or ground-mounted equipment

Movement of the equipment and trained operator to the allocated stand

Additional vehicles to carry the mobile GPU and PCA, fuel or electricity support for the equipment

Necessary additional infra development for remote stand

Additional maintenance exposure arising from continuous movement of the equipment

To develop and provide efficient and reliable BME services at GHIAL, in phase-I we have completed enabling full BME services at all the contact stands and stabilized the BME operations. Phase-II is focused towards enabling BME services at remote stands, currently works are in progress for provision of compatible power supply to all the remote stands. The proposed tariff will be enforced post completion of enabling BME services at remote stands.

(iv) ***Concerns over 50% tariff for Long-Halt Aircraft:***

GHIAL understands the challenges during turnaround and that aircraft may remain on ground for extended periods due to operational, technical or maintenance requirements. The proposed 50% tariff for long-halt usage is, however, a concessional tariff and not an additional surcharge wherein GHIAL clarifies that only 50% of the proposed tariff is charged to the aircraft termed under long – halt whose ground time is > 3.0 hours.

Under a normal hourly tariff, continued use of GPU and/or PCA for the entire duration of a long halt would result in the full tariff being applied for every chargeable interval. By permitting extended usage, only 50% of the applicable tariff is charged after the prescribed qualifying time/ condition. The proposed structure substantially moderates the airline's cost and in addition to supporting the aircraft on ground delayed due to maintenance issue, while allowing GHIAL to recover a portion of the continuing cost of electricity consumed through-out the use of the continued service and thereby passing on the benefit to the airlines for long – halt aircrafts.

Additionally, this will also benefit the night-halt/ base aircraft whose parking time is > 3.0 hours. The initiative was specifically positioned as supporting airline savings on long BME utilization and to reduce ATF consumption and carbon emissions.

(v) ***Query on BME Tariff Charging Mechanism:***

As a general practice followed across airports, the BME tariff is charged based on the time block rather than the actual utilization, considering stand occupancy time right from chocks-on till pushback and a minimum billing slab is required to recover

the fixed mobilization and service-delivery cost associated with each deployment. Similar approach was adopted by GHIAL since the beginning of BME services.

As the one-hour time block stands as a concern for the shorter turnaround aircrafts, GHIAL is in concurrence with the airline partner to provide BME tariff charging mechanism at GHIAL as emended below;

"The proposed tariff will be invoiced to the user at a flat rate for the first 30 (Thirty) minutes of usage and then rounded to next 15 (Fifteen) minutes thereafter".

Accordingly, Schedule VI (Bridge Mounted Equipment Charges), point 5 in the proposed rate card will be amended.

We respectfully request authority to consider the total ARR recovery if proposes a more lead time for implementation of tariff order."

15.3.6 GHIAL's response to the comments by IATA comment regarding the tariff card and allocation of recovery is as follows:

"GHIAL appreciates IATA's support for route development initiatives and agrees that any incentive framework should be transparent, objective,

non-discriminatory and consistent with the broader principles of airport regulation. The proposed Variable Tariff Plan (VTP) and Key Partnership Programme (KPP) have been designed with these principles in mind and are intended solely to stimulate incremental traffic, improve connectivity, and enhance Hyderabad Airport's long-term competitiveness. The rate card is available based on clearly defined eligibility criteria and measurable performance thresholds and are not intended to provide preferential treatment to any specific airline.

The rationale for the proposed plan/programme is grounded in the economics of long-haul route development. New international routes, particularly unserved routes beyond 4,000 km, typically require a multi-year incubation period before achieving sustainable load factors and profitability. Airlines incur significant start-up costs, including aircraft deployment, crew positioning, marketing expenditure, sales establishment, and network risk. International experience demonstrates that temporary airport incentives are frequently used to bridge this start-up period and improve the commercial viability of new routes. The proposed VTP therefore seeks to reduce the initial financial burden on airlines during the route maturation phase while ensuring that the airport benefits from long-term traffic growth, enhanced connectivity and increased passenger throughput.

The proposal is particularly relevant in the context of Hyderabad's rapidly expanding economic base. Hyderabad has emerged as one of India's leading hubs for information technology, pharmaceuticals, biotechnology, Global Capability Centres (GCCs), advanced manufacturing and business services. The city continues to attract substantial domestic and foreign investment, resulting in increasing demand for direct international connectivity to key business and leisure markets. Enhanced long-haul connectivity supports trade, tourism, foreign investment and employment generation, delivering benefits not only to the airport but also to the regional economy and aviation sector as a whole.

GHIAL would also like to clarify that the VTP and KPP are designed to stimulate incremental traffic and new connectivity, rather than subsidize existing operations.

GHIAL further notes that the Authority, during the Third Control Period, recognized the role of VTPs in attracting additional flights and generating incremental revenues that can contribute to reducing airport charges over the longer term, while also emphasizing the need for transparency and non-discrimination.

Accordingly, GHIAL respectfully submits that the proposed VTP and KPP represent prudent and targeted connectivity development measures that are aligned with the long-term interests of passengers, airlines, the regional economy and Hyderabad Airport."

15.3.7 GHIAL's response to the comment by DACAAI comment on domestic cargo terminal tariffs is as follows:

"No relevance for the Airport Operator's aeronautical tariff determination for CP4."

15.3.8 GHIAL did not have any counter-comments to BAOA's comment on reasonableness and affordability of aeronautical charges.

15.3.9 GHIAL's response to the comment by BAOA on segregation of aeronautical and non-aeronautical services is as follows:

"The tariff proposal covers charges in accordance with the applicable regulatory classification and the concession agreement, while facilities such as General Aviation services are offered separately to users who choose to avail them"

15.3.10 GHIAL's response to the comment by BAOA on parking charges' philosophy is as follows:

"The proposed parking framework includes an initial free parking period and a progressive slab structure to encourage efficient use of limited airside infrastructure"

15.3.11 GHIAL's response to the comment by BAOA on Capex recovery and on airport funding requirements is as follows:

"Refer our detailed response to Incremental ARR approach (User Pay Principle) above.

15.3.12 GHIAL's response to the comment by BAOA on the growth of general and business aviation is as follows:

"GHIAL fully supports the continued growth of General and Business Aviation and recognises its contribution to business connectivity and the broader aviation ecosystem. GHIAL remains committed to providing efficient infrastructure and services for GA/BA operators, while ensuring a stable and sustainable tariff framework for long-term airport development."

15.4 Authority's analysis on Stakeholders' comments regarding Aeronautical Revenue for the Fourth Control Period

15.4.1 The Authority notes GHIAL's submission requesting flexibility to revise its Annual Tariff Proposal (ATP) submitted on 25th June 2026 in the event that the final approved Aggregate Revenue Requirement (ARR) differs from the ARR on which the original ATP was based.

15.4.2 The Authority notes GHIAL's submission that Aggregate Revenue Requirement (ARR) may undergo changes at the tariff order stage. As a matter of practice, the Authority does not seek revised rate cards from Airport Operators. The rates proposed by the Airport Operator in its tariff rate card are considered as reference points for the purpose of tariff determination.

15.4.3 The Authority determines the final tariff rate card after taking into consideration the views and submissions of all stakeholders, the existing tariff structure at the airport, prevailing tariffs at comparable airports, and other relevant factors considered appropriate by the Authority.

15.4.4 The Authority has followed the same approach in the case of Hyderabad Airport. Accordingly, the tariff rate card submitted by the Airport Operator has been considered as a reference for the tariff determination exercise, and the final tariff rate card has been determined by the Authority based on its assessment of all relevant factors and stakeholder submissions.

15.4.5 The Authority has examined Indigo's submissions regarding Landing Charges on the following aspects:

i. On the proposed flat rate structure for aircraft above 100 MT
ii. On the rounding methodology – nearest MT vs. next MT

On the Proposed Flat Rate Structure for Aircraft Above 100 MT:

The Authority notes IndiGo's submission requesting that for aircraft with MTOW > 100 MT, landing charges should continue to be computed in a progressive manner, consistent with the existing tariff structure and industry practice. The Authority also notes GHIAL's counter-comment that in line with the provisions of GHIAL's Schedule of Charges approved by AERA for the Third Control Period, a differentiated landing charge structure based on aircraft weight categories, namely aircraft with MTOW below 100 MT and aircraft with MTOW above 100 MT has been submitted in the rate card.

The Authority has addressed the issue appropriately in the approved Tariff Card.

On Rounding Methodology - Nearest MT versus Next MT:

The Authority notes IndiGo's submission that landing charges should be calculated on the basis of the nearest rounded-off MT. The Authority has addressed the issue appropriately in the approved Tariff Card.

15.4.6 The Authority has examined IndiGo's submissions regarding (i) parking charges for contact stands, (ii) the methodology for calculation of Parking Charges and Housing Charges, and (iii) treatment of free parking time interval. The Authority has also considered the counter-comments submitted by GHIAL.

The Authority has addressed the issue appropriately in the approved Tariff Card.

15.4.7 The Authority notes IndiGo's submission that collection charges should be revised to 2.5% of the UDF collected. The Authority has also considered the counter-comments submitted by GHIAL.

In this regard, the Authority is of the view that collection charges are governed by the agreement between airport operators and airlines.

15.4.8 The Authority has examined IndiGo's submission that ICT (Integrated Common Infrastructure/Terminal, as applicable) charges, as proposed to be levied in USD, expose Indian carriers to foreign exchange risk, and that such charges should instead be denominated in INR, at least in respect of domestic embarking passengers. The Authority has also examined the submission by Indigo to make ICT charges applicable to UDF paying passengers only. The Authority has also considered the counter-comments submitted by GHIAL.

The Authority has addressed the issue appropriately in the approved Tariff Card.

15.4.9 The Authority has carefully examined IndiGo's submission regarding the substantial increase proposed by GMR Hyderabad International Airport Limited (GHIAL) in Bridge Mounted Equipment (BME) charges, including the proposed immediate step-up of 20% to 50% across various categories with effect from FY 2026–27. The Authority has also considered IndiGo's contention that the proposed increase is not supported by any demonstrated corresponding improvement in service levels or incremental infrastructure investment specifically attributable to BME operations, along with the other concerns raised by IndiGo. The counter-comments submitted by GHIAL in response thereto have also been duly considered.

The Authority has further examined the cost basis and justification furnished by GHIAL for the proposed revision in BME charges, including the relevant asset base, operating and maintenance expenditure, and capital expenditure specifically attributable to BME facilities and equipment, such as aerobridges, Ground Power Units (GPU) and Pre-Conditioned Air (PCA) units, to the extent forming part of the Regulatory Asset Base.

Upon comprehensive examination of the submissions and the underlying cost and asset considerations, the Authority has duly considered the matter while finalising the applicable charges. The Authority has accordingly addressed the issue appropriately in the approved Tariff Card.

15.4.10 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 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 the nature of the tariff revision and the circumstances giving rise to such revision. 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.

15.4.11 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 HIAL's submission on the same. 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 the nature of the tariff revision and the circumstances giving rise to such revision. 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.

15.4.12 The Authority notes IATA's comment regarding VTP and KPP schemes proposed by GHIAL being designed as commercial route-development. The Authority's position on VTP is set out in the subsequent paragraphs (Para **15.4.13** to Para **15.4.19**)

Variable Tariff Plan (VTP)

15.4.13 Authority notes that GHIAL 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 Rajiv Gandhi International Airport, Hyderabad. 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.

15.4.14 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 the 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

15.4.15 The Authority is of the view that the proposed VTP represents a targeted route and network development mechanism intended to support international connectivity, strengthen Hyderabad'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.

15.4.16 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.

15.4.17 The Authority is of the view that the VTP provides an appropriate level of support for traffic development and route expansion at Rajiv Gandhi International Airport, Hyderabad, while ensuring that aeronautical tariffs remain cost-reflective and do not impose an undue burden on airport users. The Authority also directs GHIAL to ensure that the implementation of the VTP remains consistent with ICAO principles of transparency and non-discrimination.

15.4.18 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.

15.4.19 The Authority directs GHIAL 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.

15.4.20 The Authority has carefully considered the comments submitted by DACAAI. The Authority observes that the issues raised therein pertain to the determination of cargo tariffs and, therefore, is not part of the scope of the tariff determination for GHIAL presently under consideration.

15.4.21 The Authority notes the submissions made by BAOA seeking greater transparency in airport charges, clear distinction between mandatory and optional services, recognition of General and Business Aviation (GA/BA) operational requirements, and continued stakeholder engagement. The Authority has examined these submissions in the light of the AERA Act, 2008 (read together with amendments in 2019 and 2021), the AERA Guidelines, 2011 and the analyses contained in the Consultation Paper.

The Authority notes BAOA's submissions on reasonable, transparent and cost-reflective aeronautical charges, clear segregation of mandatory and premium services, parking charges, capital expenditure recovery, construction-phase funding, and the sustainable growth of the GA/BA segment. The Authority observes that aeronautical charges have been determined under the AERA Act, 2008 (read with the 2019 and 2021 amendments), balancing the interests of users and the Airport Operator, and that under the Incremental ARR Approach based on the User Pays principle, tariff impacts of identified high-capex projects arise only upon commissioning of the relevant assets ensuring current users do not finance infrastructure not yet available to them while promoting affordability and cost recovery. Parking charges remain regulated, cost-related, transparent and non-discriminatory, finalized after balancing all stakeholder interests, and GHIAL is expected to maintain clear segregation between mandatory

aeronautical charges and optional premium services. The Authority further notes that the regulatory framework addresses construction-phase financing through debt, capitalization of Interest During Construction (IDC), and phased recovery linked to commissioning. Recognizing the contribution of GA/BA operations to connectivity and economic activity, the Authority is of the view that the Fourth Control Period framework through tariff predictability, the User Pays principle, transparent charging and continued stakeholder engagement appropriately balances airport financial sustainability with affordability and predictability for GA/BA users.

15.4.22 In the light of the above and as elaborated in **Chapter 14**, the Authority has determined the ARR for the Fourth Control Period as given at Table 358, which is again reproduced as follows:

***Table 358 of Chapter 14*: Baseline Aggregate Revenue Requirement (ARR) and Yield per Passenger (YPP) decided by the Authority for the Fourth Control Period**

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	6,508.82	6,562.60	6,299.36	7,064.95	7,766.49	
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C = A x B	817.25	824.01	790.95	887.08	975.17	4,294.47
Depreciation	D	457.15	487.95	501.63	580.92	656.80	2,684.44
Operation and Maintenance Expenditure (including concession fee)	E	844.41	902.02	964.54	1162.11	1342.00	5,215.08
Aeronautical Tax	F	0.00	0.00	312.07	197.20	60.26	569.52
Gross Aggregate Revenue Requirement	G = C + D + E +F	2118.81	2213.97	2569.19	2827.31	3034.22	12,763.50
Total Non-Aeronautical Revenue {Refer Table 340}	H	904.16	1,033.89	1,191.31	1,335.37	1,518.16	5,982.89
Less: 30% of non-aeronautical revenue	I = 30% x H	271.25	310.17	357.39	400.61	455.45	1794.87
Aggregate Revenue Requirement	J = G – I	1847.56	1903.80	2211.80	2426.70	2578.78	10,968.64
(Over)/Under Recovery of previous CP as on 31.03.2027 {Refer Table 165}	K	714.85					714.85
Net Aggregate Revenue Requirement	L = J+K	2,562.41	1,903.80	2,211.80	2,426.70	2,578.78	11,683.49
Discounting Factor	M	1	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	N = M x L	2562.41	1691.43	1745.85	1701.80	1606.71	9308.20
Sum of PV of Net Aggregate Revenue Requirement	O	9,308.20					
Total Passenger Traffic (Mn) {Refer **Table 169**}	P	218.30					
Yield per Passenger on Total Traffic (Rs.)	Q = (O/P) x 10	426.39					

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 356**, and **Table 357** of **Chapter 14** of this Tariff Order.

15.4.23 As per Authority's decision and as per the computation of ARR in **Table 358**, GHIAL is entitled to recover an ARR of Rs. 9,308.20 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. 9,308.20 Crores (in NPV terms) as per the table given below:

Table 359: Aeronautical Revenue decided by the Authority for the Fourth Control Period

(Rs in Crores)

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 (A) (Ref: Table 358)	**9,308.20**					
Aeronautical Revenue						
UDF	1,153.65	1,376.10	1,703.23	1,669.80	1,391.64	**7,294.43**
Landing	474.46	595.50	793.69	684.34	374.81	**2,922.80**
Parking	20.42	24.43	28.97	33.13	37.32	**144.27**
CUTE/CUSS	3.28	3.67	4.17	4.46	4.76	**20.33**
Cargo	69.07	75.15	81.45	88.30	95.83	**409.80**
Ground Handling & BME	69.52	75.73	82.90	88.07	93.55	**409.77**
Fuel Farm	89.96	97.99	107.27	113.96	121.05	**530.23**
ATC Rental	2.36	2.36	2.36	2.36	2.36	**11.78**
Fuel Station Rental	0.08	0.09	0.09	0.10	0.10	**0.46**
MRO	1.58	1.77	1.99	2.11	2.25	**9.70**
Township Rental	0.10	0.11	0.12	0.12	0.13	**0.58**
Total Revenue (B)	**1,884.47**	**2,252.89**	**2,806.24**	**2,686.75**	**2,123.79**	**11,754.15**
PV Factor	1.00	0.89	0.79	0.70	0.62	
PV of Aero Revenue (C)	1884	2001	2215	1884	1323	**9308**
∑ PV Projected Aero Revenue (D)	9,308					
Surplus/(Shortfall) (D) – (A)	0					

15.4.24 The Tariff Rate Card corresponding to the Aeronautical Revenue decided by the Authority as per **Table 359** is provided in **Annexure -I**.

15.4.25 In addition to the ARR and yield approved for the base case scenario under Table 358 of this Tariff Order, the Authority has approved Incremental ARR approach in **Chapter 14** 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 15.4.26 of Chapter 15 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 360 and Table 361 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 p1asset(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.

15.4.26 In the 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) Northern Runway & Associated Airside Works:

The incremental ARR determined by the Authority in respect of the Northern Runway & Associated Airside Works, as detailed in **Table 357 of Chapter 14** of this Order, is reproduced below for the purpose of determination of the corresponding incremental tariffs:

Table 357 of Chapter 14: Impact on ARR for Northern Runway & Associated Airside Works under Incremental ARR approach decided by the Authority

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	0.00	0.00	0.00	1,892.94	3,673.89	5,566.83

AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	0.00
Return on RAB	C= A x B	0.00	0.00	0.00	237.68	461.30	698.98
Depreciation	D	0.00	0.00	0.00	112.00	224.00	336.00
Operation and Maintenance Expenditure (including concession fee)	E	0.00	0.00	0.00	0.00	0.00	0.00
Aeronautical Tax	F	0.00	0.00	0.00	0.00	0.00	0.00
Gross Aggregate Revenue Requirement	G = C + D + E +F	0.00	0.00	0.00	349.68	685.29	1,034.97
Less: 30% of non-aeronautical revenue	H	0.00	0.00	0.00	0.00	0.00	0.00
Net Aggregate Revenue Requirement	I = G - H	0.00	0.00	0.00	349.68	685.29	1,034.97
Discounting Factor	J	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	K = I x J	0.00	0.00	0.00	245.20	426.91	672.11
Sum of PV of Net Aggregate Revenue Requirement	L	**672.11**					
Total Passenger Traffic (Mn) {Refer **Table 169**}	M	**218.30**					
Yield per Passenger on Total Traffic (Rs.)	N = (L/M) x 10	**30.79**					

Based on the above incremental ARR determined by the Authority for the Northern Runway & Associated Airside Works, the corresponding incremental tariff rates are set out as under **Table 360** below.

Table 360: Incremental Tariffs pertaining to the Northern Runway & Associated Airside Works

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		
Northern Runway & Associated Airside Works	122	52	175	75	255	400

Note: As illustrated at **Chapter 14** and based on the commissioning date of the aforesaid project and the Trigger for Incremental Tariff as mentioned at Para **14.7.78**, AERA has considered for calculation purpose, the effective date of the above incremental tariff as 01.11.2029. 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.

Northern Precinct Development- Landside Works

The incremental ARR determined by the Authority in respect of the Northern Precinct Development- Landside Works, as detailed in **Table 356 of Chapter 14** of this Order, is reproduced below for the purpose of determination of the corresponding incremental tariffs:

Table 356 of Chapter 14: Impact on ARR for Northern Precinct Development - Landside Works under Incremental ARR approach decided by the Authority

(Rs in Crores)

Particulars	Ref	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	Total
Average Regulatory Asset Base	A	0.00	0.00	0.00	2,180.85	4,232.66	
WACC {Refer **Table 259**}	B	12.56%	12.56%	12.56%	12.56%	12.56%	
Return on RAB	C= A x B	0.00	0.00	0.00	273.83	531.46	805.29
Depreciation	D	0.00	0.00	0.00	129.03	258.07	387.10
Operation and Maintenance Expenditure (including concession fee)	E	0.00	0.00	0.00	0.00	0.00	0.00
Aeronautical Tax	F	0.00	0.00	0.00	0.00	0.00	0.00
Gross Aggregate Revenue Requirement	G = C + D + E +F	0.00	0.00	0.00	402.86	789.52	1,192.39
Less: 30% of non-aeronautical revenue	H	0.00	0.00	0.00	0.00	0.00	0.00
Net Aggregate Revenue Requirement	I = G - H	0.00	0.00	0.00	402.86	789.52	1,192.39
Discounting Factor	J	1.00	0.89	0.79	0.70	0.62	
PV of Net ARR as on 31.03.2027	K = I x J	0.00	0.00	0.00	282.49	491.85	774.34
Sum of PV of Net Aggregate Revenue Requirement	L	**774.34**					
Total Passenger Traffic (Mn){Refer **Table 169**}	M	**218.30**					
Yield per Passenger on Total Traffic (Rs.)	N = (L/M) x 10	**35.47**					

Based on the above incremental ARR determined by the Authority for the Northern Precinct Development-Landside Works, the corresponding incremental tariff rates are set out as under **Table 361** below.

Table 361: Incremental Tariffs pertaining to the Northern Precinct Development- Landside Works

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		
Northern Precinct Development-Landside Works	164	70	160	70	315	350

Note: As illustrated at **Chapter 14** and based on the commissioning date of the aforesaid project and the Trigger for Incremental Tariff as mentioned at **Para 14.7.78**, AERA has considered for calculation purpose, the effective date of the above incremental tariff as 01.11.2029. 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.

15.4.27 No incremental tariff shall be applicable for aeronautical tariffs apart from User Development Fees and Landing Fees.

15.4.28 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.

15.5 Authority's decisions regarding Aeronautical Revenue for the Fourth Control Period

Based on the material before it and its analysis, the Authority decides the following with regard to Aeronautical Revenue for the Fourth Control Period:

15.5.1 To consider the Aeronautical Revenue as per **Table 359.**

15.5.2 To consider incremental tariffs on the respective projects identified under User Pays principle as detailed in **Table 360** and **Table 361.**

15.5.3 The Authority directs GHIAL 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.

15.5.4 To direct GHIAL to ensure the principles of non-discrimination of ICAO are not violated.

15.5.5 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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16. SUMMARY OF AUTHORITY'S DECISIONS FOR THE FOURTH CONTROL PERIOD

CHAPTER 2: TRUE-UP OF PRE CONTROL PERIOD ENTITLEMENT (PCPE)

2.4.1 To consider True-up for the PCPE of this Tariff Order in line with the Tariff Order for the Third Control Period as per **Table 11.**

CHAPTER 3: TRUE-UP FOR THE FIRST CONTROL PERIOD

3.4.1 To consider True-up for the First Control Period in line with the Tariff Order for the Third Control Period as per **Table 11.**

CHAPTER 4: TRUE-UP FOR THE SECOND CONTROL PERIOD

4.4.1 To consider True-up for the Second Control Period as per **Table 11.**

4.4.2 To retain the over-recovery of Rs. 441.60 Cr for True-up for the Second Control Period as part of the tariff determination exercise for the Third Control Period as per **Table 11.**

CHAPTER 5: TRUE-UP FOR THE THIRD CONTROL PERIOD

5.11.1 To consider Traffic for True-up for the Third Control Period based on Actuals as per **Table 13.**

5.11.2 To consider Aeronautical Capex for True-up of the Third Control Period as per **Table 59**

5.11.3 To consider the Aeronautical Depreciation and Regulatory Asset Base (RAB) for True-up for the Third Control Period as per **Table 62.**

5.11.4 To consider the WACC for True-up for the Third Control Period as per **Table 70.**

5.11.5 To consider Aeronautical Operation and Maintenance Expenses for True-up for the Third Control Period as per **Table 146.**

5.11.6 To consider Non-Aeronautical Revenue for True-up for the Third Control Period as per **Table 152.**

5.11.7 To consider Aeronautical Revenues for True-up for the Third Control Period as per **Table 156.**

5.11.8 To consider Aeronautical Taxes as Nil for the Third Control Period as per **Table 160.**

5.11.9 To consider under recovery of **Rs. 714.85 Cr** (as per **Table 165**) till the Third Control Period for the tariff determination for the Fourth Control Period.

CHAPTER 6: TRAFFIC PROJECTIONS FOR THE FOURTH CONTROL PERIOD

6.6.1 To consider Traffic projections as per **Table 169** for the Fourth Control Period.

6.6.2 To True-up the traffic volume (Passenger, ATM and cargo) on the basis of actual traffic in the Fourth Control Period while determining tariff for the Fifth Control Period.

CHAPTER 7: CAPITAL EXPENDITURE (CAPEX), DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE FOURTH CONTROL PERIOD

7.11.1 To consider the aeronautical additions for the Fourth Control Period in accordance with **Table 253.**

7.11.2 To True-up the aeronautical additions based on actuals, cost efficiency and reasonableness, at the time of determination of tariff for next control period.

7.11.3 To consider the aeronautical depreciation for the Fourth Control Period in accordance with **Table 254.**

7.11.4 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

7.11.5 To consider the Regulatory Asset Base for the Fourth Control Period in accordance with **Table 255.**

7.11.6 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 7.3.141. The same will be examined during True-up of the Fourth Control Period, at the time of determination of tariff for the next Control Period.

7.11.7 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.

7.11.8 To True-up the RAB based on actuals at the time of tariff determination for the next Control Period.

CHAPTER 8: WEIGHTED AVERAGE COST OF CAPITAL (WACC) FOR THE FOURTH CONTROL PERIOD

8.6.1 To consider Cost of Equity, Cost of Debt, notional debt-equity ratio and WACC / FRoR for the Fourth Control Period as per **Table 259.**

8.6.2 To True-up the Cost of Debt for the Fourth Control Period based on actuals (or) SBI average 1-year MCLR plus 100 bps (whichever is lower) at the time of tariff determination for the Fifth Control Period.

CHAPTER 9: INFLATION FOR THE FOURTH CONTROL PERIOD

9.6.1 To consider the inflation rates for the Fourth Control Period as per **Table 262.**

CHAPTER 10: AERONAUTICAL OPERATION & MAINTENANCE (O&M) EXPENSES FOR THE FOURTH CONTROL PERIOD

10.6.1 To consider Aeronautical O&M Expenses for the Fourth Control Period as per **Table 334.**

10.6.2 To True-up Aeronautical O&M Expenses for the Fourth Control Period based on actuals at the time of tariff determination for the Fifth Control Period, subject to reasonableness and efficiency.

CHAPTER 11: NON-AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

11.6.1 To consider Non-Aeronautical Revenues for RGIA as per Table **341.**

11.6.2 To True-up NAR for the current control period, at the time of determination of tariff for the next control period, subject to the minimum threshold as per Table 341.

CHAPTER 12: AERONAUTICAL TAXES FOR THE FOURTH CONTROL PERIOD

12.7.1 To consider Aeronautical Taxes for the Fourth Control Period as per **Table 344.**

12.7.2 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 13: QUALITY OF SERVICE FOR THE FOURTH CONTROL PERIOD

13.6.1 To not consider any adjustment in the Aggregate Revenue Requirement on account of Quality of Service for the Fourth Control Period.

13.6.2 GHIAL should ensure that service quality at Rajiv Gandhi International Airport 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 13.2.10, once the same become applicable to major airports.

CHAPTER 14: AGGREGATE REVENUE REQUIREMENT FOR THE FOURTH CONTROL PERIOD

14.8.1 To consider the Base Line Aggregate Revenue Requirement and YPP for the Fourth Control Period for GHIAL in accordance with **Table 358** above.

14.8.2 To consider Incremental ARR & YPP for the respective User Pays project in accordance with **Table 356** and **Table 357.**

14.8.3 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 15: AERONAUTICAL REVENUE FOR THE FOURTH CONTROL PERIOD

15.5.1 To consider the Aeronautical Revenue as per **Table 359**

15.5.2 To consider incremental tariffs on the respective projects identified under User Pays principle as detailed in **Table 360** and **Table 361.**

15.5.3 The Authority directs GHIAL 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.

15.5.4 To direct GHIAL to ensure the principles of non-discrimination of ICAO are not violated.

15.5.5 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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17. TARIFF ORDER

17.1. 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 Hyderabad International Airport for the Fourth Control Period as placed in **Annexure – I** to the Order.

17.2. 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** to the Order.

17.3. The tariff determined herein are ceiling rates, exclusive of taxes, if any.

17.4. The Order shall be made effective from September 1st, 2026.

17.5. 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

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To
Mr. Kadhir Kadhiravan
Chief Executive Officer
GMR Hyderabad International Airport Limited,
GMR Aero Towers, 4th Floor
Rajiv Gandhi International Airport, Shamshabad,
Hyderabad 500108

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AERA

Copy To:

1. **Secretary**, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi – 110003.
2. **Directorate General of Civil Aviation**: For Issuance of AIC.

ANNEXURE-I

TARIFF RATE CARD

Tariff Rate Card approved by the Authority for Aeronautical Services provided at Hyderabad 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 October 31, 2029	November 1, 2029 to March 31, 2030	April 1, 2030 to March 31, 2031
Domestic	435	530	640	745	230	275
International	630	735	845	905	245	315

Notes:

1. Landing Charges shall be payable to Hyderabad International Airport Limited ("HIAL").
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.

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B. PARKING CHARGES

Parking Charges for all Aircraft - Domestic and International (after free parking period of first two hours)

Remote Stand

(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 March 31, 2031
Rates after Free Parking Period	17	18	19	20	21

Contact Stand

(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 March 31, 2031
Rates after Free Parking Period	34	36	38	40	42

Notes:

1. The above tables shall be referred as Parking Charges for Remote Stands and Parking Charges for Contact Stands respectively and collectively referred as Parking Charges.
2. 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.
3. Weight of an aircraft means MTOW, in metric tonnes (1 MT = 1,000 kg), as indicated in the Certificate of Airworthiness.
4. Parking charges shall be calculated based on the nearest MT (i.e. 1000 kg).
5. 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 October 31, 2029	November 1, 2029 to March 31, 2030	April 1, 2030 to March 31, 2031
Domestic						
Embarking	515	555	620	670	415	415
Disembarking	220	240	265	285	175	175
International						
Embarking	1030	1085	1130	1175	880	915
Disembarking	440	465	485	500	375	390

Notes

1. **Collection charges on UDF:** Collection charges shall be applicable as per the policy pertaining to such

charges between the airport operator and the airlines.

2. 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.

3. **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").

4. UDF charges shall be applicable based on the passengers' date of travel.

5. Revised UDF charges will be applicable on tickets issued on or after September 1, 2026

D. CUSS/CUTE/BRS CHARGES

(Rate per passenger)

Particulars	Domestic	International
Per Embarking Passenger	Rs 75	USD 1.25

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 Hyderabad 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.

E. Fuel Infrastructure Charges

The following fuel infrastructure charges per KL of fuel will be charged:

Particulars	Amount in Rs. Per KL
Infrastructure Charges	1500

KL = kilo litres (1KL = 1000 litres)

F. Bridge Mounted Equipment Services

(Rate in Rs. Per Hour)

Type of 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 March 31, 2031
Domestic					
Narrow Body	5,700	5,900	6,100	6,400	6,700
Wide Body	10,000	10,400	10,800	11,200	11,700
International					
Narrow Body	7,100	7,400	7,700	8,000	8,400
Wide Body	11,000	11,400	11,900	12,400	12,900

Notes

a. The above charges for Ground/Bridge Mounted Equipment services are combined charges of both GPU/FEGP & PCA services.

b. Charges will be billed to Airlines by Airport Operator or the concessionaire as the case may be.

c. The above tariff will be Invoiced to the user at a flat rate for the first One Hour of the usage and then rounded to next 30 (Thirty) minutes thereafter.

d. Classification of Aircrafts:

   a. Wide Body Aircrafts refers to Code D, Code E and Code F as defined in Annex 14 of ICAO.
   b. Narrow Body Aircrafts refers to Code A, Code B and Code C as defined in Annex 14 of ICAO and includes Helicopters handled by non-schedule operators.

Note: Tariffs under Incremental ARR

The aforementioned tariff rate card pertains to the baseline ARR as provided at **Table 358**. Further, the tariff rate cards for the Capex projects under Incremental ARR as contained at **Table 360**, and **Table 361** of **Chapter 14** 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 **14.7.78** of Chapter 14 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.

G. Variable Tariff Plan

Scheduled Passenger International Airlines (Foreign and Indian Carriers).

a. Variable Tariff Plan (VTP) Based on Stage Length (New International Unserved Routes):

VTP for landing charges	Year 1	Year 2	Year 3
More than 4000 KM	0.00*RR	0.00*RR	0.00*RR
Up to 4000 KM	0.00*RR	0.50*RR	0.50*RR

RR = Rack Rate

Terms and Conditions:

i. Above VTP shall be provided to any new flight introduced on unserved route/s; strictly defined as international routes which have remained unserved from RGI Airport by any scheduled Indian or foreign passenger airline in last 4 IATA seasons.

ii. First airline to commence the operations on these unserved routes will only be eligible to avail this VTP.

iii. The VTP is applicable based on-stage length of great circle, also the unit of Kilometres refers to air kilometres for calculating the qualifying distance as per great circle path.

iv. The VTP on Landing charge and UDF are applicable for 3 consecutive years from the start of the 1st flight of their operations at RGI Airport.

v. Airlines which had started a new unserved route in Third control period (CP III) based on the AERA Order No. 12/2021-22 are eligible to continue with the old VTP rate till the time the Airline is completing 3 years from the start of their operations at RGI Airport.

vi. Airlines enrolled in the above VTP 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.

For E.g.: if an Airline AB commences operations on new Long-Haul International/Short-Haul International route in Nov 2026, then the VTP applicable as of the commencement date shall apply throughout the next three years. Any new VTP scheme launched subsequently will not apply to them.

vii. 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.

viii. No discount over and above the Variable Tariff Plan shall be applicable.

This Variable Tariff Plan (VTP) shall also apply to any additional frequency in that route introduced during the three 3 years from the launch of the 1st initial service.

The above charges shall be applicable only if the scheduled airline operator and GHIAL enter into a formal Airport Charges Agreement (ACA). However, Agreement shall be fair, transparent and non-discriminatory, consistent with applicable law and relevant ICAO principles on airport charges.

b. Key Partnership Program for International Flights:

Landing Charges	Year 1	Year 2	Year 3
VTP on incremental flights	0.25*RR	0.50*RR	0.75*RR

Qualifying Criteria for 'Key Partnership Program (KPP)'

Existing International Airlines – Multiple Factor Increase Compared to Base Month			
Target Parameters	Year 1	Year 2	Year 3
Departure Flights Growth	1.25X	1.5X	1.7X
International Routes	+4 routes	+5 routes	+6 routes

RR = Rack Rate

Terms and Conditions:

i. Existing International Airline means, scheduled passenger airline (Indian or Foreign Airline) that had scheduled international flight(s) to/from RGIA during the last two IATA seasons.

ii. For qualification under the international KPP scheme, scheduled passenger airlines must achieve both Departure flight growth and meet the International Route criteria in each year as mentioned in the above table.

iii. The reference base month for evaluating eligibility under the KPP shall be based on average of last two IATA seasons.

iv. KPP for airline will be triggered once the Airline achieves year 1 target and will continue to receive the benefits as per the above year wise criteria mentioned under the above table.

v. KPP can be availed by more than one qualified airline.

vi. Eligibility and continued applicability under KPP shall be evaluated financial year (April – March), While evaluating the monthly targets eligibility for the applicable airline total departures and total routes operated by that airline to/ from RGI Airport will be taken into consideration both for base month and applicable period. If above criteria as cited in the above table is not achieved in any month during the applicable three-year period, KPP for these months will be nil.

vii. An airline shall be eligible for KPP Year when they achieve, in any calendar month, the above criteria of departure growth and international route connectivity targets for that year, compared to the based on average of last two IATA seasons.

viii. Any applicable airline can avail this KPP benefit only once in CP IV.

ix. 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.

x. Airlines once enrolled in the KPP scheme will continue benefiting until the expiration of their respective scheme. Airlines already benefiting from a particular scheme cannot switch to the new VTP/KPP for the same operation.

c. VTP for Incremental Domestic Flights

Target Parameters	VTP Domestic		
	Category 1	Category 2	Category 3
Additional Annual departure flights	5,500	8,200	11,000
Annual Seats Addition	20,00,000	30,00,000	40,00,000

Target Parameters	VTP Domestic		
	Category 1	Category 2	Category 3
Landing charge per incremental domestic flight	0.80*RR	0.70*RR	0.60*RR

RR = Rack Rate

Terms and Conditions:

i. Airlines shall become eligible for the applicable Category (1 or 2 or 3) only upon achieving both the above annual incremental departure flight and annual incremental seat capacity criteria under each Category, compared against the baseline average of the last two IATA seasons at RGI Airport.

ii. Categories mentioned above cannot be clubbed together during an annual assessment year.

iii. An Airline shall qualify for the applicable VTP upon achievement and verification of the above yearly incremental seat and departure thresholds.

iv. Multiple airlines may avail this VTP concurrently during the applicable period.

v. The VTP shall apply only to incremental domestic scheduled passenger departure flights operated from RGI Airport.

vi. Above VTP mentioned, shall be applicable on a yearly basis up to 31st March 2029. Airlines shall be eligible to avail the VTP for that year upon achievement of the Category-wise annual incremental seat capacity and departure flight criteria.

vii. If an Airline fails to meet the criteria during any VTP Year, the benefit shall be suspended for that year, and all flights shall be charged at full Rack Rate. The benefit shall resume upon re-achievement of the required annual thresholds.

viii. Airlines enrolled under this VTP shall continue under the same scheme for the full validity period. Airlines already availing benefits for the same operations under any other scheme shall not be eligible to switch during the applicable period.

d. Variable Tariff Plan (VTP) for New Unserved Routes (Cargo Flights):

VTP for Cargo Airlines			
Landing Charges	**Year 1**	**Year 2**	**Year 3**
New International Freighter or New Route	0.00*RR	0.00*RR	0.25*RR
New Domestic Freighter or New Route	0.10*RR	0.15*RR	0.20*RR
Non-Scheduled Cargo Freighter	0.50*RR		

RR = Rack Rate

Terms and Conditions:

i. Above VTP shall be provided to freighter introduced to a new route(s); strictly defined as routes which have remained unserved from Hyderabad Airport by any freighter (unserved by the qualifying freighter for the previous six months).

ii. The VTP shall apply to freighter aircraft operating scheduled or non-scheduled cargo flights on the eligible route as per above criteria.

iii. Scheduled or Non-Scheduled Cargo airlines should operate a minimum of 16 weeks of operations within every 6 months to qualify for the VTP.

iv. Non-Scheduled Freighter Operations shall mean cargo flight operations conducted by an airline, not forming part of a published schedule, and operated for commercial carriage of cargo to/from designated destinations.

v. Scheduled or Non-Scheduled Freighter Operations are dedicated air cargo services operated by an airline between designated origin and destination points, either under a published schedule or approved non-scheduled arrangements, on a regular, continuous, and systematic basis for commercial cargo transportation.

vi. Freighter airlines already benefitting from a particular VTP cannot switch to the new VTP for the same operations.

vii. 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.

Other General Terms and Conditions to be eligible for the VTP:

a. The above KPP shall be applicable only if the scheduled airline operator and GHIAL are entered into a formal Airport Charges Agreement (ACA) and applicable from the date of signing of the formal ACA. However, Agreement shall be fair, transparent and non-discriminatory, consistent with applicable law and relevant ICAO principles on airport charges.

b. Scheduled passenger airlines should operate a minimum of 16 weeks of operations within every 6 months to qualify for the VTP or KPP.

c. The payment of landing charges should be done in full without any deductions, as per the invoicing by GHIAL. The settlement shall be provided in the form of a 'Credit Note' after completion of 12 months of operation at RGI Airport.

d. VTP plan will be applicable to qualifying airline subject to fulfilling the criteria as detailed above, else the rate as per Annexure I will be applicable.

e. The benefit under VTP shall not extend beyond March 31, 2031, and shall be subject to such determination as the Authority may make for the Fifth Control Period.

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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/capitalization 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. 15/2026-27.

(Signature)

Name:

Designation: Chief Executive Officer

Place: _____

Date: _____

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ANNEXURE- III

GENERAL CAPEX

GHIAL's submission on General Capex for the Fourth Control Period

Table 362: Details of General Capex submitted by GHIAL

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
1	Terminal Operations	4 elevators and void filling	Structural modifications and support works for revised immigration processing requirements, including relocation of lifts, toilets, e-gates and void filling to support expanded BOI counters.	3.1	-	-	-	-	3.1
2	Terminal Operations	Arrival BOI works	Works required to increase immigration counters from the earlier plan to 68 counters, including relocation of services, counters, offices, e-gates, flap gates and BOI/Special Bureau facilities.	13.8	-	-	-	-	13.8
3	Terminal Operations	Counters / Glass works / Project work / Infrastructure Enhancement	Essential glass works, infrastructure enhancement and counter installation works.	-	-	-	4.0	4.0	8.0
4	Terminal Operations	Mass Lift at forecourt	Installation of three elevators in forecourt area to support projected passenger traffic above 40 MPPA and improve passenger movement with baggage trolleys.	5.0	3.0	2.0	-	-	10.0
5	Terminal Operations	Procurement of Baggage Trolleys	Additional baggage trolleys proposed due to passenger growth and upcoming new terminal requirements to	1.4	1.5	1.6	1.7	1.9	8.1

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
			improve baggage handling and passenger convenience.						
6	Terminal Operations	Theme Seating at Boarding Gates	Facelift and redevelopment of boarding gate seating areas with improved ambience, utilities, horticulture, charging points and enhanced passenger experience.	10.0	-	-	-	-	10.0
7	Terminal Operations	Others below ₹5 crore	Other sustenance capex under Terminal Operations.	25.3	4.4	6.3	4.4	1.4	41.8
	Terminal Operations Total			**58.6**	**8.9**	**9.9**	**10.2**	**7.2**	**94.8**
8	Security and Vigilance	02 Body Scanners for 01 ATR	Supply, installation, testing and commissioning of two full-body scanners with associated civil, electrical and IT works for ATR security screening.	11.8	-	-	-	-	11.8
9	Security and Vigilance	ASTI for CISF at Complex	Establishment of Advanced Security Training Institute for CISF personnel for advanced aviation security training, threat detection and emergency response.	-	5.6	-	-	-	5.6
10	Security and Vigilance	ATRS Machines for X-BIS / CTX	Procurement of four ATRS machines for PESC area to improve security screening speed, tray handling and screening efficiency.	10.0	-	-	-	-	10.0
11	Security and Vigilance	Body Scanners for PESC Area	Procurement of body scanners for CTX machines in Terminal PESC area in phased manner as per	24.9	24.9	33.2	41.5	41.5	166.0

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
			BCAS requirements.						
12	Security and Vigilance	Construction of Dog Kennel for CISF Dog Squad	Construction of dedicated kennels and support facilities for CISF K9 units, including handler training and integration into high-risk airport zones.	-	6.4	-	-	-	6.4
13	Security and Vigilance	CTX Machine for PESC Area	Replacement of existing X-BIS units with CT hand baggage screening machines in a phased manner for BCAS compliance and improved threat detection.	24.0	24.0	24.0	24.0	24.0	120.0
14	Security and Vigilance	ETD Machines	Explosive detection systems and related screening equipment to comply with BCAS requirements and enhance threat detection.	1.6	-	1.6	-	2.6	5.8
15	Security and Vigilance	Expansion of Gate Houses and CCC & LCC	Establishment of Local Command Centre and Command Control Centre with CCTV, communication, IT, electrical, plumbing and utility infrastructure.	5.6	-	-	-	-	5.6
16	Security and Vigilance	Gate House 2 Expansion	Expansion of Gate House 2 and construction of staff processing building with frisking booths, screening, security offices and supporting facilities.	-	6.4	-	-	-	6.4
17	Security and Vigilance	RDE – Radiological Detection Equipment	Installation of radiological detection equipment at security entry / exit points as mandated	8.4	-	-	-	-	8.4

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
			by BCAS Circular No. 08/2024.						
18	Security and Vigilance	Others below ₹5 crore	Other sustenance capex under Security and Vigilance.	38.4	3.3	1.7	1.7	0.6	45.8
	Security and Vigilance Total			**124.7**	**70.6**	**60.5**	**67.2**	**68.7**	**391.8**
19	Project, Engineering & Maintenance	Aged Cable Replacement for HT/LT Distribution Network	Replacement of aging HT/LT power cables to improve reliability, reduce joint failures and ensure uninterrupted operations.	-	14.0	-	-	-	14.0
20	Project, Engineering & Maintenance	BIM 3D Modelling / LiDAR Survey	3D LiDAR and photogrammetry survey of existing terminal to integrate old terminal into BIM / digital twin framework.	6.6	-	-	-	-	6.6
21	Project, Engineering & Maintenance	Airfield Pavement Refurbishment at Aircraft Holding Points	Conversion of flexible pavements to rigid pavements at intermediate holding positions to reduce pavement distress.	-	10.0	-	-	-	10.0
22	Project, Engineering & Maintenance	Perimeter Road	Assessment and refurbishment of damaged sections of perimeter road constructed in 2007 to improve safety and pavement life.	-	-	-	-	36.3	36.3
23	Project, Engineering & Maintenance	Power Management System for Existing Power Distribution	SITC of power management system for existing airport power distribution and integration with expanded facility systems.	8.0	-	-	-	-	8.0
24	Project, Engineering & Maintenance	UPS Battery Replacement	Phased replacement of UPS batteries to ensure uninterrupted operations during upstream power failure.	2.0	2.0	2.0	2.0	1.0	9.0

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
25	Project, Engineering & Maintenance	EV Charging – Substation, North East Apron	Infrastructure to support transition of airside GSE / GSV from fossil fuel to electric vehicles in line with sustainability directives.	10.0	-	-	-	-	10.0
26	Project, Engineering & Maintenance	PCA for 10 Contact Stands	Installation of Pre-Conditioned Air systems at 10 aerobridges to reduce APU use, emissions and noise.	4.9	-	-	-	-	4.9
27	Project, Engineering & Maintenance	Replacement of 18 FEGP Units	Procurement of GPU and PCA units mounted on trolleys for remote stands to reduce APU usage and emissions.	4.8	4.8	-	-	-	9.6
28	Project, Engineering & Maintenance	Recarpeting of PTB Car Park Flexible Pavement	BT recarpeting of ramps, car park and PTC areas due to aging of roads.	-	-	-	5.0	-	5.0
29	Project, Engineering & Maintenance	Refurbishment of Old Ramp – Arrivals & Departures	Structural and surface improvements to arrival and departure ramps to improve safety, accessibility and passenger experience.	-	-	-	4.6	-	4.6
30	Project, Engineering & Maintenance	Additional Works in New CNS ATM Building	Layout changes, false flooring, HVAC upgrades, service rerouting and electrical infrastructure upgrades for CNS/ATM operations.	7.3	-	-	-	-	7.3
31	Project, Engineering & Maintenance	Alternate Second Radar	Additional PSR/MSSR radar as per AAI policy for high-density traffic airports and future traffic growth.	-	-	-	20.0	-	20.0
32	Project, Engineering & Maintenance	Contingency for Regulatory Mandates & Compliance	Contingency framework for timely implementation of emerging	0.9	1.0	1.0	1.1	0.8	4.8

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
			regulatory and compliance requirements.						
33	Project, Engineering & Maintenance	Mechanical Runway Sweeper – Replacement	Replacement of two old runway sweepers to ensure uninterrupted runway maintenance and safe flight operations.	3.5	-	-	-	3.5	7.0
34	Project, Engineering & Maintenance	New ILS Building for Main Runway 09R/27L	Site preparation and infrastructure for ILS localizer and glide path systems for main runway.	4.0	-	-	-	1.5	5.5
35	Project, Engineering & Maintenance	RADAR Building Relocation	Relocation and infrastructure for new ASR/MSSR radar system to replace aged radar and remove development constraints.	17.9	-	-	-	-	17.9
36	Project, Engineering & Maintenance	Rubber Removal Machine – Replacement	Procurement of new rubber removal vehicle for runway friction compliance and readiness for dual-runway operations.	-	7.6	-	-	-	7.6
37	Project, Engineering & Maintenance	Smart VDGS	Implementation of smart visual docking guidance system using 3D LiDAR, cameras and AI to improve aircraft docking safety.	4.2	4.2	-	-	-	8.4
38	Project, Engineering & Maintenance	Integrated Waste Management Enhancement / Expansion	Enhancement of integrated waste management facility with automated waste converters, internal roads and electrical upgrades.	3.0	-	-	-	5.0	8.0
39	Project, Engineering & Maintenance	Landside CCTV Surveillance and Automated Challan System	Deployment of high-resolution 5G-enabled CCTV cameras and automated challan system for landside security and traffic regulation.	6.0	6.0	-	-	-	12.0

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
40	Project, Engineering & Maintenance	Landside Signages	Directional gantry signage across Main Access Road and East-West Sector Road to improve wayfinding and safety.	2.4	4.0	-	-	-	6.4
41	Project, Engineering & Maintenance	Landside Utilities Trenches	Underground trenching for electrical, communication, drainage and other utilities across landside areas.	3.2	3.8	-	-	-	7.0
42	Project, Engineering & Maintenance	New Central Stores with Scrap Yard	Construction of new central store and scrap yard due to planned demolition of existing facilities under master plan.	-	14.1	-	-	-	14.1
43	Project, Engineering & Maintenance	Cargo Village Roads	Development of internal and external cargo village road infrastructure to support logistics, multimodal movement and safety.	12.0	-	-	-	-	12.0
44	Project, Engineering & Maintenance	Others below ₹5 crore	Other sustenance capex under Project, Engineering & Maintenance.	75.2	27.6	4.4	23.5	2.6	133.4
	Project, Engineering & Maintenance Total			**175.9**	**99.0**	**7.5**	**56.3**	**50.8**	**389.5**
45	Strategic Initiatives	Commercial Refresh	Replacement / relocation of non-performing commercial outlets and optimisation of zoning to improve non-aero revenue.	5.0	-	5.0	-	-	10.0
46	Strategic Initiatives	R2 Reservoir Development	Development of recreational zone near water body with food court, land-based activities, bar & lounge, wellness centre and events.	-	10.0	-	-	-	10.0

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
47	Strategic Initiatives	RLCC Upgradation	Deployment of AI cameras and dashboard for revenue leakage monitoring across retail stores.	4.7	-	0.4	-	-	5.1
48	Strategic Initiatives	Shell & Core Modification for Older Terminal Portion	Development of luxury, F&B, pop-up and aero plaza zones to enhance commercial offerings and passenger experience.	15.0	-	-	-	-	15.0
49	Strategic Initiatives	New Buses for Free Shuttle from PTC to PTB and EV Charger Civil Work	Procurement of two shuttle buses and civil works for EV charging to improve landside passenger mobility.	2.7	-	-	2.7	2.7	8.1
50	Strategic Initiatives	Experience Centre – Physical and Digital Infrastructure	Development of GMR Experience Centre with immersive exhibits, storytelling and digital infrastructure for stakeholder engagement.	10.0	-	-	-	-	10.0
51	Strategic Initiatives	Master Planning and Preliminary Design	Master planning and preliminary engineering for future northern precinct, terminal, runway, airside and utility infrastructure.	30.0	-	-	-	-	30.0
52	Strategic Initiatives	Others below ₹5 crore	Other sustenance capex under Strategic Initiatives.	35.8	5.1	1.0	1.2	0.1	43.3
	Strategic Initiatives Total			**103.2**	**15.1**	**6.4**	**3.9**	**2.8**	**131.5**
53	Landscape	Landscape Development along Expanded Main Access Road	Landscape development along expanded Main Access Road with native greenery and passenger-friendly pathways.	-	20.0	-	-	-	20.0
54	Landscape	Landscape Development at Either Side of Sector Roads	Landscaping along both sides of East-West and North-South sector roads to improve	-	-	-	-	5.6	5.6

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
			aesthetics and green infrastructure.						
55	Landscape	Others below ₹5 crore	Other sustenance capex under Landscape.	13.5	2.7	2.8	8.6	0.2	27.8
	Landscape Total			**13.5**	**22.7**	**2.8**	**8.6**	**5.9**	**53.4**
56	IT	5G Implementation	Private 5G network implementation for secure, high-speed, low-latency airport operations using IoT, drones and wireless devices.	3.0	4.0	4.0	4.0	-	15.0
57	IT	All POCs	Proof-of-concept initiatives such as autonomous buggies, wheelchairs, food delivery bots, digital avatars and AR/VR safety training.	0.8	1.0	0.8	0.8	1.6	5.0
58	IT	Baggage Tracking System for Passengers	Real-time passenger baggage tracking system to improve visibility and reduce baggage-related queries.	0.4	4.4	0.4	0.4	0.4	6.0
59	IT	Feedback Kiosks	Design and implementation of smart feedback kiosks across airport zones for real-time passenger feedback.	1.2	1.1	0.4	0.4	2.4	5.5
60	IT	E-Gates for DigiYatra at Boarding Gates	E-gates at boarding gates to support secure self-boarding, passenger reconciliation and reduced manual intervention.	2.5	5.0	6.2	-	-	13.7
61	IT	Enterprise IT Capex	Refresh of servers, storage, networks and infrastructure technology for improved performance, security and continuity.	6.0	6.0	6.0	6.0	6.0	30.0

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
62	IT	FRS Based SBD, Check-in and CUSS	Facial recognition integration with Self Bag Drop, check-in and CUSS machines under DigiYatra.	2.1	-	3.2	-	0.0	5.3
63	IT	IT Requirements from All Departments	Centralised provisioning of software licences, AV systems and IT resources required by various departments.	2.0	2.0	2.0	2.0	2.0	10.0
64	IT	Replacement of Old Desktops and Laptops	Replacement of outdated desktops and laptops with new high-performance systems.	5.0	-	-	-	5.0	10.0
65	IT	Replacement of UHF / TETRA Radios for Operations	Replacement of 200 old radios and handheld communication devices to improve operational communication reliability.	1.0	2.2	1.0	1.0	1.5	6.7
66	IT	Replacement of SD VC Equipment with HD VC Equipment	Replacement of old SD video conferencing systems with HD equipment for improved communication.	0.8	1.4	0.4	0.4	2.4	5.4
67	IT	SAP Software Upgradation	Migration from SAP 6.10 to SAP HANA 4.0 for improved speed, scalability, real-time processing and analytics.	1.0	7.0	7.0	8.0	-	23.0
68	IT	Smart Airside	Tracking systems for airside assets and vehicles to improve turnaround, asset utilisation and safety.	3.0	2.6	-	-	-	5.6
69	IT	Smart Wash Rooms	IoT-enabled washroom monitoring for occupancy, supplies, air quality, predictive cleaning and	3.8	0.4	0.4	0.4	-	5.0

S. No.	Category	Project	Project Description / Justification	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
			touchless interaction.						
70	IT	Lab / CoE / R&D	Establishment of Centre of Excellence, labs and R&D ecosystem for innovation and emerging technology deployment.	1.4	1.4	1.4	-	-	4.3
71	IT	Others below ₹5 crore	Other sustenance capex under IT.	13.7	12.7	8.0	5.2	6.9	46.5
	IT Total			**47.8**	**51.1**	**41.2**	**28.6**	**28.2**	**197.0**
72	ARFF	Aircraft Crash Fire Tender – ACFT	Phased replacement of aircraft crash fire tenders procured in 2008 after extended service life to maintain fire protection category.	23.3	-	12.9	-	-	36.2
73	ARFF	Others below ₹5 crore	Other sustenance capex under ARFF.	5.8	0.5	1.2	0.3	0.2	8.0
	ARFF Total			**29.1**	**0.5**	**14.0**	**0.3**	**0.2**	**44.2**
	Grand Total			**552.9**	**268.0**	**142.4**	**175.1**	**163.8**	**1,302.3**

सत्यमेव जयते
भा.वि.आ.वि.प्रा.
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APPENDIX-I

Capex Evaluation Report submitted by M/s RITES Limited for the Fourth Control Period

सत्यमेव जयते

भा.वि.आ.वि.प्रा.

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